



# DISCOVERY

## INTEGRATED ANNUAL REPORT

for the year ended 30 June 2022





# CONTENTS



## NAVIGATING OUR REPORT

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



In this report



Back



Previous page



Next page

 CLICKABLE POINTS OF INTEREST

 This icon refers to more information in *this report*

THESE ICONS REFER TO MORE DETAIL IN OUR RESPECTIVE REPORTS

## ENGAGING WITH OUR STAKEHOLDERS

Our Integrated Annual Report is supported by additional reports to ensure we provide our stakeholders with a detailed and holistic overview of the Group, and its prospects and performance. **These reports can be accessed on our website.**

**Discovery is a global, integrated financial services organisation that uses a pioneering Shared-value Insurance model across businesses to achieve our core purpose of making people healthier and enhancing and protecting their lives.**

## NAVIGATING AND CONNECTING OUR VALUE CREATION STORY

This report details how Discovery creates value through its unique business model. Our approach is informed by integrated thinking. The icons below are used throughout this report to highlight this thinking and demonstrate the connectivity of the resources and relationships we rely on to create and preserve value for our stakeholders.

### OUR RESOURCES AND RELATIONSHIPS (CAPITALS)



FINANCIAL CAPITAL



PEOPLE



DATA AND INNOVATION



TECHNOLOGY AND DIGITAL ASSETS



RELATIONSHIPS



ENVIRONMENTAL RESOURCES

Throughout the report, we use the following icons to indicate the elements of our business model in terms of the Integrated Reporting Framework:



Inputs



Activities



Outputs



Outcomes

### THE MATERIAL THEMES THAT GUIDE OUR INTEGRATED REPORTING



Expand and strengthen our social impact



Empower our people



Ensure ethical governance and leadership



Ensure long-term financial sustainability



Advance our disruptive Shared-value Insurance model



Operate within a volatile socio-economic environment



Leverage and manage technology and innovation



Strengthen our environmental stewardship

Safeguard and enhance our trusted brand

### OUR STAKEHOLDER GROUPS

Government and regulators



Employees



Providers of capital



Clients



Healthcare providers



Business partners



Society





# ABOUT THIS REPORT

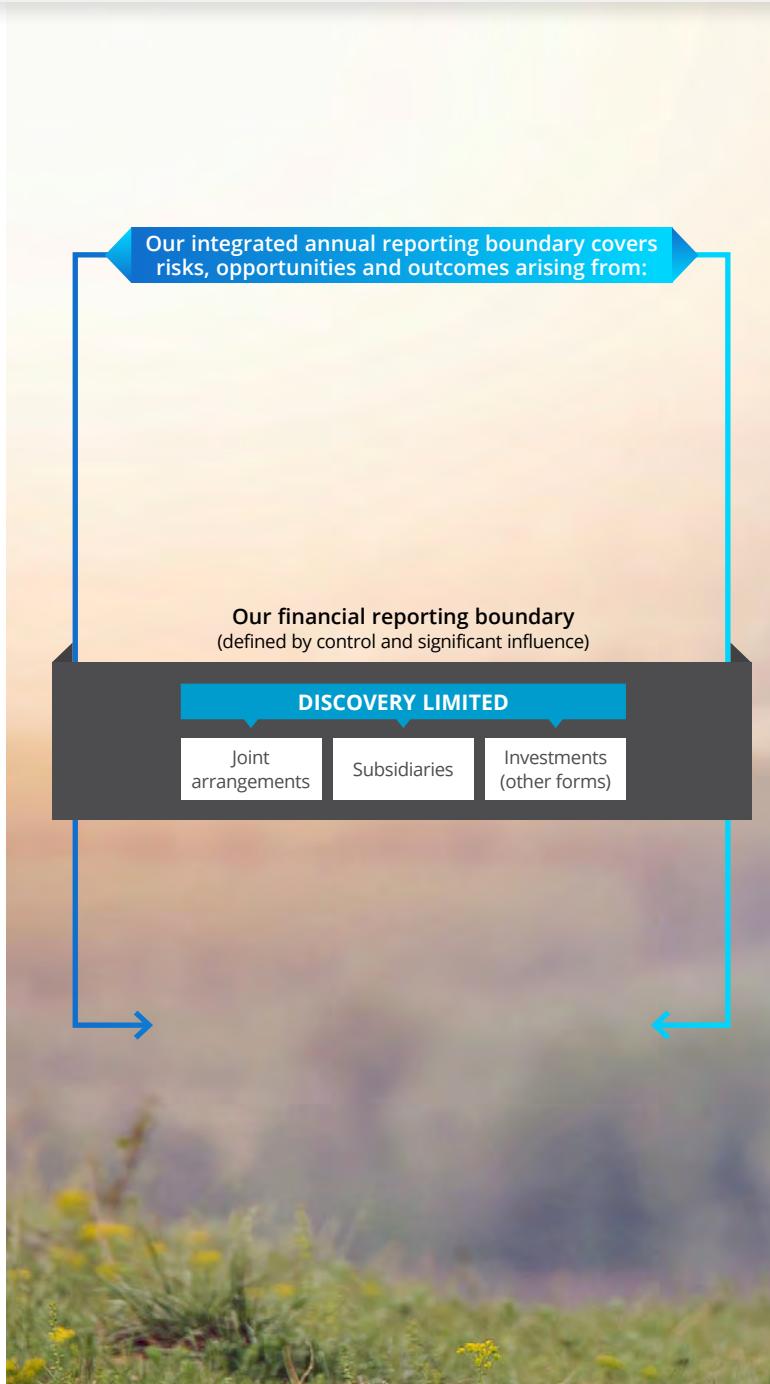
Our 2022 Integrated Annual Report details how we created, preserved or eroded value for our providers of financial capital, shareholders and other stakeholder groups during the year. We further share our progress against our strategic objectives, considering our material matters, which are informed by our external environment, risks and opportunities and our stakeholder concerns.

## INTEGRATED THINKING

Integrated thinking is embodied in our core purpose of making people healthier and enhancing and protecting their lives. As we strive to transform the global financial services industry, we identify, execute and measure our strategic decisions to create sustainable value for our stakeholders. In doing so, we consider how our decisions affect the resources and relationships we rely on and, in turn, how these impact our business.

## REPORTING SCOPE AND BOUNDARY

This Integrated Annual Report provides a comprehensive view of Discovery Limited (hereafter referred to as Discovery or the Group) from 1 July 2021 to 30 June 2022 (FY2022). 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, Vitality UK and Vitality Global (formerly called Vitality Group).



## REPORTING FRAMEWORKS

In preparing our Integrated Annual Report, we were guided by the principles and requirements as set out in the:

- ➔ Integrated Reporting Framework
- ➔ JSE Limited (JSE) Listings Requirements and JSE Debt Listings Requirements
- ➔ King Report on Corporate Governance for South Africa, 2016 (King IV™)\*
- ➔ Companies Act, No. 71 of 2008, as amended (Companies Act)
- ➔ International Financial Reporting Standards (IFRS)

\* Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

## MATERIALITY

Our material themes and matters guide the content of this report, as they could substantively impact our ability to create or preserve value for our stakeholders in the short (less than one year), medium (between one and three years) and long term (three years and beyond). Materiality further guides us in identifying matters that could erode value if not managed effectively. A detailed materiality determination process has identified nine material themes that were validated by the Group's Executive Committee and Board.

## FORWARD-LOOKING STATEMENTS

Certain forward-looking statements regarding the Group's future performance and prospects may be included in this Integrated Annual 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:

- **Annual Financial Statements:** joint external assurance by PwC and KPMG
- **Select sustainability information:** limited assurance by Nexia Levitt Kirson
- **Selected factual and quantitative financial and non-financial information throughout this report:** limited assurance by Group Internal Audit
- **Greenhouse gas (GHG) emissions inventory:** verification by Verify CO2

Based on these engagements, Group Internal Audit believes the quantitative information in this report accurately reflects the Group's performance for FY2022.

This report is the culmination of a Group-wide process led by the Group Finance 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.

WE WELCOME  
YOUR FEEDBACK ON  
OUR REPORTING SUITE.  
FOR COPIES OF THIS REPORT  
OR TO SUBMIT ANY  
COMMENTS, EMAIL



ASKTHECFO@DISCOVERY.CO.ZA

## 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 Integrated Reporting Framework. After reviewing this report, the Board believes it accurately and comprehensively explains how Discovery creates, preserves or erodes value for our stakeholders in the short, medium and long term. In doing so, our Board considered the Group's risks and opportunities, material matters and operating environment, and the impact thereof on Discovery's strategy, ambition and Shared-value Insurance model.

The Board unanimously approved the FY2022 Integrated Annual Report on 12 October 2022.

**MARK TUCKER**

*Independent Non-executive Chairperson*

**ADRIAN GORE**

*Group Chief Executive*





# GROUP OVERVIEW





# SNAPSHOT OF FY2022

TOTAL NEW BUSINESS API  
INCREASED BY  
**4%** to  
**R21 710 million**  
(FY2021: R20 783 million)\*  
(Including new closed schemes)



NORMALISED PROFIT FROM  
OPERATIONS INCREASED BY  
**45%** to  
**R9 384 million**  
(FY2021: R6 494 million)



CORE NEW BUSINESS INCREASED BY  
**6%** to  
**R21 710 million**  
(FY2021: R20 409 million)\*



NORMALISED HEADLINE EARNINGS  
PER SHARE (DILUTED) INCREASED BY  
**71%** to  
**877.3 cents**  
(FY2021: 512.9 cents)



NORMALISED HEADLINE EARNINGS  
INCREASED BY  
**71%** to  
**R5 816 million**  
(FY2021: R3 406 million)



OPERATIONAL IN  
**35 COUNTRIES**  
**Globally**  
(FY2020: 28)



WE IMPACT  
**39.7 million lives**  
**Globally**  
(FY2021: 41.3 million)\*

VITALITY1 PLATFORM EXPANDED TO  
**22 markets**  
**reaching 2.3 million members globally**  
(FY2021: 1.8 million members in 16 markets)

Maintained  
**Level 1 B-BBEE**



We continued to navigate  
the impact of COVID-19 by:



- monitoring trends and new variants
- ensuring adequacy of provisions in place
- contributing to the global research agenda
- driving the vaccination rollout in South Africa
- protecting our people

## OUTLOOK FOR FY2023

Looking ahead, we will focus on:

- Capitalising on growth opportunities despite the challenging macro environment
- Continuing to monitor the effect of interest rate and currency volatility in South Africa
- Building Amplify Health through development of key product propositions, technology infrastructure and governance-related frameworks and processes
- Continuing to drive the execution of market-specific strategies that support our businesses in response to challenging operating environments
- Laying the foundation for the Bank as the South African composite maker by driving integration through differentiated products and digital sophistication
- Authentically driving meaningful and positive impact towards environmental, social and governance outcomes

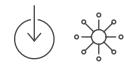
Discovery received the **Global Innovator Award and the Gold Product and Service Innovation Award** for our Discovery Hospital at Home offering at the 2022 Efma-Accenture Innovation in Insurance Awards



**AR** For more information on our performance, refer to our Group Chief Financial Officer's review on page 63 or our business reviews from page 73.



# WHO WE ARE



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

Discovery has leveraged fintech, actuarial and behavioural science for more than two decades to deliver on its core purpose –  
**To make people healthier and enhance and protect their lives.**



35 COUNTRIES  
with more in the pipeline



OVER  
13 450 people  
employed across the Group



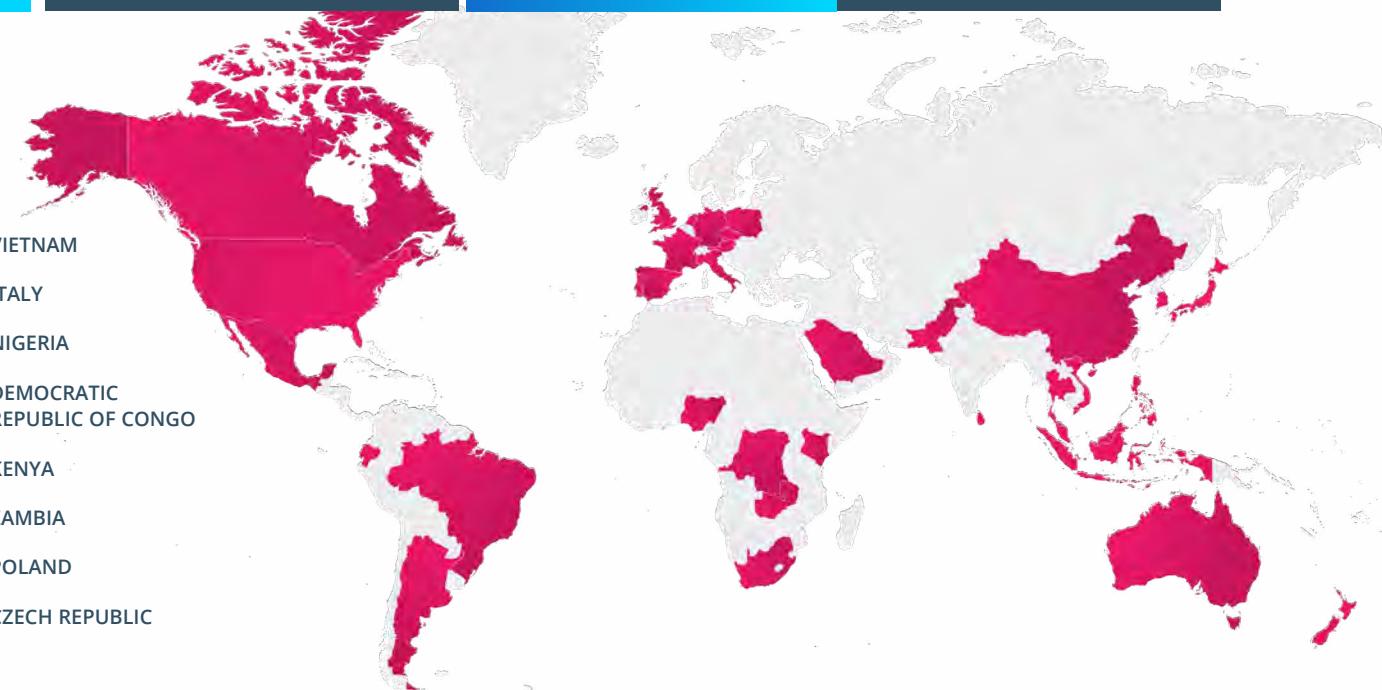
OVER  
39.7 million  
lives impacted globally



MARKET CAPITALISATION OF  
R86 billion

## THE COUNTRIES WE OPERATE IN

ARGENTINA	INDONESIA	SAUDI ARABIA
AUSTRALIA	JAPAN	SINGAPORE
AUSTRIA	MALAYSIA	SOUTH AFRICA
BRAZIL	MEXICO	SOUTH KOREA
CANADA	NETHERLANDS	SPAIN
CHINA	NEW ZEALAND	SRI LANKA
ECUADOR	PAKISTAN	THAILAND
FRANCE	PHILIPPINES	UNITED KINGDOM
GERMANY	PORTUGAL	USA





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 Insurance 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

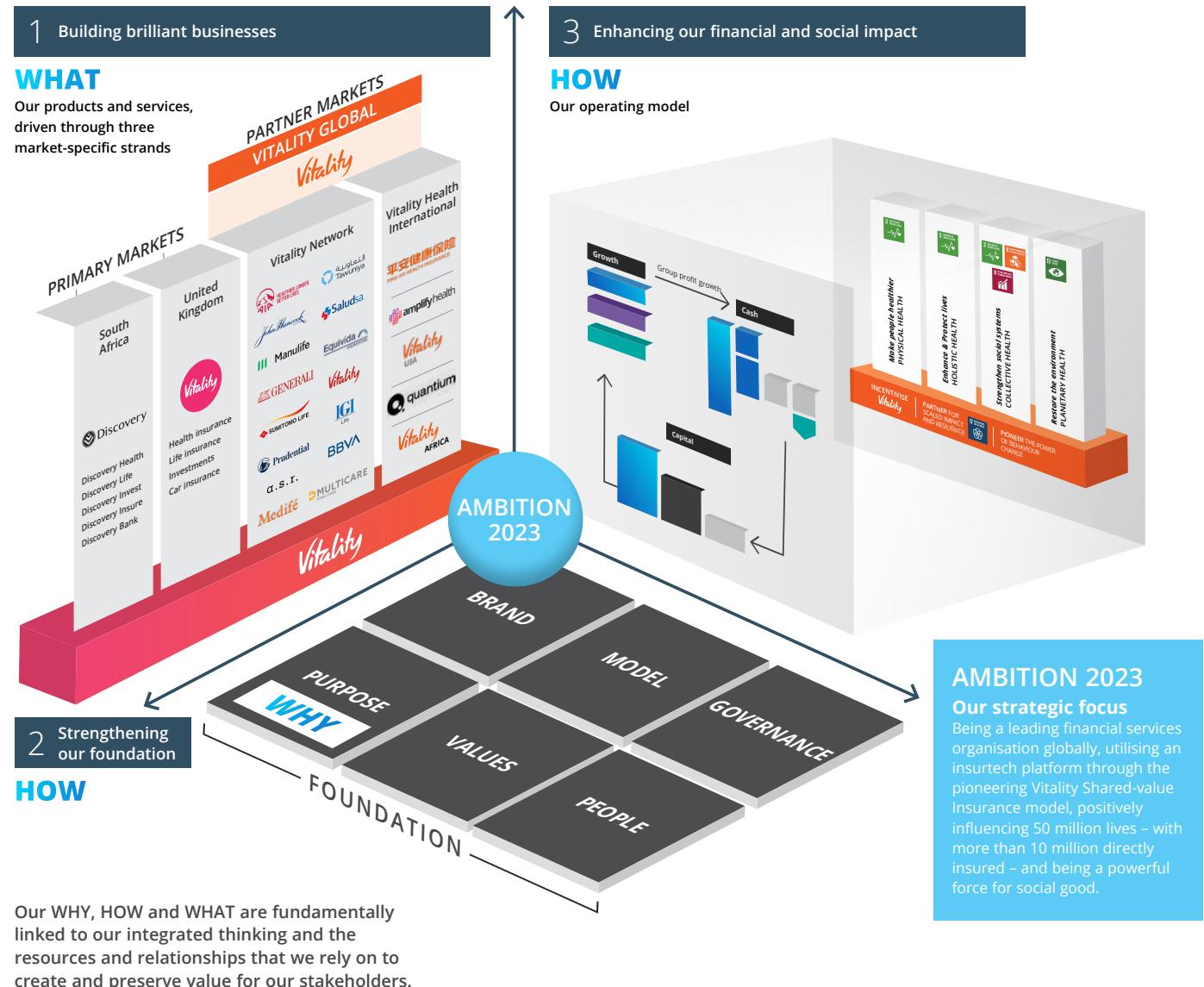
- ➔ Health insurance, administration and managed care of medical schemes
- ➔ Life insurance
- ➔ Short-term personal and commercial insurance
- ➔ Long-term savings and investments
- ➔ Banking
- ➔ Behaviour-change programmes

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



# WHAT WE DO

*We build market-leading businesses from the ground up by leveraging our disruptive Shared-value Insurance model. Our growth is organic, and our businesses have the potential to transform the industries in which we operate.*

Our shared-value approach is central to each business and remains scalable, repeatable and globally relevant. Our Vitality behavioural platform can be applied to any institutional capability, including banking, savings, health, life or other insurance in a Discovery-owned business or through our strategic partnerships.

**Within our primary and partner markets, we categorise our businesses as follows:**

## ESTABLISHED

Proven track record of being profitable for at least three years, and cash flow positive before investment in new business

## EMERGING

Achieved sufficient scale to be profitable currently or in the near future, but are not yet cash flow positive or material in terms of cash generation for the Group

## NEW

We target substantive investment of approximately 10% of earnings into new initiatives

We integrate our medium-term ambitions with short-term goals and drive our operating model through new business ventures or partnerships across **three market-specific strategic strands**. This is how we create value and differentiate ourselves.

### SOUTH AFRICA

Perfect composite model, number one in every industry, and Discovery Bank pivoting to growth as the composite-maker

#### DISCOVERY

- Health
- Life
- Invest
- Insure
- Bank

### UNITED KINGDOM

Best-in-breed products across businesses, operating as a fully integrated composite business with a seamless One Vitality client journey and a successful entry into motor insurance

#### VITALITY UK

- Health
- Life
- Invest

### OUR PRIMARY MARKETS

Our primary markets include South Africa – our home market – and the United Kingdom. In both these markets, we own and operate the financial services provider or insurer. This excludes Discovery Health Medical Scheme and closed medical schemes, of which we are the administrator.

### VITALITY GLOBAL

Leading wellness and healthcare platform that provides preeminent life and health insurers globally with our Vitality shared-value and health management capabilities to assist them in making their clients healthier, while ensuring their products are more competitive with better margins

### LONG-TERM STRATEGIC OBJECTIVES

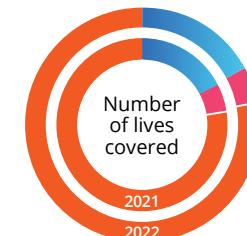
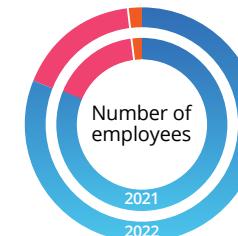
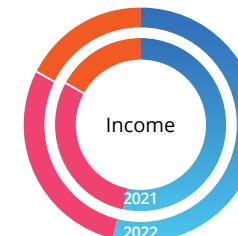
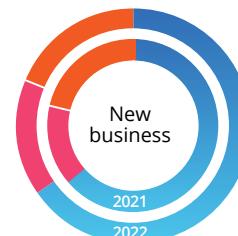
### Vitality

#### Vitality Global

#### Ping An Health Insurance (PAH)

### OUR PARTNER MARKETS

Vitality Global manages our expansion beyond our primary markets through Vitality Network and Vitality Health International (including PAH). In these markets, our Vitality Shared-value Insurance model and behaviour-change platform are implemented through partnerships and joint ventures with global insurers to support their business objectives.



● South Africa

● United Kingdom

● Global Markets



# WHAT WE OFFER

*Our businesses seek to disrupt and transform financial services across the globe. To achieve this, we maintain a founder's mindset, regardless of our scale. We aim to create a compelling value proposition for clients through products that are innovative and can deal with complex issues.*



## Discovery

### South Africa

#### DISCOVERY HEALTH

Discovery Health is South Africa's leading medical scheme administrator and managed care provider, providing access to high-quality and affordable healthcare to more than 3.7 million lives. We manage 39% of the total membership of South African medical schemes, including Discovery Health Medical Scheme – the country's largest open medical scheme – which represents 57.6% of open medical scheme membership. In addition, we manage 18 restricted medical schemes on behalf of leading corporate clients, with a combined membership of over 704 000 lives. Discovery Health also offers non-medical scheme-related products such as Gap Cover for unexpected medical costs, Flexicare – which provides quality, affordable access to primary healthcare for employees unable to access medical scheme benefits – and Healthy Company, Discovery's employee assistance programme.

#### DISCOVERY LIFE

Discovery Life provides risk protection to individual and business clients through comprehensive life, capital disability, income protection, severe illness and funeral cover. Discovery Life maintained its leading new business position in the intermediated retail-affluent South African protection market, with a share of 30.2% – more than double that of the business's nearest competitor.

#### DISCOVERY INVEST

Discovery Invest offers a comprehensive and flexible range of local and offshore investment plans to help clients achieve their short-, medium- and long-term investment goals. Our offering extends to corporate clients through our Umbrella Fund business, providing substantial incentives for long-term investing at an attractive price point. Discovery Invest is the fastest-growing active fund management retail investment provider in South Africa, with assets under administration of R122 billion.

#### DISCOVERY INSURE

Discovery Insure offers flexible, innovative and comprehensive car, home and business insurance, providing protection from modern and emerging insurance risks. The business covers over 296 000 cars and over R439 billion in personal insured assets. With increasing partnerships, Discovery Insure continues to grow its footprint and impact in creating better drivers.

#### DISCOVERY BANK

Discovery Bank is a digital retail bank offering a range of products that can be managed through the Discovery Bank app and website. These products include transaction accounts with an optional overdraft facility, for day-to-day banking; a standalone credit card account; a full banking suite; demand, tax-free, notice and fixed-deposit savings and investment accounts; and multi-currency accounts.

### United Kingdom

#### VITALITYHEALTH

VitalityHealth specialises in private medical insurance (PMI), providing a unique and comprehensive health and wellbeing solution to individuals, corporates and small and medium-sized businesses in the United Kingdom (UK), either directly or through financial advisers. VitalityHealth has a c.12.4% share of the PMI market in the UK.

#### VITALITYLIFE

VitalityLife provides long-term life, serious illness and income protection cover to individuals. VitalityLife is a top 5 market leader in the UK for protection business in the independent financial adviser market.

#### VITALITYINVEST

VitalityInvest provides long-term savings and investment products to clients. The Group has decided to exit the UK investment market given the structural change in market conditions mainly driven by significant margin compression.

#### VITALITYCAR

Vitality UK entered the car insurance market in June 2021 with VitalityCar. VitalityCar is a capital light joint venture with Covéa Insurance which provides the regulatory capital and insurance license for the venture.

### Vitality Global

Vitality Global has two distinct business units: Vitality Network and Vitality Health International. Vitality Network operates by licensing the Vitality programme and related expertise, data and technology to some of the largest global insurance brands. Vitality Health International leverages both Discovery Health and Discovery Vitality's IP to create strategic partnerships through equity holdings in health insurance and health technology and solutions businesses.

Vitality Health International offers health insurance in Africa through a wholly owned subsidiary and in China through Ping An Health Insurance. In healthtech and solutions, Vitality Health International owns 25% of Amplify Health (a joint venture with AIA), and 100% of Vitality Global US.

#### Ping An Health Insurance

#### 中国平安 PING AN

Ping An Health Insurance, in which Discovery has a 25% equity stake, is a specialist health insurance company in China, forming part of the Ping An Group. The business aims to make people healthier by providing a range of comprehensive health insurance solutions to individual and corporate clients, including medical and accident insurance, wellness management and medical services. Ping An Health Insurance offers a medical network that gives clients access to expert medical assistance both locally and internationally.



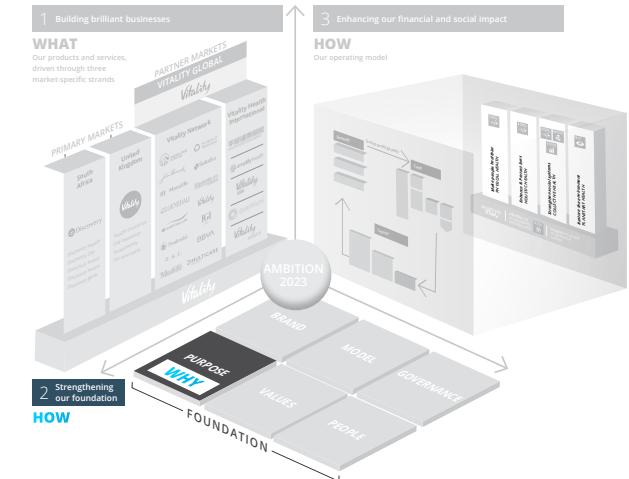
The Group's products are distributed through various channels, including independent financial advisers, tied agents and advisers as well as direct distribution channels operating through call centres. Through diversification, the Group ensures that it is not dependent on any single type of distribution channel.

All our businesses and partnerships apply the Group's Shared-value Insurance model. The assets developed through the model – including reward partnerships, health-promotion programmes, data and other product and brand assets – are centralised in the Global Vitality Network (GVN). The GVN supports Discovery's broader business strategy by increasing opportunities for integration, brand awareness and advocacy, research and growth.



# WHY WE ARE IN BUSINESS

Our *WHY* has proven profound in its relevance, especially over the past year. Underscored by our core purpose – **to make people healthier and enhance and protect their lives** – we build businesses at the intersection of three key global trends, which were accelerated by COVID-19 – the nature of risk, technology and social responsibility – that emphasise the increasing relevance of our Shared-value Insurance model.



## BEHAVIOURS THAT CONTRIBUTE TO RISK

To make people healthier and enhance and protect their lives, we must look at what compromises their health, wealth and safety, as well as the context we operate in. Our Shared-value Insurance model delivers better health and value for clients, superior actuarial dynamics for the insurer, and a healthier society. Key to our ability to deliver on our model is a deep understanding of the causes of the shift in the nature of risk.

### LIFE AND HEALTH

#### 4 LIFESTYLE BEHAVIOURS

- ➔ Poor diet
- ➔ Physical inactivity
- ➔ Tobacco use
- ➔ Excessive alcohol intake

#### 4 CHRONIC CONDITIONS

- ➔ Cardiovascular disease
- ➔ Diabetes
- ➔ Chronic lung disease
- ➔ Various cancers

**Responsible for  
60%  
of all deaths worldwide**

*World Health Organization and  
Global Burden of Disease.*

### RETIREMENT

#### 3 INVESTMENT BEHAVIOURS

- ➔ Insufficient contribution levels
- ➔ Inadequate investment terms
- ➔ Irresponsible withdrawals in retirement

#### 3 CONDITIONS

- ➔ Insufficient retirement income
- ➔ Intergenerational debt
- ➔ Dependency on state

**Responsible for  
90%  
of South Africans having  
inadequate retirement funding**

*South African National Treasury.*

### FINANCIAL RESILIENCE

#### 5 FINANCIAL BEHAVIOURS

- ➔ Corrosive consumption
- ➔ Lack of financial protection
- ➔ Not saving for emergencies
- ➔ Excess secured debt
- ➔ Low retirement savings

#### 3 CONDITIONS

- ➔ Unsustainable amounts of debt
- ➔ Inability to deal with unplanned expenses
- ➔ Not being protected in retirement

**Responsible for  
80%  
of credit defaults and  
retirement shortfalls in  
South Africa**

*Journal of Economics and Finance  
and other sources.*

### ACCIDENT

#### 5 DRIVING BEHAVIOURS

- ➔ Excessive drinking
- ➔ Cellphone use while driving
- ➔ Excessive speeding
- ➔ Harsh braking
- ➔ Tailgating

#### 3 DRIVING CONDITIONS

- ➔ Aggressive driving
- ➔ Driver distraction
- ➔ Loss of vehicle control

**Responsible for  
60%  
of all deaths worldwide**

*Road Traffic Management  
Corporation and US Department  
of Transportation.*

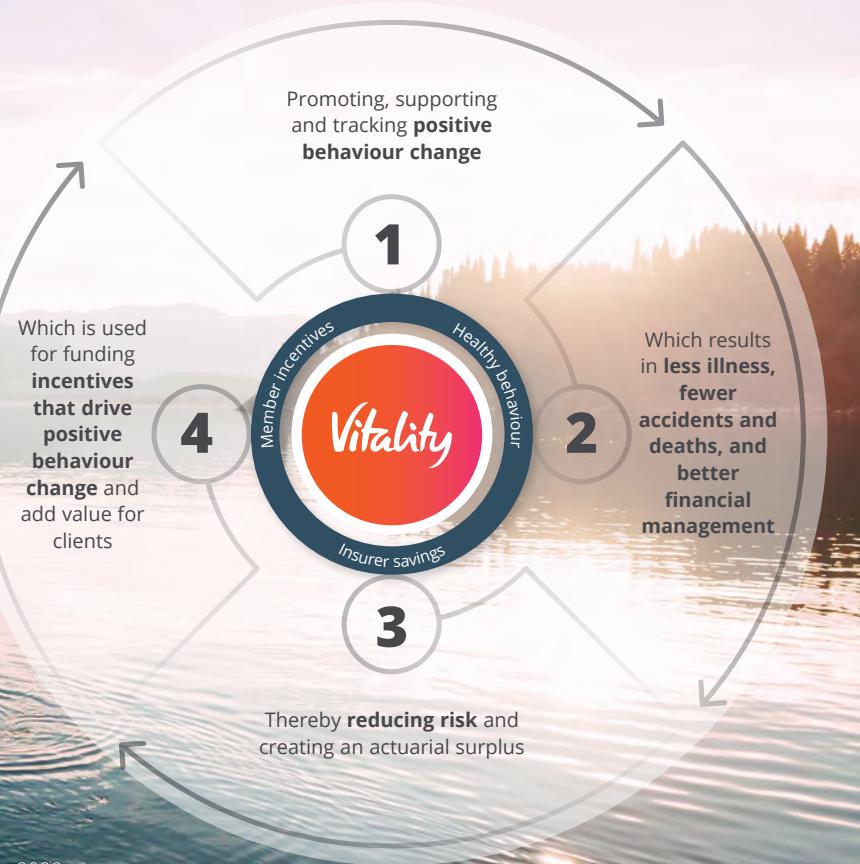
The Shared-value Insurance model is also conceptually applicable for environmental behaviour change.



# HOW WE OPERATE

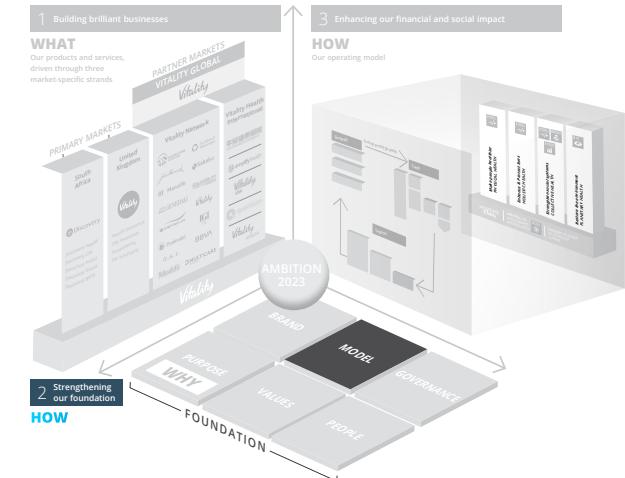
## OUR SHARED-VALUE INSURANCE MODEL AND CAPABILITIES

WE REDUCE RISKS BY:



*Our Vitality Shared-value Insurance model is built on the Vitality behaviour-change platform, which guides and incentivises people towards better health, driving and financial behaviour. Vitality combines insights from behavioural economics with clinical science, driving, as well as personal financial management insights.*

By understanding the correlations between behaviour, cost and outcomes, we designed the Vitality behaviour-change platform to address those areas with the biggest potential to change risk outcomes over the long term.



Vitality underpins all of our businesses and supports them by enabling product integration and cross-selling opportunities across the Group.

For example, our life assurance and motor insurance businesses have a vested interest in the same risk behaviour. Improving the driving behaviour of a client, has a potential impact on both Discovery Life and Discovery Insure claims. Therefore, both businesses can share the economic value of such behaviour change through appropriate and targeted client incentives.

The model provides clients with access to a range of pathways and incentives to lessen their personal risk and improve their behaviour through three programmes – Vitality Health, Vitality Drive and Vitality Money.

Independent research validated our model for its positive impact on reducing healthcare costs, resulting in improved profitability – a portion of which is channelled back into funding the incentives that drive positive behaviour change.

The model creates ongoing shared value between our clients, the business and society. Insurance and financial risks are no longer a function of a person's circumstances when taking up the product, but rather a result of how they manage their behaviour across health, driving and financial management.



# CAPABILITIES



*Our capabilities are a strategic imperative for Discovery and a critical pillar in our strategy and Shared-value Insurance model. We leverage our data and technological capabilities to create an integrated experience for our clients across all businesses and to drive our expansion globally.*

We remain at the forefront of digital trends, harnessing our expertise in data science and the power of technology and innovation to design products that help our clients change their behaviour for the better

## DRIVING OUR **WHY**

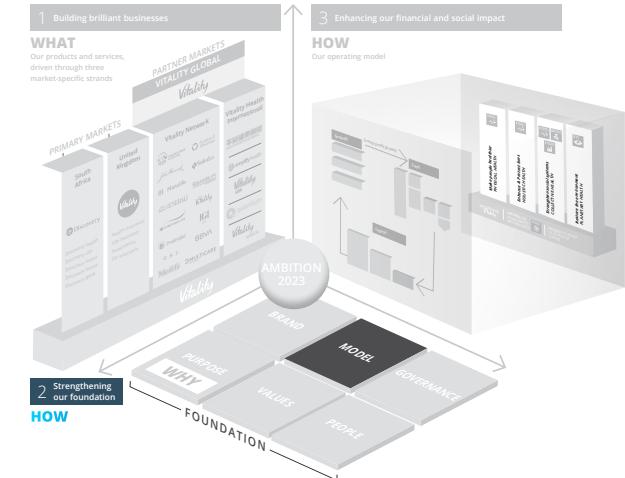
With access to rich data and by applying data science, we can understand people's behaviour and its correlated impact on risk profiles. We understand that risk changes when behaviour changes. Therefore, we design benefits and rewards to encourage positive and sustainable behaviour change among our clients – ultimately delivering on our core purpose.

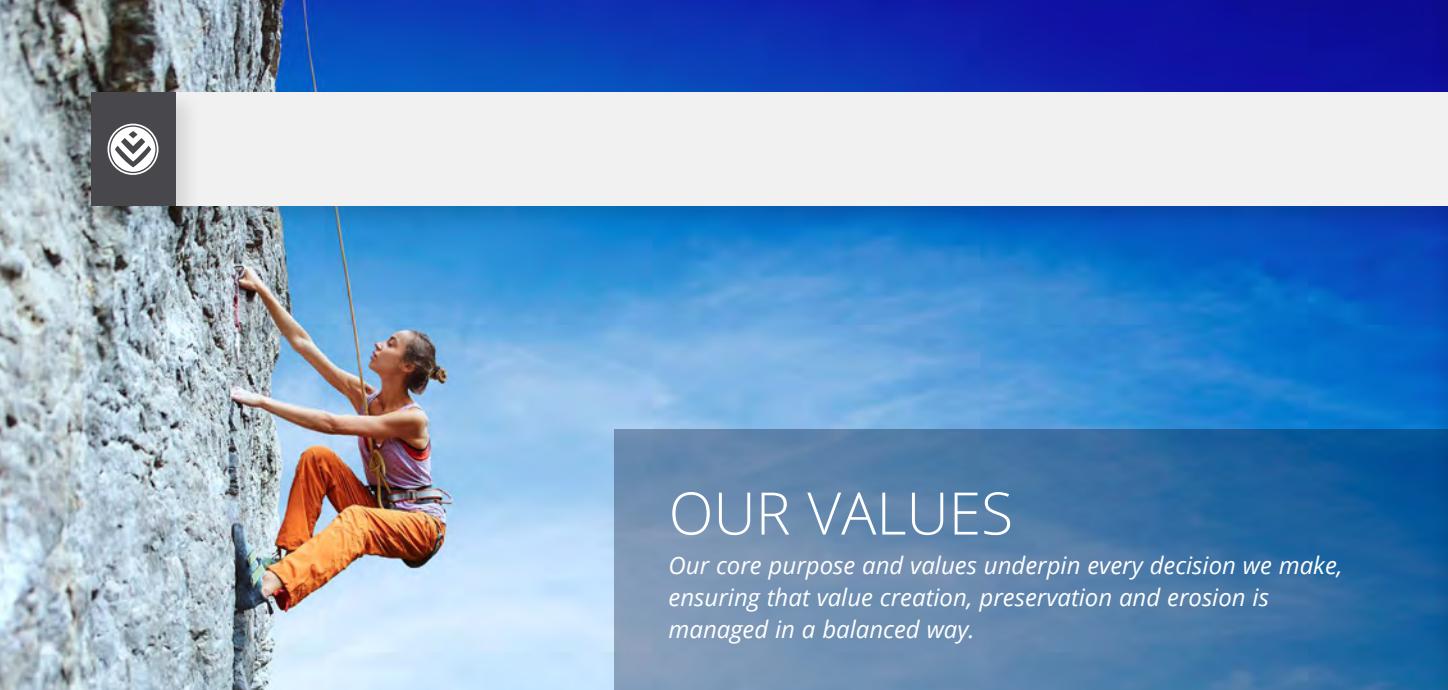
## ENABLING OUR **HOW**

Our expertise in data and data science is central to how we aim to transform the global financial services industry. Our innovations are inspired by the societal challenges we face or opportunities we identify to deliver on our core purpose. We encourage our people to unlock greater value for our clients by leveraging our data science expertise or exploring unique data-driven solutions and cutting-edge technologies. Given the access we have to personal and other information, we place a high value on responsible data stewardship. We recognise our fiduciary duty to protect the data we collect from our clients and have appropriate measures in place to support data integrity, privacy and security – ensuring we maintain trust with our stakeholders.

## SUPPORTING OUR **WHAT**

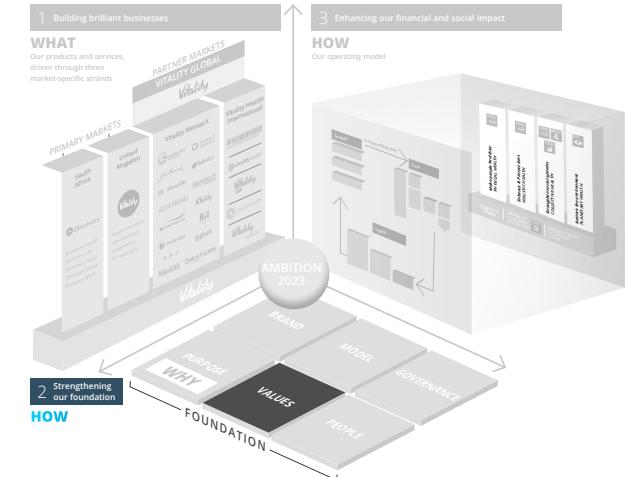
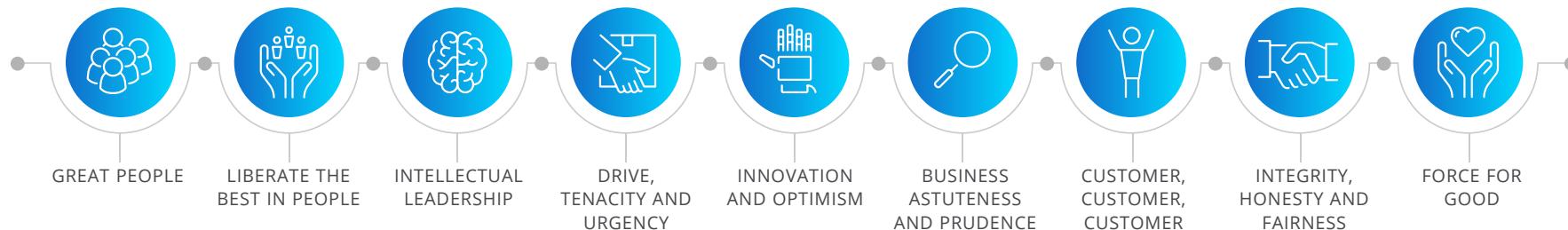
The data we collect provides unique insight into our clients' behaviour across our businesses, which further supports our shared-value approach. As a result, we can offer personalised rewards to encourage positive change at a better value. By leveraging our capabilities, emerging and new businesses within the Discovery ecosystem have access to the intellectual leadership and data science expertise we developed over the years. Accordingly, relatively new areas in our business immediately gain sophisticated insights, and we can rapidly enter new markets globally.





## OUR VALUES

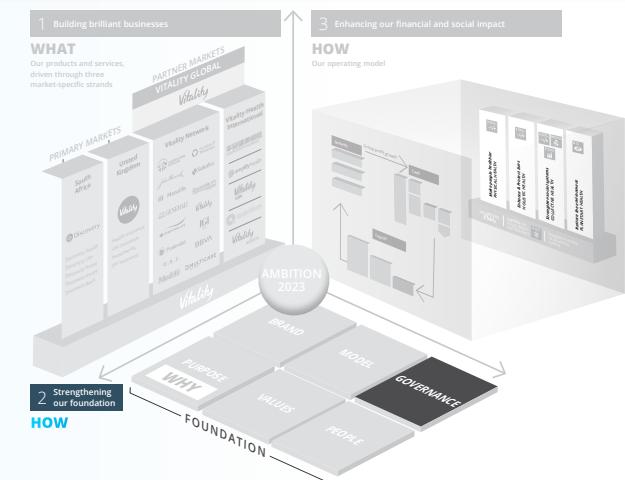
*Our core purpose and values underpin every decision we make, ensuring that value creation, preservation and erosion is managed in a balanced way.*



## OUR GOVERNANCE

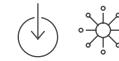
*We believe governance is a critical component of value creation, promoting strategic decision-making that balances short-, medium- and long-term outcomes to reconcile the interests of the Group, stakeholders and society. Our approach to governance, however, extends way beyond compliance.*

We are committed to a values-based and ethical culture built on the principles of non-discrimination, fairness, integrity and transparency. Entrenching the principles of good governance and ethical leadership throughout the organisation enables us to deliver on our core purpose.





# OUR BRAND



The Discovery brand continues to be recognised for its intellectual leadership, innovation and purpose-led Shared-value Insurance model.

Over the years, we have established positive consumer confidence and trust in the Discovery brand and Vitality behaviour-change platform, which are now Group assets in their own right

## DRIVING OUR **WHY**

The Discovery brand is synonymous with our core purpose of making people healthier and enhancing and protecting lives. This core purpose forms the foundation of our brand-building initiatives and marketing approach and informs our medium-term and long-term strategy. We build our brand on a solid foundation of upholding our ethics, preventing harm and cultivating trust at every touchpoint with all our stakeholders.

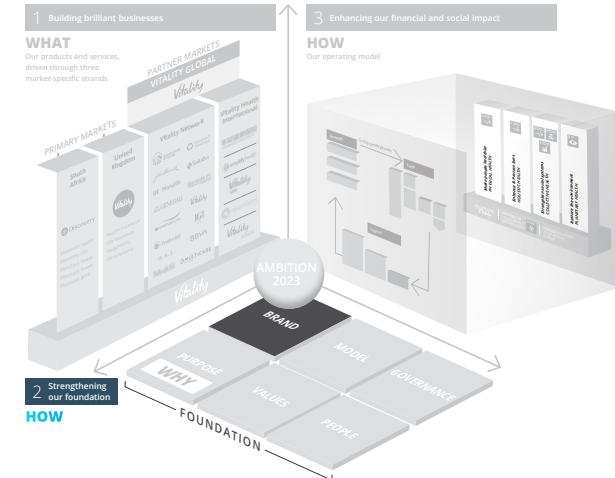
We attract global partners that relate to and understand our Shared-value Insurance model through consistently elevating the Discovery and Vitality brands. This, in turn, strengthens our brand positioning across our markets.

## ENABLING OUR **HOW**

The strength of Discovery's brand enables us to add value and take action in matters of social responsibility in all the markets where we operate. As a central component of the Group's strategy, we leverage our brand equity to bolster the integrity of our brand through innovative, tailored marketing strategies that support our global growth objectives across our three strategic strands. Our brand equity is at the foundation of building brilliant businesses that naturally integrate with our core purpose and Shared-value Insurance model, driving organic growth and supporting the Group's market-specific objectives. Elevating the brand in each business adds up to the increased equity, visibility, and trust in the overall Discovery brand. Ultimately, our brand allows us to enhance both our social and financial impact globally.

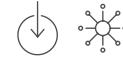
## SUPPORTING OUR **WHAT**

Our commitment to constant innovation and product integration – supported by our strong distribution network – ensures that we generate value for our clients while meeting their changing needs. Furthermore, the Discovery and Vitality brands strengthen the relevance of our products and services to reflect our core purpose and contribute to developing businesses expected to generate significant value for the Group. It is through the strength of our brand that we can introduce new initiatives and start-up businesses relatively quickly while gaining traction at the same time. Consumer trust is a valuable intangible asset, supporting client acquisition and retention, and driving increased market share in the countries where we operate. Our brand equity and investment in marketing capabilities, client experiences and distribution support for financial advisers, have also driven growth in new business and sustained client retention.





# OUR PEOPLE



*Our people bring our Shared-value Insurance model to life and, to deliver on our long-term strategic objectives, we seek to employ the best person for every role and create a diverse and inclusive work environment.*

We have a unique corporate culture, driven by top performers who are motivated by Discovery's core purpose and bold ambitions

## DRIVING OUR **WHY**

Our culture is fundamentally purpose-driven, and we employ people with diverse backgrounds, distinctive personal experiences and unique viewpoints who support the legacy of our founders. Furthermore, our dedicated graduate programmes assist us in building our talent pool of critical skills, particularly across the actuarial and technology sectors, and include the Adrian Gore Fellowship Award and GradHack.

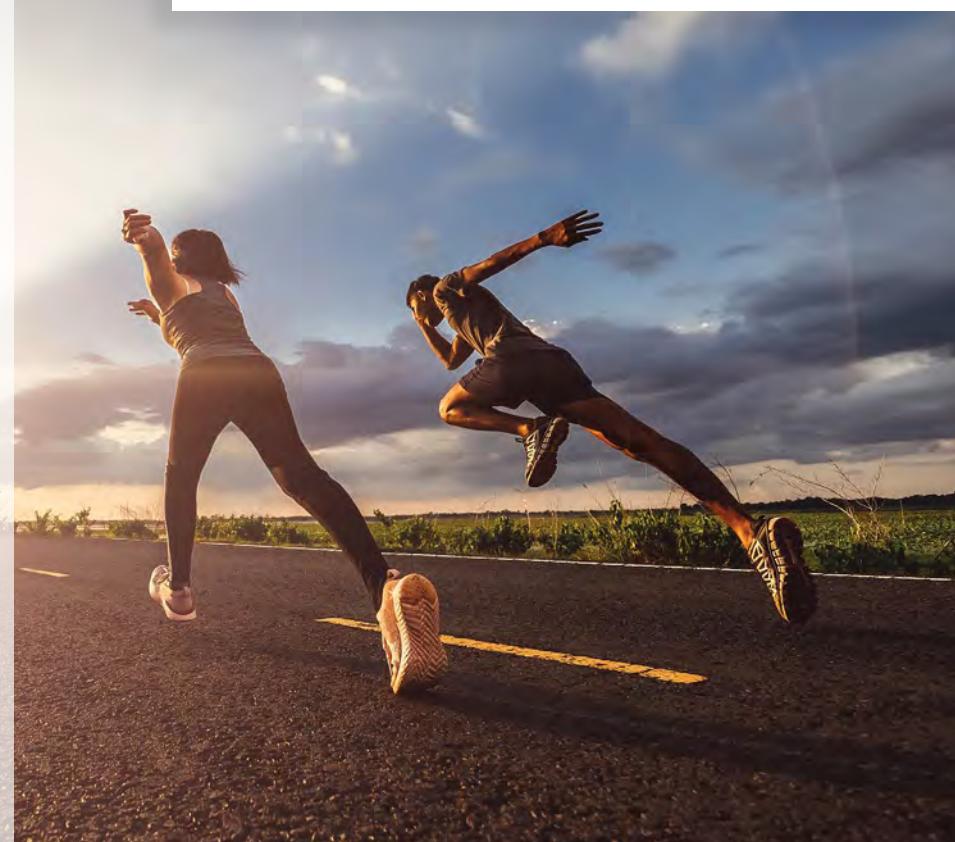
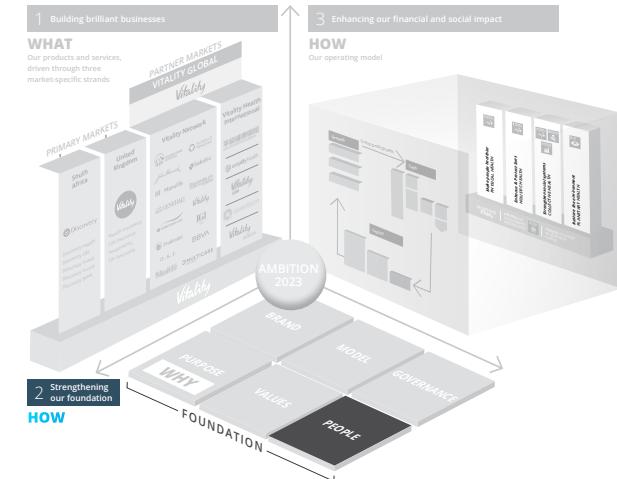
Our employees believe in the relevance of our shared-value approach, and truly embody our core purpose.

## ENABLING OUR **HOW**

We seek to employ people who are aligned with our values, who are highly engaged and contribute exponentially to the Group's performance. We understand that the Group's success depends on our people realising their full potential, and actively search for thought leaders and action-based individuals who are passionate about driving product development, engaging in policy debate and pioneering practices based on science. More than pure intellect, however, we seek to attract and retain people with humility and empathy (IQ > Ego), and who have the potential to collaborate and lead thoughtfully (EQ > IQ).

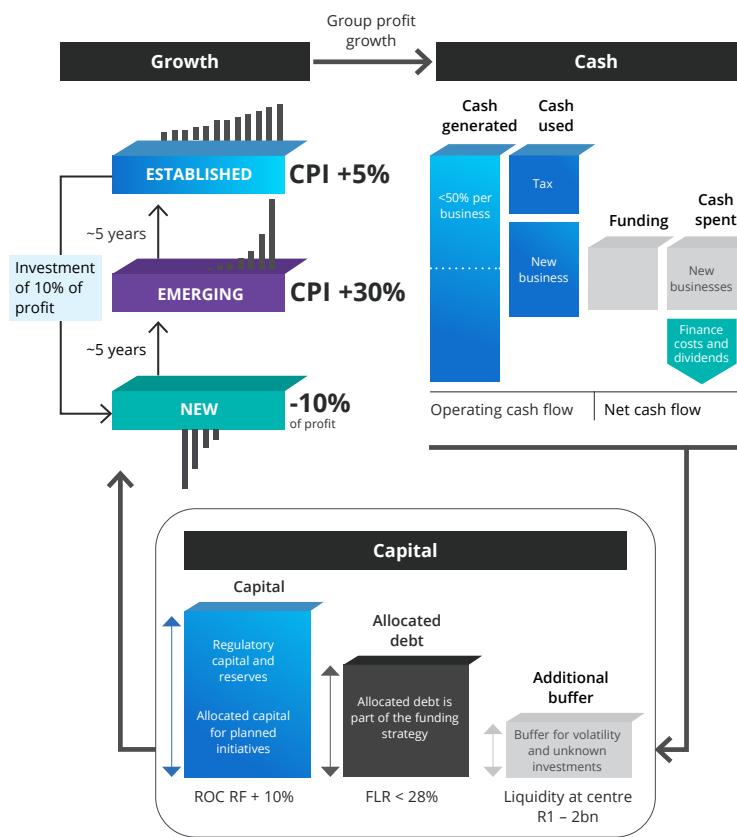
## SUPPORTING OUR **WHAT**

Discovery's entrepreneurial drive is encoded in our unique culture, which is nurtured by all employees – including our leadership teams. Our business thrives on our employees' diverse perspectives which, in turn, drives innovation. We embed exceptional performance as an intrinsic part of our daily lives. Furthermore, we encourage our employees to participate in and share new ideas for product development and technological enhancements. In doing this, we harness the diversity of our employees' backgrounds, thinking and experience to develop market-leading products and build brilliant businesses across our markets.

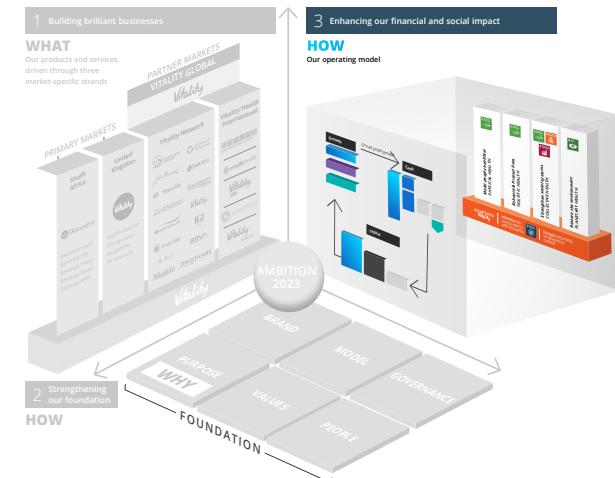


# OUR OPERATING MODEL

*Our operating model and integrated sustainability framework position us well for financial and social impact which, together with our foundation, support how we execute our strategy and delivery on our core purpose.*

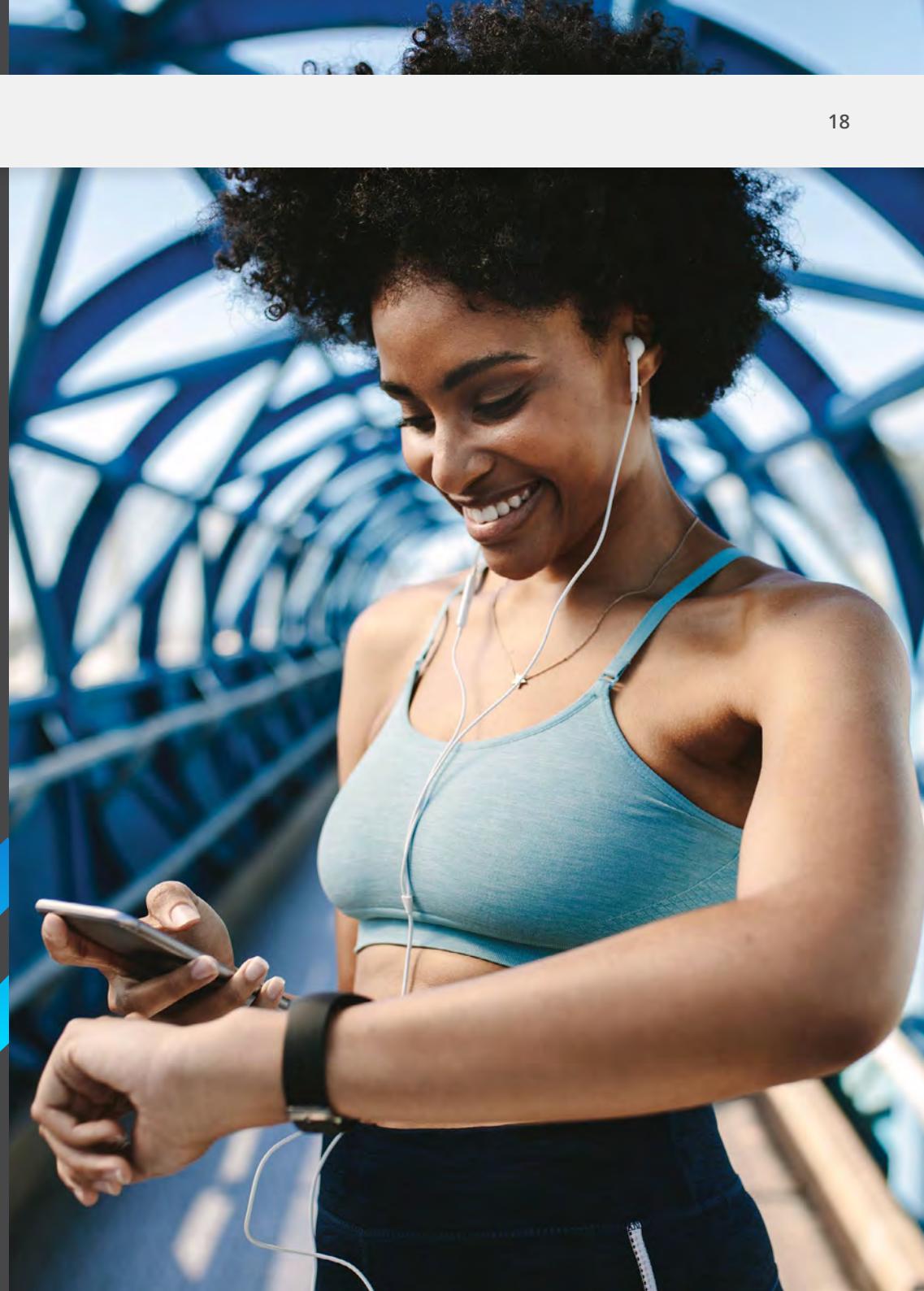


Given Discovery's unique organic growth strategy and the extent to which we invest in new initiatives, our operating model has guided our expansion into adjacent geographies and sectors. As a result of our continued focus on market-specific strategies, the organic growth model has been embedded in the composite model which reports profits by market strands. This represents a further refinement of our operating model with a target of CPI+GDP+5% growth in Group normalised operating profit, weighted by region, now being elevated as a key performance indicator.





# ENSURING GOOD GOVERNANCE





MARK E TUCKER

## CHAIRPERSON'S REFLECTIONS

This year marks 30 years of realising Discovery's core purpose of making people healthier, enhancing and protecting their lives and our commitment to being a force for social good. This significant milestone comes at a time of considerable macro environment complexity and uncertainty, requiring financial resilience while ensuring that businesses are responsible corporate citizens. Despite the turbulence, we continue to achieve both.



### EXTERNAL ENVIRONMENT

COVID-19 appeared to reach an inflection point over the period, with the emergency phase of the pandemic ending in most countries due to widespread degrees of immunity from vaccinations and previous infections. After a deterioration in the previous year due to COVID-19, the global economy showed improvement as conditions in most markets normalised over the year – with the exception of Asia which was affected by severe lockdowns and restrictions. However considerable geopolitical polarisation and macroeconomic volatility, exacerbated by the Ukraine conflict and supply-side constraints, subdued global recovery. Within this environment, an energy crisis has fuelled inflation beyond expectations, driving further interest rate increases and resulting in heightened currency and market volatility. This has made the operating environment all the more complex and challenging.

### STRATEGY AND PERFORMANCE

*Against this backdrop, Discovery continued to pursue a growth strategy with a focus on four areas:*

- 1 achieving robust performance while navigating the later stages of the COVID-19 pandemic and macroeconomic volatility
- 2 ensuring capital strength and liquidity
- 3 driving new business initiatives to scale
- 4 employing the Shared-value Insurance model to manage the complexities of the period.

This strategy served us well, as is evidenced by the Group's strong financial performance in a complex period. Normalised operating profit grew strongly, increasing by 45% to R9 384 million, normalised headline earnings increased by 71% to R5 816 million and liquidity and solvency remained robust across the Group.

Our businesses were resilient: the SA and UK composites delivered strong growth in normalised operating profit and new business; the operating performance of Vitality Global reflected the dynamics of the impact of COVID-19 on the Asian markets. Most new initiatives progressed well, with several notable milestones reached over the year including Discovery Bank reaching over one million accounts; and the ongoing evolution of our global healthcare model resulting in the establishment of Amplify Health.

The Group's capital position remains robust. However, due to the uncertainty caused by COVID-19 combined with the volatile global macroeconomic environment, the Board decided not to declare an ordinary final dividend for the financial year. We will continue to consider the reintroduction of an ordinary dividend as the environment develops.

### GOVERNANCE

Rigorous governance continued to be critical in guiding decision-making and the Board and broader Group made progress in enhancing our governance practices over the period. In addition to the focus on governance, the Board deliberated several key strategic issues over the period. These included overseeing the Group's capital plan; monitoring developments related to the adoption of IFRS17; approving the establishment of the Amplify Health joint venture; succession planning for C-suite and critical roles and monitoring the quality and diversity of the Group's talent pipeline; and the implementation of the Single Incentive Plan to ensure that Discovery has a market-competitive remuneration structure.



## GOVERNANCE *continued*

A key priority for the Board was the Group's environmental, social and governance (ESG) agenda. ESG continued to be a prominent global theme with the past two years exposing the fragility of the planet and society as a whole.

**Over the period, we prioritised advancing our ESG strategy, which is centred on being a force for social good, with five focus areas:**

- 1** making people healthier
- 2** safeguarding the climate and environment in line with the Group's Climate Change Strategy
- 3** nation-building in SA with a particular focus on strengthening the healthcare system
- 4** ensuring a diverse and inclusive workforce
- 5** ensuring fair and responsible pay.

Work is underway across these areas and initial outcomes over the period have been positive – our purpose manifested in 470 million healthy activities recorded in FY2022, as well as more than two million life years saved. Implementation of our Climate Change Strategy and commitment to achieve carbon neutrality in operations by 2025 is on track, with the Group reducing carbon emissions by 16.4% over the period<sup>1</sup>, making Discovery the lowest carbon emitter amongst its SA life insurance peers<sup>2</sup>.

In FY2022, we conducted an externally facilitated effectiveness review of the Board and committee operations and practices. Following this review, a number of actions were taken to improve the Board's

effectiveness. These included improvements in our governance of technology and subsidiaries within the Discovery Group. Significant developments in this regard include the establishment of a Technology Governance Working Group to assist the Board in its oversight of technology strategy; and the introduction of a Subsidiary Governance Framework to enhance the standard and consistency of governance in the Group.

There were several changes to the Board during the year: at the 2021 Annual General Meeting, Dr Brian Brink and Sonja De Bruyn retired from our Board, and I thank them for their valuable contributions to the Board and the committees over many years. I am also pleased to welcome Bridget van Kralingen and Tito Mboweni – who both joined the Board as Independent Non-executive Directors. They bring a wealth of skills and experience across a wide range of areas including technology, international operations, and banking.

### FORWARD-LOOKING

There are still significant challenges ahead, foremost of which is the uncertainty caused by the macro environment. Notwithstanding this, the resilience of the Shared-value Insurance model and the progress made over the past year is encouraging and means we are well placed to compete and pursue our purpose. We are optimistic about Discovery's growth potential as we continue to realise our founding purpose to be both a leading financial services organisation globally and a powerful force for social good.

### THANK YOU

On behalf of the Board, I would like to extend my sincere appreciation to Adrian Gore, and the executive team for their exemplary leadership over the past year. Earlier this year, Adrian was named Business Leader of the Year at the Sunday Times Top 100 Companies Awards in recognition of his leadership in the SA corporate sector, especially during the pandemic – and congratulate him for this very well-deserved accolade. Finally, I want to warmly thank all Discovery people for their hard work, dedication and exceptional commitment to serving our clients – thank you for bringing our purpose to life.

### MARK E TUCKER

"This year marks 30 years of realising Discovery's core purpose of making people healthier, enhancing and protecting their lives and our commitment to being a force for social good."



<sup>1</sup> Relative to 2019 base, measured by Scope 1 and Scope 2 emissions.

<sup>2</sup> Integrated Reporting & Assurance Services: Sustainability Data Transparency Index.



# OUR LEADERSHIP

## OUR BOARD OF DIRECTORS

Discovery's experienced Board of Directors is purpose-driven and committed to our values. Our Board leads our business with integrity as we pursue sustainable value creation while preserving our unique entrepreneurial spirit.

### How our governance structures support value creation

Discovery acknowledges good governance as a critical component of value creation. Our Board, as the highest governing body, aims to entrench good governance principles and ethical leadership throughout the business to ensure we deliver on our core purpose of making people healthier and enhancing and protecting their lives. As a founder-led organisation, our Board supports the preservation of our unique entrepreneurial spirit, while encouraging innovation and still balancing value creation, preservation and erosion.

By promoting strategic, ethical decision-making that balances short-, medium- and long-term outcomes, the Board ensures that our stakeholders' interests are protected, thereby maintaining their trust and confidence in the Discovery brand.

### CHAIRPERSON OF THE BOARD



**MARK TUCKER (64)**  
Independent Non-executive Director

Appointed: 1 March 2019  
Qualifications: BA (Hons), University of Leeds, ACA, ICAEW

### EXECUTIVE DIRECTORS



**ADRIAN GORE (58)**  
**Founder and Group Chief Executive**

Appointed: Founder  
Qualifications: BSc (Hons), FFA, ASA, MAAA, FASSA, Honorary DCom (Wits)



**HYLTON KALLNER (47)**  
**Chief Executive Officer: Discovery Bank**

Appointed: 3 June 2010  
Qualifications: BEconSc, FFA, FASSA



**NEVILLE KOOPOWITZ (58)**  
**Chief Executive Officer: Vitality UK**

Appointed: 19 September 1999  
Qualifications: BCom



**DR AYANDA NT SALUBA (62)**  
**Executive Director**

Appointed: 1 July 2011  
Qualifications: MBChB, MSc (London), FCOG (SA), Executive MBA (SA)



**ALAN POLLARD (53)**  
**President of Product and Innovation: Vitality Global**

Appointed: 30 August 2007  
Qualifications: BSc (Hons), FASSA



**BARRY SWARTZBERG (57)**  
**Co-founder and Chief Executive Officer: Vitality Global**

Appointed: 3 August 1999  
Qualifications: BSc, FFA, ASA, FASSA, CFP



**DEON VILJOEN (57)**  
**Group Chief Financial Officer**

Appointed: 1 May 2017  
Qualifications: BCom Accountancy (cum laude), BCom (Hons), CA(SA)

### NON-EXECUTIVE DIRECTORS



**HERMAN BOSMAN (53)**  
**Non-executive Director**

Appointed: 14 April 2014  
Qualifications: BCom LLB, LLM (cum laude), CFA



**TITO MBOWENI (63)**  
**Independent Non-executive Director**

Appointed: 5 May 2022  
Qualifications: BA, MA, Diploma in International Business Diplomacy (Georgetown University)



**RICHARD FARBER (51)**  
**Non-executive Director**

Appointed: 1 April 2018  
Qualifications: BCom (Hons), CA(SA), FCMA, CA ANZ, MAICD



**MARQUERITE SCHREUDER (53)**  
**Independent Non-executive Director**

Appointed: 19 February 2021  
Qualifications: BCom (Hons), FIA, FASSA



**MONHLA HLALHA (59)**  
**Independent Non-executive Director**

Appointed: 15 August 2021  
Qualifications: BA (Hons) (Economics), MA, Advanced Management Programme (Harvard)



**BRIDGET VAN KRALINGEN (59)**  
**Independent Non-executive Director**

Appointed: 7 April 2022  
Qualifications: BCom, BCom (Hons), MCom



**FAITH KHANYILE (55)**  
**Independent Non-executive Director**

Appointed: 1 October 2015  
Qualifications: BA Econ, MBA (Finance), HDIP Tax, Executive Leadership Programme (Columbia University)



**DAVID MACREADY (63)**  
**Independent Non-executive Director**

Appointed: 3 February 2020  
Qualifications: BCom (Hons), CTA, CA(SA), Harvard (SEP), INSEAD (IDP)



**DR VINCENT MAPHAI (70)**  
**Independent Non-executive Director**

Appointed: 8 December 2005  
Qualifications: BA, BA (Hons), MPhil, DPhil, Advanced Management Programme (Harvard)

Dr Brian Brink and Sonja De Bruyn retired as Non-executive Directors with effect from 24 November 2021.



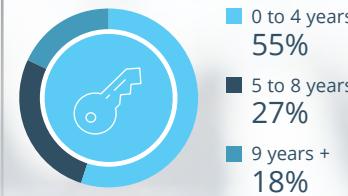
## OUR BOARD OF DIRECTORS *continued*

### Our Board leadership statistics 2022

#### Director mix



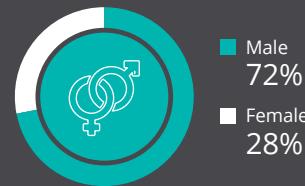
#### Tenure of Non-executive Directors



#### Discovery Board areas of expertise, primary skills and experience

GOVERNANCE	13
ACCOUNTING AND AUDITING	12
STRATEGY	14
INNOVATION AND BUSINESS DEVELOPMENT	7
ACTUARIAL SCIENCE	5
BUSINESS LEADERSHIP	7
INTERNATIONAL OPERATIONS	7
LEGAL	1
DATA AND TECHNOLOGY	1
INSURANCE AND FINANCIAL SERVICES	16
BANKING	7
HEALTHCARE	5

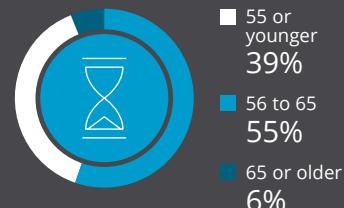
#### Gender diversity



#### Racial diversity



#### Age of Directors



## OUR GROUP EXECUTIVE COMMITTEE

Discovery's Group Executive Committee consists of 24 members who represent all areas of our business. The Group Executive Committee implements strategies approved by our Board and manages the day-to-day affairs of the business. Below, we highlight 11 additional Group Executive Committee members whose areas of responsibility are discussed in this report.



FIROZE BHORAT  
Chief Marketing Officer



DR JONATHAN BROOMBURG  
Chief Executive Officer:  
Vitality Health International



KENNY RABSON  
Chief Executive Officer:  
Discovery Invest and Employee Benefits



JO-ANN FERREIRA  
Group Chief Compliance Officer



ANDREW RAYNER  
Group Chief Risk Officer and Chief Actuary



DINESH GOVENDER  
Chief Executive Officer:  
Discovery Vitality



ZIMKHITHA SAUNGWEME  
Chief People Officer



DR RYAN NOACH  
Chief Executive Officer:  
Discovery Health



DEREK WILCOCKS  
Group Chief Information Officer



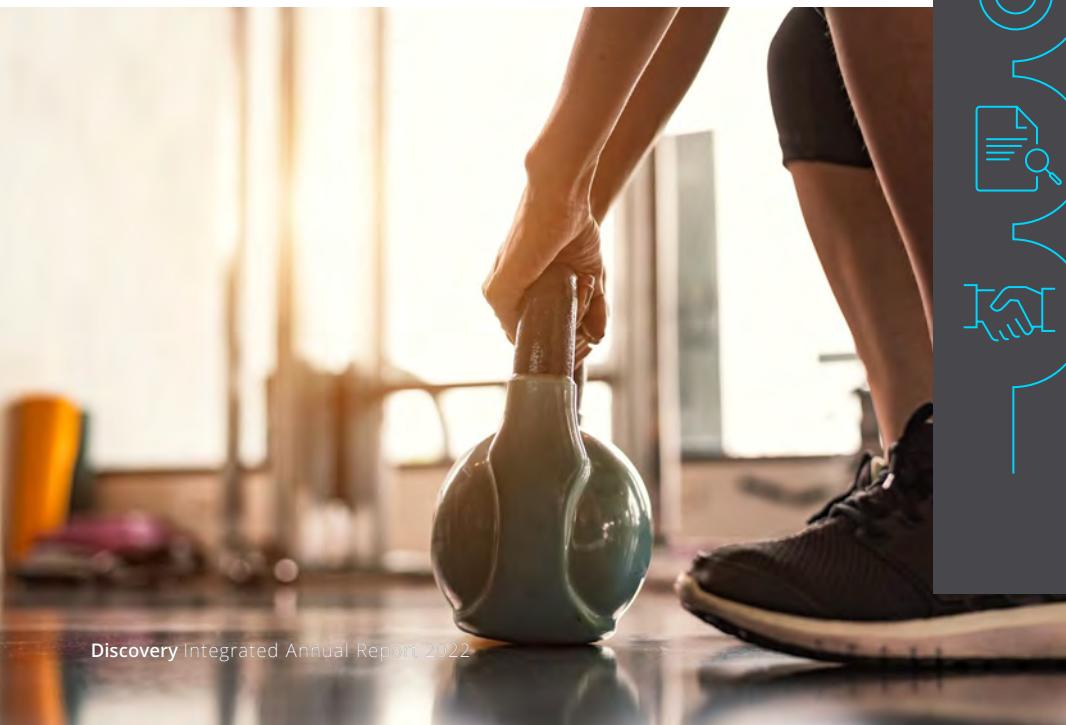
ANTON OSSIP  
Chief Executive Officer:  
Discovery Insure



# GOVERNANCE OVERVIEW



We believe that good governance extends beyond compliance. It creates and preserves value by ensuring responsible and ethical behaviour, as well as enhancing accountability, leadership, risk management, performance management and transparency. Our Board is the highest governing body of the Discovery Group and is committed to the principles of good corporate governance as set out in King IV™.



## OUR GOVERNANCE APPROACH

King IV™ forms the cornerstone of our approach to governance and we support its overarching goals:



### MAINTAINING AN ETHICAL CULTURE



### DELIVERING GOOD PERFORMANCE



### ENSURING EFFECTIVE CONTROL



### MAINTAINING LEGITIMACY



### MAINTAINING AN ETHICAL CULTURE

The principles and recommendations of King IV™ are entrenched in our governance and risk-management structures, policies and procedures and inform the way we do business, forming the foundation from which we build an ethical culture throughout the Group. Above all, the Board leads ethically and effectively, thereby ensuring the sustainability of our business. The Group has a dedicated Ethics Office that manages and implements the Ethics Management Strategy and Plan throughout the Group. Assisted by the Social and Ethics Committee, the Board mandates and oversees the Ethics Office. We maintain, review, monitor and report on our Group Conflict of Interest, Group Whistleblowing and other ethics-related policies. Our Ethics Ambassadors programme further strengthens the cultivating and strengthening of an ethical culture within the organisation.



### DELIVERING GOOD PERFORMANCE

Discovery embodies the philosophy of integrated thinking, driven by our core purpose. The Board reviews and approves the Group strategy, key performance measures and targets of all executives, and oversees the implementation of the Group strategy on an annual basis. Our medium- and long-term strategic objectives are identified, measured and executed to create sustainable value for our stakeholders – while considering how our decisions affect our resources and relationships and in turn, how these resources and relationships impact our business. Director training – covering governance, risk, ESG and industry-related matters – was conducted to refresh Directors' skills and knowledge. In FY2022, we conducted an independent assessment of the Board and its committees in line with our Evaluation of Directors Policy. Overall, the findings of the review were positive, and the Board will consider its recommendations for further improvements and implementation.



## OUR GOVERNANCE APPROACH *continued*



### ENSURING EFFECTIVE CONTROL

The Board Charter sets out the roles and responsibilities of the Board to ensure that it is aligned with the principles and practices recommended by King IV™, in addition to other regulatory and legislative requirements.

#### **Effective control is further supported by:**

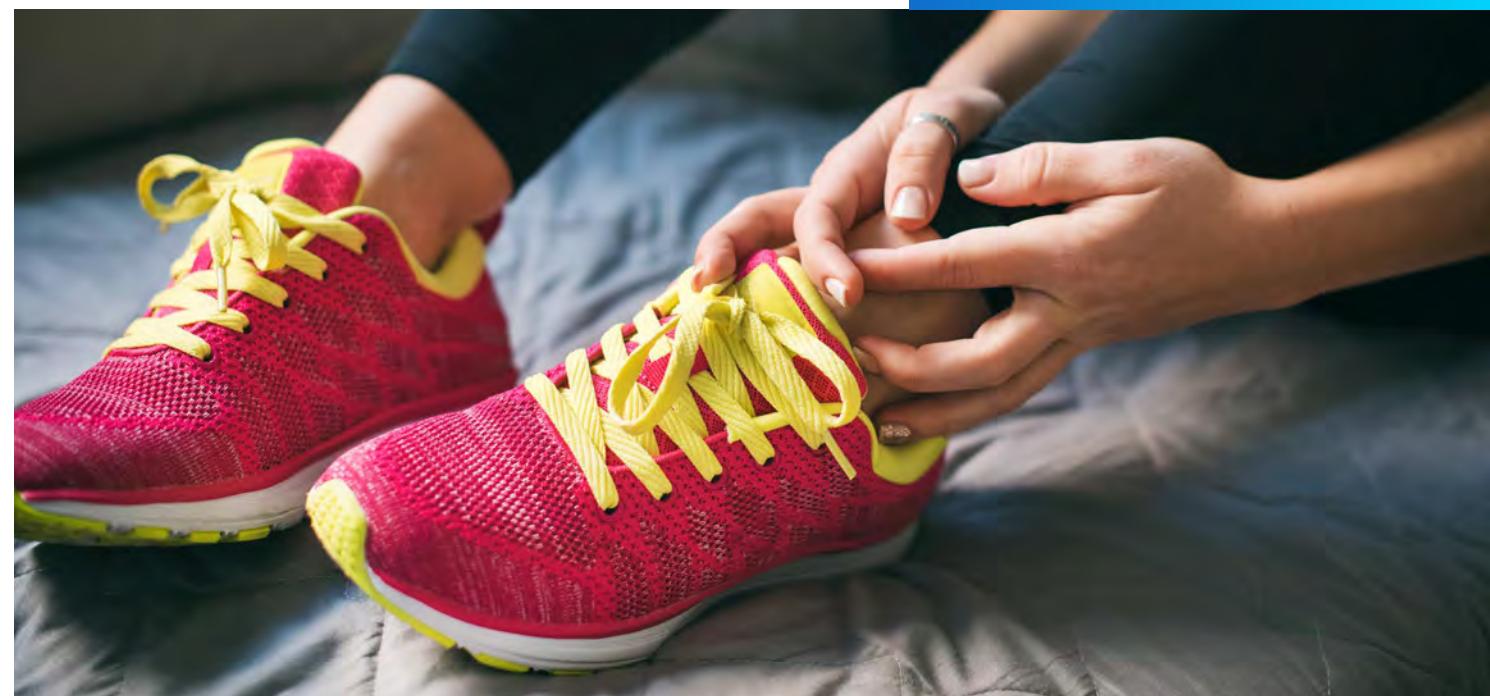
- ➔ The separation of roles and responsibilities and delegation of authority. The Board Chairperson and the Group Chief Executive roles are independent and not held by the same person, to ensure that no individual has unrestricted decision-making power.
- ➔ Succession planning, which is reviewed regularly and remediated where necessary.
- ➔ The appointment and rotation of our Directors, which is done in a formal and transparent manner, overseen by the Nominations Committee.
- ➔ The Group Company Secretary's objectivity, which ensures that sound governance procedures are followed and maintained.
- ➔ Our conflicts of interest policy, which guides our approach, response and mitigation in an ethical and responsible manner.
- ➔ The Remuneration Committee's oversight of the Group remuneration philosophy and Executive remuneration.
- ➔ Our focussed governance oversight over technology and information, which ensures compliance to legislation.
- ➔ Our combined assurance model, which addresses the business' significant strategic, sustainability, financial, operational and compliance-related risks.



### MAINTAINING LEGITIMACY

Discovery is an active corporate citizen in communities where it operates and positively contributes to the economy, society and environment. Our Social and Ethics Committee is tasked with ensuring an inclusive approach to stakeholder engagement, and assists the Board with monitoring our relationships with our stakeholders. We support the objectives of the UN SDGs, and have set out to adopt and implement the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD). The Group is a signatory to the Principles for Responsible Investment (PRI) and our Responsible Investment Policy sets out Discovery's principles for responsible investment, which aim to align our investment philosophy with relevant principles and industry codes of best practice. Discovery is also committed to responsible and transparent tax practices, complying with all statutory tax obligations of the regions in which we operate.

"WE SUPPORT THE OBJECTIVES OF THE UN SDGS, AND HAVE SET OUT TO ADOPT AND IMPLEMENT THE RECOMMENDATIONS OF THE TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)."





# OUR LEADERSHIPS' ROLE IN CORPORATE GOVERNANCE

*The Board of Directors is the focal point and custodian of corporate governance within Discovery. It is committed to leading the Group responsibly, ethically and with integrity.*

The Board has oversight of the Board committees, Group Executive Committee, Management Board committees and Constituted Boards. Vitality UK, Vitality Global, Discovery Life, Discovery Invest, Discovery Insure and Discovery Bank all have Board and governance structures that operate independently from the Group.

## BOARD INDEPENDENCE, COMPOSITION AND DIVERSITY

As at 30 June 2022, our Board comprised 18 Directors – 11 Non-executive and seven Executive, with our Chairperson as an Independent Non-executive Director. Non-executive Directors are appointed for a period not exceeding three years and are subject to re-election on a rotational basis.

The Board is comfortable with the independence of the Directors and is satisfied that there are no relationships or conflicts of interest that could prevent them from acting in the best interests of the Group. The composition and succession planning of the Board is reviewed regularly, and remedial actions are undertaken where necessary.

The Nominations Committee assists the Board to ensure it has the appropriate balance of skills, qualifications and experience for it to execute its duties effectively; and is also responsible for establishing a succession plan for the Board – which includes identifying, mentoring and developing future candidates.

## FY2022 BOARD FOCUS AREAS

The Board provides oversight to ensure that our medium- and long-term strategic objectives are identified, measured and executed to create sustainable value for our stakeholders – while considering how our decisions affect our resources and relationships and in turn, how these resources and relationships impact our business. This year, specific focus and deliberation was given to the following areas:

- ➔ Development and implementation of the Group's Mandatory Vaccine Policy to protect Discovery employees, the continued support of vaccination efforts in South Africa through the Discovery Health mass vaccination programme and the advancement of vaccine-related research.
- ➔ Oversight of the Group's capital strength, ensuring resilient business performance and monitoring COVID-19 claims which proved to be adequately provided for in FY2022. Reviewing the Group's capital adequacy, liquidity position and funding strategy.
- ➔ Continued to oversee innovation and enhancement of the business model, the insurance value chain and global brand strategy in line with the Group's growth ambitions. This included monitoring of the development of Amplify Health, Discovery's joint venture with AIA. The Board also reviewed Discovery's long-term strategy and is satisfied that it remains fundamentally unchanged.
- ➔ Monitored the quality of the Group's internal talent pipeline and continued to seek opportunities for transformation and development of our senior management team.
- ➔ Approved the transaction of capital contribution to Ping An Health Insurance – a specialist health insurance company in China in which the Group has a 25% equity stake – through an interim arrangement.
- ➔ Monitored the implementation of the Single Incentive Plan (SIP) to ensure that the Group has a market-competitive remuneration structure that is easy to understand for both our shareholders and employees.
- ➔ Continued to oversee compliance with the Mandatory Audit Firm Rotation rules issued by the Independent Regulatory Board for Auditors in South Africa as well as the regulations of the Prudential Authority requiring significant insurance groups to have joint external auditors.
- ➔ Monitored the implementation of the Group's Climate Change Strategy, including performance against climate-related goals.
- ➔ Monitored developments related to the adoption of IFRS17: *Insurance Contracts* which is effective for the Group from 1 July 2023.
- ➔ Strengthened Information and Technology (IT) governance within the Group by the appointment of a Board member with skills and expertise and by establishing an Information Technology subcommittee which reports to the Group Risk and Compliance Committee.
- ➔ Given the uncertainty surrounding the impact of COVID-19 and the volatile global macroeconomic context, the Board carefully considered the payment of dividends. Following robust debate, the Board decided to retain its prior-stated position and not to declare an ordinary final dividend for the year ended 30 June 2022. The reintroduction of an ordinary dividend will be considered on an ongoing basis.



## BOARD COMMITTEES

The Board has delegated some of its responsibilities to appropriately constituted Board committees. Six Board committees are fully established in line with the requirements of the Companies Act, Insurance Act and King IV™ to assist the Board in the fulfilment of its responsibilities. Board committees act within the bounds of approved Terms of Reference, which clearly define the responsibilities and duties delegated by the Board. The committees are satisfied that they have fulfilled their responsibilities as per their Terms of Reference for FY2022.

The Chairperson of each Board committee is appointed by the Board and reports directly to the Group Board after each meeting on the activities, written resolutions and decisions made by the committee, enabling the Board to monitor performance and ensure that the committees are acting in line with the delegations provided. The Board encourages the sharing of information across committees to drive collaboration and integration while maintaining accountability and empowering independent judgement.

Our Non-executive Directors serve on multiple Board committees to ensure the efficient and effective flow of information between committees. Furthermore, Board members may attend any committee meeting as an invitee or observer to provide insight into particular matters of interest, but may not take part in any decisions made by the appointed members of the committee.

When Board committees require additional expertise and consideration, subcommittees are set up under Board Committees to address specific issues. For example, The Treating Customers Fairly Subcommittee, focuses on assisting the Risk and Compliance Committee in ensuring the fair treatment of clients by the Group and is chaired by an Independent Non-executive Director of Discovery Life and Discovery Insure. In addition, the newly established IT Subcommittee provides oversight of data and technology matters that are fundamental to the business and helps fulfil regulatory requirements and is chaired by an independent expert.

AC

### Audit Committee

The Audit Committee provides independent oversight of the integrity of the Group's Annual Financial Statements and the effectiveness of the Group's internal audit, external audit and Finance function.

ACT

### Actuarial Committee

The Actuarial Committee provides assurance to the Board on all matters of an actuarial nature, including the identification, review and management of actuarial risks and the appropriateness of the assumptions underlying the product terms, liabilities and capital of the Group.

RC

### Remuneration Committee

The Remuneration Committee assists the Board in ensuring that the organisation remunerates fairly, responsibly and transparently. Furthermore, it oversees the implementation of the remuneration philosophy for Directors and makes recommendations to the Board regarding the remuneration structure and base fees for Non-executive Directors for approval by shareholders.

SEC

### Social and Ethics Committee

The Social and Ethics Committee assists the Board in implementing and monitoring strategies that facilitate sustainable social, economic and sustainable development, and in integrating ethics and transformation across Discovery. The Committee also makes recommendations to the Board on good corporate citizenship, Climate Change Strategy, environmental health and safety, stakeholder relations, and an inclusive economy.

RCC

### Risk and Compliance Committee

The Risk and Compliance Committee is responsible for ensuring that material risks, which could affect the Group, are identified, evaluated and effectively managed and reported. In addition, the committee is tasked with ensuring that the Group's policies and processes are adequate to ensure compliance with the required legislative and regulatory requirements. The committee also ensures that adequate systems of financial crime management are in place, as well as processes and controls that manage business continuity and disaster recovery within the Group.

NC

### Nominations Committee

The Nominations Committee assists the Board in identifying potential candidates for the Board, and will make recommendations on the appointment of Executive or Non-executive Directors to the Board. The Board, in turn, presents the approved candidates to the shareholders for consideration at the AGM. The committee is also responsible for succession planning in respect of the Group Chief Executive and Board members, as well as the evaluation of the Board's performance.



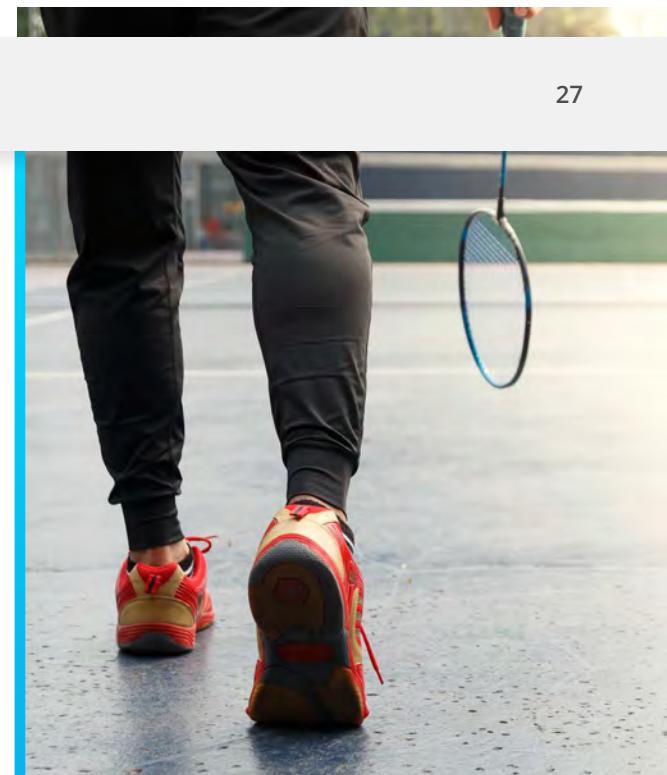
## BOARD AND COMMITTEE MEETING ATTENDANCE

DIRECTOR	Board	AC	RC	RCC	Risk and Compliance	ACT	SEC	NC
<b>NON-EXECUTIVE DIRECTORS</b>								
M Tucker# (Chairperson)	4/4							2/2
HL Bosman	3/4		4/4		5/6			2/2
Dr B Brink#*	2/2				3/3		3/3	
SE De Bruyn**	2/2	2/3	2/2					
R Farber	4/4				6/6	7/7		
M Hlahla#**	4/4	6/6	2/2				4/4	
F Khanyile#	4/4		4/4				5/5	2/2
D Macready#	4/4	6/6			6/6	7/7		
Dr TV Maphai#	4/4							2/2
T Mbweni***	1/1		1/1		1/1			
M Schreuder#	4/4	6/6			6/6	7/7		
B van Kralingen***	1/1							
SV Zilwa#	4/4	3/3			5/6		5/5	
<b>EXECUTIVE DIRECTORS</b>								
A Gore	4/4							2/2
HD Kallner	4/4				6/6	7/7	4/5	
NS Koopowitz	4/4							
Dr A Ntsaluba	4/4							
A Pollard	4/4							
B Swartzberg	4/4							
D Viljoen	4/4				6/6	7/7	5/5	

# Independent

\* Dr B Brink and SE De Bruyn retired as Board members and members of the committees they served on with effect from 24 November 2021.

\*\* M Hlahla was appointed to the Board with effect from 15 August 2021, B van Kralingen was appointed to the Board with effect from 7 April 2022, and T Mbweni was appointed to the Board with effect from 5 May 2022.



### FY2023 Board focus areas

During FY2023, our Board will oversee, among others, the following matters in their capacity as the Group's highest governing body:

- ➔ Ensuring the Group's continued financial strength and resilience given the volatile geopolitical and socioeconomic environment.
- ➔ Overseeing the execution of the Group's Climate Change Strategy, including performance against climate-related goals.
- ➔ Pivoting Bank to growth as the composite-maker in South Africa and bringing other new initiatives to scale.
- ➔ Finalising the Subsidiary Governance Framework to embed consistent and effective governance standards across the Group.



# VALUE CREATION





ADRIAN GORE

# DISCOVERY GROUP CHIEF EXECUTIVE'S REPORT

We have built Discovery on a simple but profound core purpose of making people healthier and enhancing and protecting their lives. Rather than becoming diluted over the past 30 years, this purpose has grown in relevance and has been both a compass and a source of inspiration. It has manifested in our Vitality Shared-value Insurance model which has allowed us to manage the complexities of the period under review and enabled us to deliver a strong operating performance.



The environment in the period under review was marked by two considerable developments. The first was the evolution of COVID-19, as the emergency phase of the pandemic passed, with conditions in most markets normalising, except for Asia which was affected by severe lockdowns and restrictions. The second was significant geopolitical and macroeconomic volatility, driven by a combination of the conflict in Ukraine and severe supply-side constraints.

In light of these developments, we pivoted to growth – in line with our 2023 Ambition of being a leading financial services organisation – utilising our global insurtech platform and Vitality Shared-value Insurance model to positively influence 50 million lives – with more than 10 million directly insured.

## We focused on four key focus areas to achieve this:

1. Ensuring robust growth to navigate the latter stages of COVID-19 and macroeconomic volatility
2. Scaling high-potential new initiatives and streamlining others
3. Ensuring capital strength with high levels of liquidity and solvency
4. Pivoting off the Shared-value Insurance model to manage the complexities of the period

Due to these focus areas, we remained resilient in the face of macro challenges, resulting in the Group's strong operating performance.

### 1 Ensuring robust growth to navigate the latter stages of COVID-19 and macroeconomic volatility

Normalised operating profit increased by 45% to R9 384 million – despite the impact of COVID-19 and the substantial investment in new initiatives. Core new business annualised premium income was up 6% to R21 710 million and persistency continued to exceed expectations in all businesses. There was strong

growth across the strategic strands: the SA composite's operating performance was resilient with COVID-19 risks abating and sales recovering, the UK composite achieved excellent earnings and new business growth, while profits in Vitality Global were curtailed by macro factors.

The reporting period included the end of the COVID-19 Delta variant third wave in SA and the highly infectious, but less virulent, Omicron variant for which the previously raised COVID-19 provisions for the Group's life insurance operations were adequate. As the emergency phase of the pandemic has passed, our focus has shifted to incorporating the longer-term implications of COVID-19 and future mortality progression and as a result, we strengthened the mortality and morbidity bases in the life insurance operations.

### 2 Scaling high-potential new initiatives and streamlining others

Alongside the focus on robust performance, we continued to significantly invest in new initiatives (investment at 18% of normalised operating profit) with the Group emerging from a cycle of significant investment – dominated by the investment in Discovery Bank, which now positions us well for future growth. Over the period, we increased investment in Vitality Health International, particularly for the establishment of Amplify Health which was launched over the period. In addition to this, we continued to invest in other large-scale new initiatives, such as Vitality1, the platform to scale the globalisation of the Vitality Shared-value Insurance model.

The Group also streamlined some new initiatives with a focus on those businesses expected to generate significant value. Following a review of the VitalityInvest business, we decided to exit the UK investment market given the structural change in market conditions, mainly driven by significant margin compression. Despite VitalityInvest making good progress over the financial year, the decision was taken based on the time and resources needed to accumulate the necessary assets under management for the business to be profitable and generate material long-term value for the Group. In this regard, we expect spend on new initiatives to revert back to the Group's long-term guidance of 10%.



### 3 Ensuring capital strength with high levels of liquidity and solvency

Liquidity and solvency remained robust across the Group despite paying R3.7 billion in COVID-19 claims in the reporting period in SA, gross of reinsurance. The Group's financial leverage ratio improved to 23.8%, well below the internally set guidance threshold of 28%. Given our commitment to organic growth, with substantial new initiatives, notably Discovery Bank, being funded out of operating profits and emerging cash flow, we are committed to exceptional discipline around the execution of our capital plan. The need for this has been exacerbated by the emerging global geopolitical risks and the concomitant economic volatility. We also hold the view that while the emergency phase of the COVID-19 pandemic appears to be over, there are risks associated with COVID-19 not yet being in its endemic phase. Based on this, and despite the strong performance of the Group, we have kept our prior-stated position of not paying an ordinary dividend unchanged during this period. Further, we continue to follow our capital management framework whereby capital requirements by associates and subsidiaries are typically funded by way of capital issuance at Discovery Limited level, if and when markets are conducive.

### 4 Pivoting off the Vitality Shared-value Insurance model to manage the complexities of the period

Our confidence in the Vitality Shared-value Insurance model was validated over the period under review – confirming its efficacy and resilience – with the model allowing us to pivot to growth during the pandemic. The efficacy of the model was demonstrated across all areas and businesses. Examples include the correlations between COVID-19 resilience and Vitality status, with engaged Vitality members experiencing dramatically lower levels of mortality. The model also resulted in excellent persistency in the Health businesses, and stability and positive selection in the Life and Insure businesses.

Over the period, we focused on evolving the Vitality Shared-value Insurance model by strengthening all aspects of the insurance value chain. The application of the Shared-value model in banking was recently recognised by Fortune Magazine, with Discovery joining the ranks of 53 companies recognised in the Magazine's 2022 Change the World list. This further validates our ongoing focus on making people healthier in all aspects of life, in line with our core purpose, and positions us alongside other leading companies on a global stage.

## STRATEGIC STRANDS

The Group's overall resilience ensured continued focus on and progress in our market-specific strategies and objectives, which are:

### SOUTH AFRICA

To be the perfect composite model, number one in our chosen segments in every industry, and Discovery Bank pivoting to growth as the composite-maker within SA.

### UNITED KINGDOM

To have best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey; and to have a successful entry into motor insurance.

### VITALITY GLOBAL

To be the foremost provider of health and wellness intellectual property, powered by the right combination of technology and analytics – accelerating the growth of global insurers by attracting and engaging clients.

### SOUTH AFRICA

The SA composite delivered a resilient operating performance with normalised operating profit increasing by 41% to R8 679 million while new business grew by 15% to R14 257 million, excluding new initiatives. Operating profit growth was driven by a strong recovery from Discovery Life (normalised operating profit up 200%) due to positive overall experience, COVID-19 experience consistent with provision modelling, and prudent expense management. Discovery Health's new business grew strongly by 20% and the business performed strongly across all key metrics, while Discovery Invest continued to demonstrate robustness. Notably, Discovery Invest recently launched Cogence, SA's first shared-value Discretionary Fund Manager to drive better retirement outcomes. The partnership with BlackRock leverages its Aladdin Wealth™ Technology to manage investment risk with Vitality managing demographic risk.

Discovery Insure experienced a significant underwriting shortfall resulting in an operating loss of R162 million, a 165% decrease from the prior year operating profit. The loss was predominantly driven by adverse weather events including the April 2022 KwaZulu-Natal floods, which led to a R66 million net impact, combined with motor parts inflation dramatically exceeding CPI. The result was further

impacted by an increase in power surge-related claims during the period. Gross written premium grew by 13% to R4 762 million, despite lower new business levels, as Insure was quick to implement strategic actions to manage the impact of the business experience, while also improving the overall client risk profile.

Lastly, Discovery Bank made pleasing progress in all areas over the period with key metrics outperforming budget. The operating loss for the financial year was R990 million, 10% lower than the previous financial year. The Bank continued to expand its current client base reaching 470 220 clients (FY2021: 331 000) and 1 023 790 accounts (FY2021: 649 000) at the end of FY2022. Retail deposits grew by 30% to R10.6 billion. New business volumes were strong, with more than 800 average daily new-to-Bank sales (versus 500 in June 2021), showing significant progress toward a medium-term target of 1 000 sales per day and 1 000 000 clients by 2026. The Bank also made progress across its strategic focus areas of accelerating growth, leveraging the SA composite model, offering differentiated, market-leading products, and providing unparalleled service and operational excellence. We are pleased with the Bank's performance and remain excited about its growth potential.



## STRATEGIC STRANDS *continued*

### THE UK

The UK composite's performance was excellent, with normalised operating profit increasing by 28% to £98.7 million (up 25% to R1 999 million) while new business grew by 22% to £148 million (up 19% to R2 994 million), excluding new initiatives. Earned premiums increased by 8% to £893 million (up 5% to R18 094 million), while total lives covered increased by 12% to 1.56 million. VitalityHealth's strong operating performance was driven by sustained membership growth, rigorous expense controls and excellent care management, while the management actions taken over previous reporting periods resulted in VitalityLife delivering a robust performance. Significantly, we reached an agreement with Prudential on the Part VII transfer of the VitalityLife book, currently written on the Prudential balance sheet. The agreement effects an indefinite delay period to complete the Part VII transfer and results in reduced liquidity, matching and capital risk, as well as lower operational complexity with improved overall commercial terms.



### VITALITY GLOBAL

Vitality Global's normalised operating profit decreased by 1% to \$53 million (down 2% to R811 million) while new business decreased by 7% to \$281 million (down 8% to R4 281 million), excluding new initiatives.

Ping An Health Insurance's (PAH) profit from operations, represented by the Group's share of after-tax operating profit less Discovery's costs to support the business, decreased by 19% to RMB143.6 million (down 18% to R338 million). PAH's pre-tax operating profit, excluding investment income and gains, increased by 30%, highlighting the strong operating performance over the period which was curtailed by the decline in the Chinese equity market. Total new business premiums reduced by 17% to RMB4.9 billion (down 15% to R11.5 billion) due to the restructured cooperation with Ping An Life. However, new business premiums on PAH's own insurance licence increased by 6% to RMB3.8 billion (up 6% to R8.9 billion), following increased development of PAH's own sales channels. PAH is delivering faster premium growth than the overall industry and the business has reached considerable scale and continues to be one of the most profitable and fastest growing insurers in the country, insuring 28 million lives. Looking ahead, the focus is on scaling the business while ensuring long-term sustainability.

Vitality Global's (excluding PAH and new initiatives) performance was robust. Normalised operating profit increased by 15% to US\$31 million (up 13% to R473 million). Earnings growth was impacted as the prior period benefited from a foreign exchange hedge gain which was not repeated. This was offset in FY2022 by income related to the delivery of an initial component of Vitality IP, related to the Amplify Health transaction. Earnings were also impacted by weaker Vitality-integrated sales in some key Asian markets which were adversely impacted by COVID-19 lockdowns over the year.

We continued to grow our footprint with Vitality now in 35 markets (beyond SA and the UK), and Vitality membership from insurance partners increasing by 25% to 3 million. Notably, over the period Sumitomo Life Vitality in Japan reached a milestone of one million Vitality-linked policies sold since launching in 2018. There has been significant investment within new initiatives in Vitality Health International, with a focus on expanding the Group's global health solutions business and maintaining global leadership in behaviourally led solutions. The largest investment over the period was into the Amplify Health joint venture with AIA, offering digital health solutions across Asia-Pacific. In addition, we launched shared-value health insurance products, which incorporate Vitality, to employer groups operating in multiple African countries beyond SA.

### FOUNDATION

We made important progress in strengthening and enhancing our strategic foundation – which consist of our purpose and values, people, capabilities, brand and governance.

We are committed to ensuring we have the best person for every role and continued to invest in our people over the period. In addition to this, we worked towards creating a diverse and inclusive work environment; liberating the best in our people as we operate in the new world of work; and creating an exceptional employee experience. While there remains more to do, we made encouraging progress in transformation by maintaining our Level 1 B-BBEE status and improving transformation at management levels. In SA, black employees increased to 76% of our workforce, while representation at senior management levels increased to 36%. Globally, women represented 57% of our workforce, while representation of women at senior management levels increased to 44%. There are clear targets and development plans in place to improve diversity at senior management levels.

We continued to invest in technological innovation that supports the expansion of our businesses – most notably Vitality1 which launched in six markets during the period under review and is now live in 22 markets – thereby enabling repeatability and driving the expansion of Vitality Global.

**Finally, we made important progress in evolving our strategy in a complex ESG space, which is seeing rising demands from clients and society. Our ESG strategy is focused on five pillars, namely:**

- 1** Making people healthier
- 2** Restoring the climate and environment
- 3** Strengthening the healthcare system and building the nation
- 4** Ensuring a diverse and inclusive workforce
- 5** Ensuring fair and responsible pay

Discovery's authentic purpose of making people healthier manifested in 470 million healthy activities recorded in FY2022, as well as more than two million life years saved and R11.4 billion in value returned to clients – with a future target of achieving one billion healthy activities in 2030.



## FORCE FOR SOCIAL GOOD

In line with our values, we are deeply committed to being a force for social good and over the past year, we supported our clients and SA in various ways. We contributed to SA's mass vaccination rollout across our nine vaccination sites, helping to vaccinate over two million people. We also continued to support the strengthening of SA's healthcare ecosystem through the Discovery Foundation. In FY2022, the Discovery Foundation awarded over R11.1 million in research and training grants to some of SA's top doctors, researchers and future healthcare leaders while contributing more than R27 million to various NPOs that provide essential healthcare services in poor and rural communities. To date, it has invested over R300 million in grants to support academic medicine through research and development, and the training of nearly 500, predominantly black, medical specialists in the public sector.

In addition to the substantial investment in healthcare, we invested in various safety initiatives. Over the past year, Discovery Insure launched Fire Force in Johannesburg, in partnership with Advanced Emergency Management Services, to handle fire-related emergencies affecting homes and vehicles. Furthermore, Pothole Patrol, a Discovery Insure joint initiative with Dialdirect and the City of Johannesburg, has been successful, filling more than 100 000 potholes since May 2021.

## LOOKING AHEAD

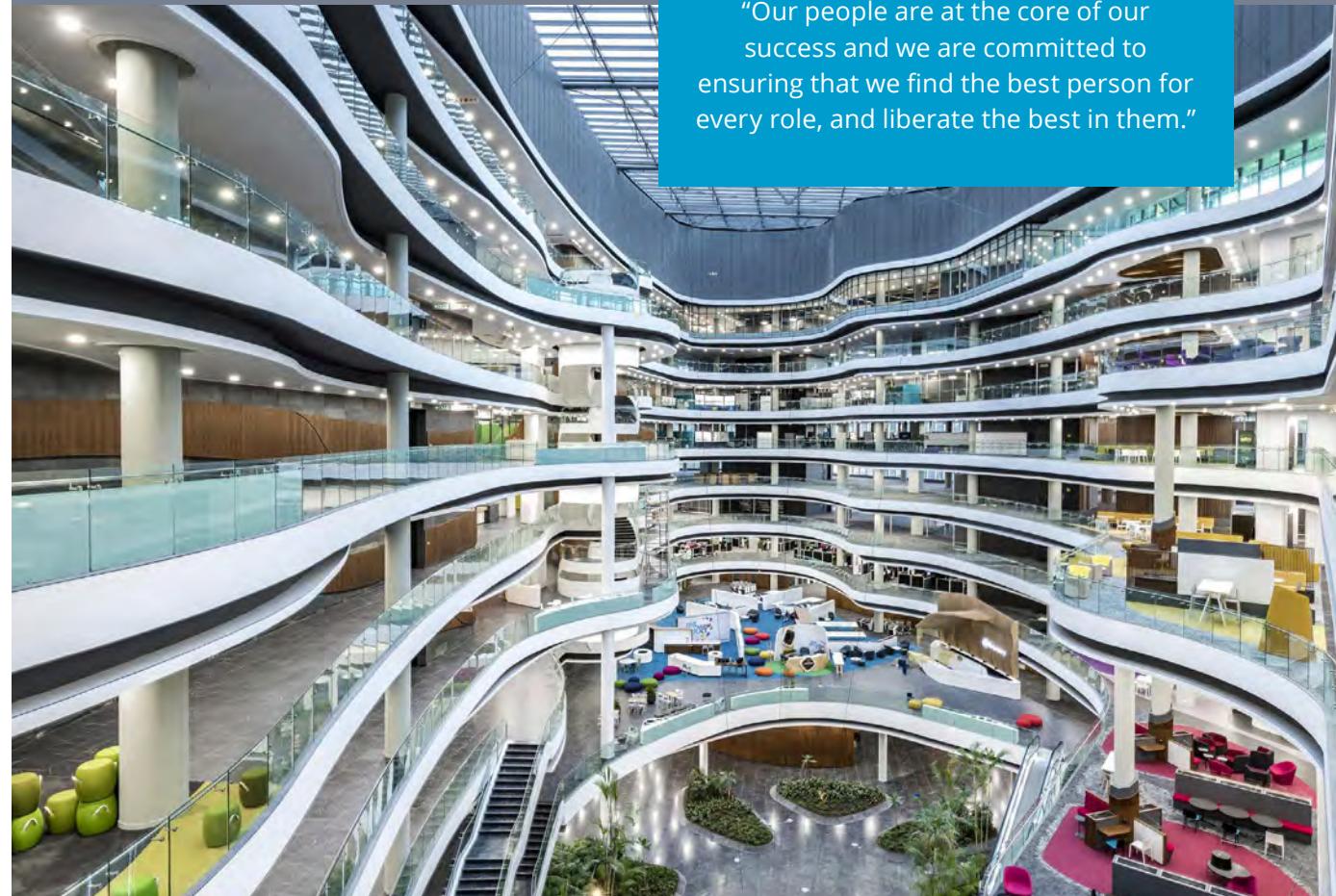
I am optimistic about our ability to grow strongly going forward. Our Shared-value Insurance model is gaining in relevance, and its applicability in managing mortality, morbidity, driving and financial risk is clear. Our data, technology, actuarial and clinical models are maturing rapidly, enabling us to repeat and scale the model. Our businesses are excellent and well-positioned to grow, and we expect spend on new initiatives to revert to the Group's long-term guidance of 10% over time. All this positions us strongly and we are largely on track to achieve the targets we set for 2023, the end of our five-year planning cycle. Looking ahead, our Ambition is clear: to be the leading new-generation financial services organisation, which through our Vitality Shared-value Insurance model makes customers healthier, provides better and more sustainable products, achieves superior growth and returns for its shareholders, and is a force for good in the communities in which we operate. We have a lot to do.

## THANK YOU

It is crucial that I express my deep gratitude to every one of our 13 450 people around the world for their huge contribution over this important and complex year in which our purpose was central, our performance strong – but most importantly, the impact on our clients and the communities in which we operate was unequivocal. You can all be proud of what we have achieved. Finally, I want to thank all our partners, intermediaries, and broader stakeholders for their continued support – thank you once again for helping us pursue good, profitably.

### ADRIAN GORE

"Our people are at the core of our success and we are committed to ensuring that we find the best person for every role, and liberate the best in them."



# OUR STRATEGY

## UNPACKING OUR PURPOSE-DRIVEN STRATEGY

*Our core purpose – to make people healthier and enhance and protect their lives – drives our strategy and is the reason WHY we are in business. Our WHAT – the products and services we offer through three market-specific strategic strands – and our HOW – our operating model and foundational elements, further inform our long-term strategic objectives. In the medium term, Ambition 2023 – guides our strategic focus and is supported by our short-term key performance indicators.*

**AR** We explain in more detail our WHY on page 11, our HOW on page 12, and our WHAT on page 9.

We remain focused on ensuring the resilience of our business through our strategy – which continues to be informed by key trends, that were accelerated by COVID-19, and remain relevant. Our unique and sophisticated Vitality Shared-value Insurance model is a powerful platform of integrated assets and capabilities, which has positioned us well to respond to these trends. Our long-term strategic objectives remained fundamentally unchanged.

### NATURE OF RISK

a focus on health, wellness and resilience

Emerging from the worst of the COVID-19 pandemic, many people remained focused on their emotional, mental and physical health. This poses ongoing opportunities to incentivise consumers due to the behavioural nature of risk.

### TECHNOLOGY

accelerated use of technology and increased digitisation

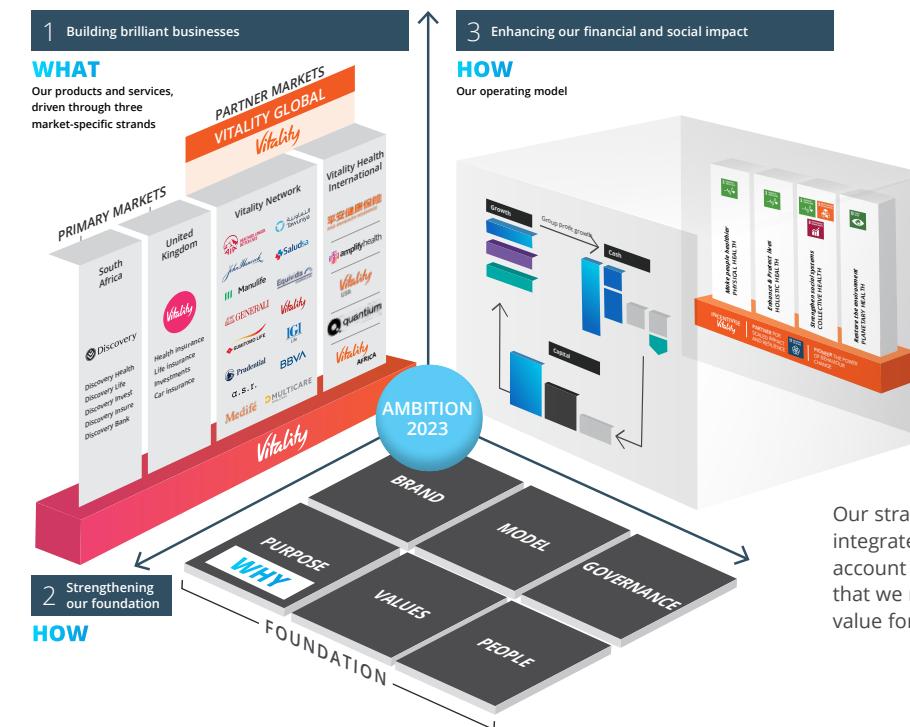
The great acceleration in the use of technology, digitisation and new ways of working are set to continue. In this era, personalisation is the new standard for success.

### SOCIAL RESPONSIBILITY

increased importance of purpose and trust

As business shifts to create value for all stakeholders, a focus on environmental, social and governance issues has become imperative. It is expected that companies will protect the health and interest of society and the planet.

Considering these trends, we remain committed to achieving Ambition 2023 – which aims to make our clients healthier by providing them with market-leading products, generating excellent financial and actuarial results, and being a demonstrable force for good for society. We also extend our shared-value approach to scale the Group's social and environmental impact, further contributing to our long-term objectives while also supporting the achievement of the United Nations (UN) Sustainable Development Goals (SDGs).

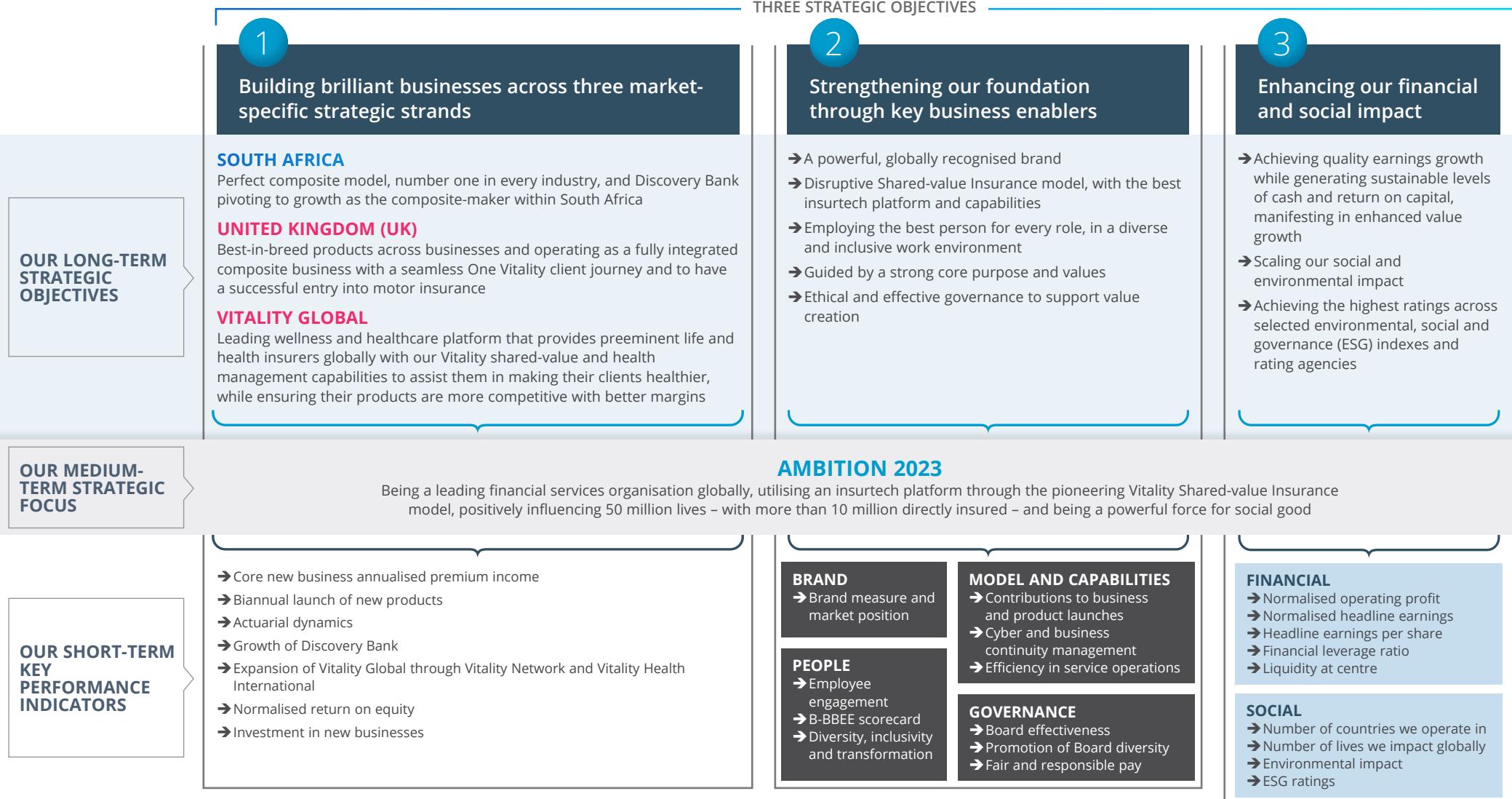


Our strategy is underpinned by integrated thinking and clearly takes into account the resources and relationships that we rely on to create and preserve value for our stakeholders.



*Our WHY, HOW and WHAT guide our long-term strategic objectives across market-specific strands, which are scaled through our medium-term ambition statements.*

Our ambitions are bold – despite having met our target of positively impacting 10 million directly insured lives, we have refreshed our medium-term goal of total number of lives impacted from 100 million to 50 million, to ensure a better defined and measurable metric that aligns to engagement experience with our partners.





## HOW WE PERFORMED AGAINST OUR STRATEGY

1

### Building brilliant businesses

The products and services we offer are focused on disruption, engagement, actuarial dynamics, meeting complex consumer needs and providing exceptional service. We execute our strategic objectives across three market-specific strategic strands: in South Africa, the UK and globally through Vitality Global.

#### During the year, we:

- Performed well across all metrics in Discovery Bank, exceeding expectations, while advancing the objective of it forming the basis of the South African composite.
- Launched Amplify Health, a new joint venture with the AIA Group in Asia which utilises Vitality and Discovery's health capabilities. Discovery is positioned for growth in the fast-expanding Asian healthcare markets through Ping An Health Insurance in China and Amplify Health in the remaining pan-Asian markets.
- Capitalised on growth opportunities while ensuring operational resilience despite the challenging macroeconomic environment.
- Made a capital contribution to Ping An Health Insurance of R1.5 billion.
- Continued to innovate to meet client needs and adapt to a complex operating environment.
- Implemented actions to address unfavourable actuarial dynamics in Discovery Insure.
- Integrated One Vitality across the UK composite, and revised the VitalityInvest strategy in response to market pressures.



### OUR PERFORMANCE AGAINST KPIS

#### Core new business API

**R21 710 million**

(FY2021: R20 409 million)\*

#### Continued to launch new products biannually

#### Actuarial dynamics within expectations, with the exception of Discovery Insure

**470 220**

#### Discovery Bank clients

(FY2021: 331 000 clients)

#### Insurance and franchise partner membership in Vitality Global increased by

**25% to 3 million**

(FY2021: increased by 33% to 2.4 million)

#### Normalised return on equity (ROE)

**11.8%**

(FY2021: 7.5%)

#### Investment in new businesses at

**18%**

of normalised operating profit\*\*

(FY2021: 24%)

\* Further details of the FY2021 restatement, and the overall realignment of PAH, can be found on page 91.

\*\* Established and Emerging.

### FUTURE FOCUS AREAS

- Meeting complex client needs and providing excellent service through product innovation and expansion.
- Expanding Vitality Global's US business beyond its current core offering of an incentivised wellness and behavioural change platform to include a wide range of health technologies and solutions.
- Further development of Amplify Health, focusing on sales, localising technologies and solutions for deployment in Asia.
- Overseeing the launch and implementation of Cogence, our discretionary fund manager.
- Overseeing pricing and other interventions to reduce Discovery Insure's loss ratio.
- Pivoting Bank to growth as the composite-maker in South Africa.
- Ongoing monitoring of distribution channels with revisions to distribution strategies when required to ensure that they are fit-for-purpose.
- Fully integrating the composite business in the UK focussed on organic growth, providing fit-for purpose products and a seamless, intuitive client experience.
- Continuing to provide leading intellectual property solutions and offering consulting services to leading insurers through Vitality Network.
- Managing the impact of higher inflation through product design, operating models and retention efforts.



Operate within a volatile socio-economic environment



Advance our disruptive Shared-value Insurance model



Leverage and manage technology and innovation



Expand and strengthen our social impact



FINANCIAL CAPITAL

### CAPITALS IMPACTED



DATA AND INNOVATION



TECHNOLOGY AND DIGITAL ASSETS



RELATIONSHIPS



## HOW WE PERFORMED AGAINST OUR STRATEGY *continued*

2

### Strengthening our foundation

Our foundation is a critical enabler of Ambition 2023 and forms part of HOW we operate.

Our values guide us in delivering on our core purpose through our pioneering Shared-value Insurance model, which incentivises positive behaviour change.

Our performance against our foundational elements of purpose, values and governance, is embedded in our targets across our three strategic objectives to achieve Ambition 2023. For example, our success in building brilliant businesses supports the efficacy of our model, and we integrate our core purpose into our people practices and create a value-based culture.

In the sections that follow, we unpack our performance against our brand, people and model and capabilities' strategic objectives.

### BRAND

Discovery's purpose-led brand continues to be fundamental to our strategy. Creating optimal brand value is driven by our Shared-value Insurance model, partnerships with leading international insurers, a focus on and progress in market-specific objectives and being a force for good in the communities in which we operate. Over the years, we have built brand equity that supports our growth strategy, including our ability to expand the way we do business and launch initiatives in new markets. At the centre of our ability to build our brand is our dedication to upholding good governance, our values, core purpose and building trust.

#### During the year, we:

- ➔ Supported the launch of new initiatives including Cogence and Amplify Health.
- ➔ Supported business innovation, launches, sales and distribution, and consumer campaigns.
- ➔ Continued to invest in national, local and community sports through our sports sponsorship activity to further enable new business growth.
- ➔ Developed an ethical decision-making framework for complex and strategic decisions and took part in the GIBS Ethics Barometer Survey.
- ➔ Invested in our data, marketing, and analytics capabilities to enable unique insights that drive product innovation as well as client value propositions.
- ➔ Invested further in our public relations strategy and reputational management tools which has led to a marked increase in awareness and positive brand association for the Group.



### OUR PERFORMANCE AGAINST KPIs

#### Ranked 7th

in the Kantar BrandZ top 30 most valuable brands in South Africa 2022 and 1st in the insurance category

76%

average score in the Ask Africa brand health tracker for Discovery businesses in South Africa (FY2021: 73%)

Vitality UK bi-annual brand tracker, conducted by Immerse, showed a

2% increase

in prompted brand awareness compared to the prior year

Discovery received the 2022 Marketing Organisation of the Year award

Discovery Group CEO, Adrian Gore, was named Business Leader of the Year

at the Sunday Times Top 100 Companies Awards

Positive results from Google analytics in brand interest and Discovery products in the insurance category

Received the Global Innovator Award and the Gold Product and Service Innovation Award for our Discovery Hospital at Home offering at the 2022 Efma-Accenture Innovation in Insurance Awards

### FUTURE FOCUS AREAS

- ➔ Supporting the launch of new products and services.
- ➔ Building the Vitality brand globally.
- ➔ Strengthening our position in the shared-value insurance category.
- ➔ Building the Discovery Bank brand to drive scale and our growth.
- ➔ Showing we are an organisation that empowers people to make positive change in their lives and rewarding them for making healthier choices.
- ➔ Continuing to develop and invest in comprehensive brand and marketing measurement tools to provide a view of the performance of our brand and initiatives.

#### MATERIAL THEMES



Ensure ethical governance and leadership



Safeguard and enhance our trusted brand

#### CAPITALS IMPACTED



DATA AND INNOVATION



TECHNOLOGY AND DIGITAL ASSETS



RELATIONSHIPS



## HOW WE PERFORMED AGAINST OUR STRATEGY *continued*

2

### Strengthening our foundation *continued*

#### PEOPLE

Our people are critical to our success. We strive to employ the best person for every role and attract people who are focused on action and growth. We pride ourselves on creating a work environment that supports exceptional performance, strong leadership, innovation and being a powerful force for good. Employing the right people who share our values helps to build highly motivated teams that embody the Discovery culture.

We seek to create a diverse and inclusive work environment that provides all employees – across race, gender and disability – with an exceptional employee experience and where every employee has a voice.

##### During the year, we:

- ➔ Successfully implemented a mandatory vaccination policy to protect the health of our employees.
- ➔ Launched an employee advocacy programme that enables current employees to share their experience of our employee value proposition.
- ➔ Launched a hybrid work model pilot to support the diverse needs of our employees and our organisational culture.
- ➔ Continued to upskill our people through skills, leadership, learning and development programmes.
- ➔ Advanced our transformation objectives through leadership development and diversity and inclusion programmes.
- ➔ Further enabled our capabilities by developing a predictive retention model that supports retention strategies for high performing and critical skills.
- ➔ Received Top Employer certification for the third consecutive year and recognised as the top graduate employer in the insurance sector and runner up in healthcare by the South African Graduate Employers Association.



#### OUR PERFORMANCE AGAINST KPIs

##### Employee experience score (SA)

**83%**

(FY2021: 87%)

##### Employee net promoter score (eNPS) (UK)

**+23**

(FY2021: +15)

##### B-BBEE scorecard

**Level 1**

(FY2021: Level 1)

##### Gender diversity

**Men: 43%, Women: 57%**

(FY2021: 43% / 57%)

**76%**

**Black South African employees**

(FY2021: 74%)

##### Black senior managers increased to

**36%**

in South Africa (FY2021: 34.9%)

**44%**

**of women in senior leadership positions**

(FY2021: 43%)

#### FUTURE FOCUS AREAS

- ➔ Attracting and retaining diverse talent, particularly in scarce and critical skills.
- ➔ Supporting diversity, equity, and inclusion throughout our operations.
- ➔ Understanding, supporting and responding to the holistic wellbeing of our people.
- ➔ Understanding the impact of the new world of work on our people and leaders and supporting them by identifying and building future-fit skills, roles and capabilities.
- ➔ Creating exceptional employee experiences through employee journeys and interactions that promote a productive and engaged workforce.

#### MATERIAL THEMES



Ensure ethical governance and leadership



Empower our people

#### CAPITALS IMPACTED



PEOPLE



DATA AND INNOVATION



RELATIONSHIPS



## HOW WE PERFORMED AGAINST OUR STRATEGY *continued*

2

### Strengthening our foundation *continued*

#### MODEL AND CAPABILITIES

Our Shared-value Insurance model is globally relevant and establishes us as a leader in the category of shared-value insurance.

Technology is a strategic enabler that supports our Shared-value Insurance model, providing our clients with an integrated experience across all platforms. Most of our solutions are developed in-house, which allows us to optimise our systems for the current environment while preparing for the emerging digital world.

Research and development drive innovation throughout the business, while our use of data positions us as a global leader in behaviour change linked to insurance. By leveraging our technological capabilities, we remain at the forefront of digital trends and innovation, enabling us to expand our global footprint.

##### During the year, we:

- ➔ Used data and data science to increase the level of personalisation across the insurance value chain.
- ➔ Implemented a privacy information management platform to meet privacy legislation requirements.
- ➔ Provided compulsory data privacy and cyber-awareness training to all Discovery South Africa employees.
- ➔ Worked to ensure alignment with the Cybercrimes Act 19 of 2020.
- ➔ Leveraged technology to enable a hybrid working environment, in addition to advancing security capabilities to mitigate the increasing associated risks.
- ➔ Continued to mature our data governance framework across our business areas and to align it with data privacy requirements.



#### OUR PERFORMANCE AGAINST KPIs

**Successfully contributed to business and product launches**

**Maintained efficiency in service operations**

**Managed cyber and business continuity risks**

#### FUTURE FOCUS AREAS

- ➔ Optimising the current data and technology environment for affordability, quality and cost.
- ➔ Preparing the data and technology environment for future needs and market developments including a fully digital experience, federal innovation and disruptive technology.
- ➔ Leveraging machine learning capabilities and data models to support information security automation where appropriate.
- ➔ Working towards a digital trust framework which enables our workforce to access our resources securely from anywhere.
- ➔ Attracting and retaining exceptional talent that support the development of our capabilities.
- ➔ Developing intuitive technology channels and adopting client-centric processes to meet the needs of the business, clients, intermediaries and healthcare providers.
- ➔ Expanding our use and understanding of digital tools and technologies like machine learning, artificial intelligence (AI) and the Internet of Things.

##### MATERIAL THEMES



Leverage and manage technology and innovation



PEOPLE

##### CAPITALS IMPACTED



DATA AND INNOVATION



TECHNOLOGY AND DIGITAL ASSETS



RELATIONSHIPS



## HOW WE PERFORMED AGAINST OUR STRATEGY *continued*

### 3 Enhancing our financial and social impact

#### FINANCIAL

Discovery continued to deliver a resilient financial performance with normalised operating profit increasing 45% and normalised headline earnings increasing 71%. Core new business in South Africa and the UK also increased as new business trends improved while persistency exceeded expectation. Normalised headline earnings were positively impacted by foreign currency volatility. While the COVID-19 claims paid in the reporting period were the highest throughout the pandemic, the earnings impact was limited as previously raised provisions were adequate. The Group's liquidity and solvency remained strong, and our financial leverage ratio remains less than our internally set guidance threshold of 28%.

##### During the year, we:

- ➔ Ensured financial resilience through disciplined cash and capital management.
- ➔ Limited the earnings impact of COVID-19 claims paid through strong reinsurance arrangements and previously raised adequate provisions.
- ➔ Made a capital contribution to Ping An Health Insurance by way of a bridge facility and internal resources.
- ➔ Invested significantly in offshore expansion to support our market-specific strategy.



#### OUR PERFORMANCE AGAINST KPIs

**Normalised operating profit  
R9 384 million**  
(FY2021: R6 494 million)

**Normalised headline earnings  
R5 816 million**  
(FY2021: R3 406 million)

**Headline earnings per share (diluted)  
785.0 cents**  
(FY2021: 449.7 cents)

**Annualised return on opening embedded value (RoEV) of  
14.8%**  
(FY2021: 4.6%)

**Financial leverage ratio  
23.8%**  
(FY2021: 25.7%)

**Liquidity at centre  
R2.8 billion**  
(FY2021: R2 billion)

#### FUTURE FOCUS AREAS

- ➔ Continuing to focus on quality earnings growth across our three market-specific strategic strands.
- ➔ Maintaining an acceptable financial leverage ratio and liquidity buffers, all of which remain in range under various claims scenarios and economic stresses.



Operate within a volatile socio-economic environment



Ensure long-term financial sustainability

#### CAPITALS IMPACTED



FINANCIAL



RELATIONSHIPS





## HOW WE PERFORMED AGAINST OUR STRATEGY *continued*

### 3 Enhancing our financial and social impact *continued*

#### SOCIAL

We aim to be a good corporate citizen and business partner. To this end, we are committed to nation building and protecting our planet. Our integrated sustainability framework clearly articulates how we intend to scale our impact, including identifying the SDGs we believe we can contribute to the most – and implementing the roadmap we have developed to close the rating gap on key ESG indices.

##### During the year, we:

- ➔ Positively impacted lives through Vitality and Vitality Global partnerships.
- ➔ Supported South Africa in its mass vaccination rollout across our vaccination sites.
- ➔ Shared COVID-19-related research globally to analyse vaccine effectiveness through real-world analysis of the Omicron outbreak.
- ➔ Initiated numerous energy efficiency and waste reduction projects to reduce our carbon footprint.
- ➔ Conducted a relevance assessment to further identify our Scope 3 activities, which emissions increased as we both enhanced our understanding thereof and reported on them.
- ➔ Continued research and development into a green Vitality proposition in South Africa and the UK to incentivise low-carbon behaviours.
- ➔ Supported research, development and training in the South African healthcare industry through the Discovery Foundation.
- ➔ Encouraged employees to support local communities through our Mentorship With Purpose Programme and Discovery ForGood.



#### OUR PERFORMANCE AGAINST KPIs

**Number of lives we impact globally of over 39.7 million**  
(FY2021: 41.3 million)

**Number of countries in which we operate 35**  
(FY2021: 28)

**513 awards granted through the Discovery Foundation to date**

**16.4%**  
reduction in Scope 1 and 2 carbon emissions against our 2019 baseline  
(FY2019: 35 884 tonnes)

**29 998 tonnes CO<sub>2</sub>e\***  
carbon emissions (scope 1 and 2) and 23 174 tonnes CO<sub>2</sub>e (scope 3)  
(FY2021: 29 608/7 780 tonnes)  
(FY2020: 35 047/19 766 tonnes)  
(FY2019: 35 884/26 238 tonnes)

**53 172 tonnes CO<sub>2</sub>e\***  
carbon emissions (scope 1, 2 and 3)  
(FY2021: 37 388 tonnes)  
(FY2020: 54 812 tonnes)  
(FY2019: 62 122 tonnes)

**19.00 tonnes**  
total weight of waste to landfill (South Africa)  
(FY2021: 33.76 tonnes)  
(FY2020: 104 tonnes)

**87 465 kL\***  
total water withdrawn from municipal water supplies in South Africa  
(FY2021: 78 963 kL)  
(FY2020: 140 598 kL)

\* The increase in water consumption and carbon emissions, compared to the prior year, are largely as a result of employees returning to the office.

#### FUTURE FOCUS AREAS

- ➔ Driving improved health outcomes globally.
- ➔ Strengthening healthcare systems.
- ➔ Reducing our carbon emissions toward our goal of becoming carbon neutral by 2025 (Scope 1 and 2).
- ➔ Developing a clear pathway to Net Zero before 2050.
- ➔ Together with our insurance partners, pursuing our collective pledge of making 100 million people 20% more active by 2025.
- ➔ Continuing to provide funding that supports community health projects through Discovery Fund.



Operate within a volatile socio-economic environment



Advance our disruptive Shared-value Insurance model



Expand and strengthen our social impact



Strengthen our environmental stewardship



DATA AND INNOVATION



RELATIONSHIPS



ENVIRONMENTAL RESOURCES



## SCALING OUR SOCIAL AND ENVIRONMENTAL IMPACT

*Our ability to do business is fundamentally linked to the continued wellbeing of the communities in which we operate. Our core purpose is aligned with the goal of maintaining an environment that enables and sustains good health. In support of scaling our social and environmental impact, we have been a signatory to the United Nations Global Compact since its inception in 2015 and continue to uphold the universal call to action to end poverty, protect the planet and improve the lives and prospects of people globally. In addition, we identified the SDGs most aligned with our business and that we believe we can contribute to the most as we scale our impact as a demonstrable force for good.*

Our Shared-value Insurance model plays a significant role in influencing our clients' health and financial behaviour, creating shared value for them and society at large. We further have an opportunity to become part of the climate-change solution by extending our shared-value approach into this space and minimising any negative impacts we have on the environment. Since Discovery's inception, we have understood the power of aligning our interests with those of our clients and society. Applying our Shared-value Insurance model to help address climate change is the next evolution of our shared-value thinking.

### WHY

Our core purpose supports the achievement of the global SDGs



### HOW

Overarching goals

#### Make people healthier

PHYSICAL HEALTH

#### Enhance and protect lives

HOLISTIC HEALTH



#### Strengthening social systems

COLLECTIVE HEALTH

#### Restore the environment

PLANETARY HEALTH

### WHAT

Driving our targets and initiatives through our business

- ➔ Improve physical and mental wellness to drive the reduction of premature mortality from non-communicable and communicable diseases by incentivising healthier choices through exercise, healthy food, health screenings and tailored product offerings
- ➔ Expand access to quality healthcare through innovative products such as Discovery Connected Care, KeyCare and Discovery Prepaid Health
- ➔ Together with our insurance partners, pursuing our collective pledge of making 100 million people 20% more active by 2025

- ➔ Reduce deaths and injuries from road traffic accidents by improving driving behaviour and road safety
- ➔ Improve financial health by incentivising clients to manage and withdraw their money wisely

- ➔ Strengthen social healthcare systems by supporting the development, training and retention of the healthcare workforce through the Discovery Foundation and the Discovery Fund
- ➔ Support our communities through corporate social investment and public-private partnerships
- ➔ Create employment through the Discovery Enterprise and Supplier Development programme to include more people in the formal economy, as well as Discovery's own value chain
- ➔ Play a crucial role in nation-building, as seen with Discovery's response to COVID-19

#### Short to medium term

- ➔ Achieve carbon neutrality by 2025 (scope 1 and 2 emissions)
- ➔ Reduce waste to landfill to zero by 2023
- ➔ Responsible water consumption and improved efficiencies

#### Long term

- ➔ Achieve net zero by 2050 or earlier

- ➔ Incentivise behaviour change through Vitality
- ➔ Partner for scaled impact and resilience
- ➔ Pioneer the power of behaviour change

### Governance commitments

Our commitment to partner for planetary and social health is underpinned by the following governance commitments:

➔ Assigning responsibilities at Board and Executive level to deliver on our Integrated Sustainability Framework

➔ Assessing, managing and publicly disclosing ESG risks and opportunities across the Group

➔ Reviewing our capabilities, organisational structure and remuneration to deliver on our ESG ambitions and goals



# RISKS AND OPPORTUNITIES

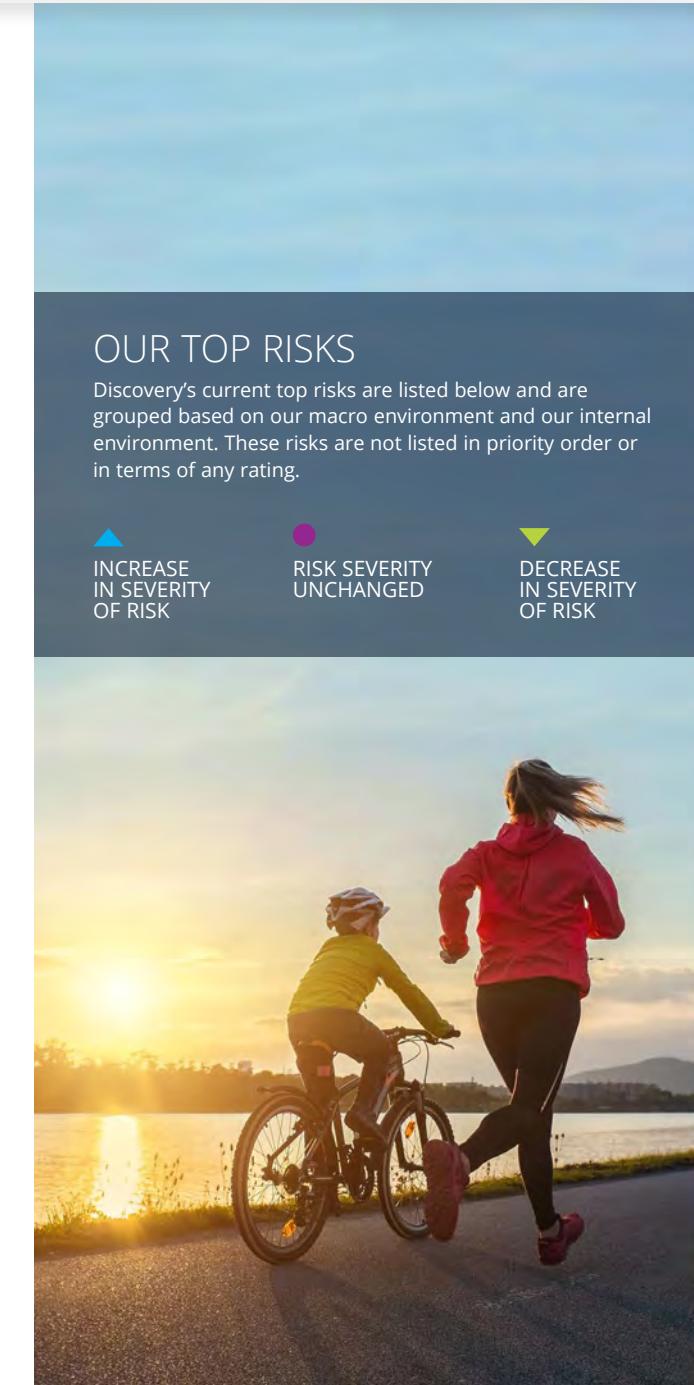


*Discovery's approach to risk is built on the strong foundation of our core purpose, nine key values and our proactive risk culture. It is further driven by a top-down approach of factoring risk into decision-making, and a bottom-up approach as part of the day-to-day processes and projects. The Board is the highest body ultimately responsible for risk governance within the Group and is assisted by the Group Risk and Compliance Committee to implement processes that ensure risks are identified and managed within the Board-approved risk appetite and limits.*

Our Risk Management Framework is clearly defined and embedded across the Group. It enforces a consistent risk taxonomy across all entities and includes risk-rating matrices scaled for each entity used to assess and rank the likelihood of certain risks and the magnitude of their impact. A three-lines-of-defence model is applied - core to our operating model, which identifies and manages material risks. Our risk appetite and limits are set at business entity and Group levels, with clear accountability and reporting requirements.

We continuously refine and embed our Combined Assurance Model, which addresses significant strategic, financial, insurance, operational and compliance-related risks. The model ensures that, collectively, the assurance activities provided by internal and external assurance providers adequately address material risks the Group faces. The model further seeks to ensure that suitable controls exist to manage these material risks within approved risk limits.

We reflect on the effectiveness of our robust risk-management system annually in the Own Risk and Solvency Assessment (ORSA). This assessment provides a holistic view of the risks the Group is exposed to, as well as how these risks affect capital, solvency, and the business strategy. Furthermore, we regularly measure risk culture across the Group and use these assessments to identify areas for enhancement.



## OUR TOP RISKS

Discovery's current top risks are listed below and are grouped based on our macro environment and our internal environment. These risks are not listed in priority order or in terms of any rating.



INCREASE  
IN SEVERITY  
OF RISK



RISK SEVERITY  
UNCHANGED



DECREASE  
IN SEVERITY  
OF RISK

01

Economic instability and uncertainty



02

Global geopolitical instability

NEW RISK

03

Cyber risk



04

Impact of the COVID-19 pandemic and future pandemics



05

Delivery risk



06

Financial resilience



07

Technological resilience



08

Human capital capabilities





# UNDERSTANDING OUR RISKS AND OPPORTUNITIES

01

## Economic instability and uncertainty

### Risk description and impact on our business

#### Global economic pressure

The global and local economic outlook remains a concern. Elevated commodity prices, amplified by the conflict in Ukraine and persistent supply chain disruptions in China are key drivers of global inflation in addition to tight labour markets in the US and the UK. Increased inflation is leading to increased interest rates as inflation continues to exceed central bank targets in most countries.

Rising inflation and interest rates increase pressure on clients' disposable income and could reduce new business volumes and increase lapses in any of our businesses, including South Africa, the UK and our global partnerships. These global and domestic risks could also impact our ability to deliver an acceptable return on capital invested and manage ongoing operational expenses, impact investment fees for the investment businesses, and negatively impact the insurance assets in Discovery Life.

#### South African economic pressure exacerbated by energy instability and social unrest

High unemployment, constraints to the domestic supply of energy and low levels of investment continue to constrain domestic growth. These conditions further exacerbate pre-existing socioeconomic inequalities and political instability.

In South Africa, inflationary pressures accelerated in the second quarter of 2022 reaching 7.4% in June, the highest inflation rate recorded since May 2009. Inflation is driven by increased fuel prices, higher global food prices and the weaker Rand. The Monetary Policy Committee of the South African Reserve Bank have steadily increased interest rates through five consecutive rate hikes since November 2021.

The decline in energy supply infrastructure is a key concern in addition to the increased loadshedding in 2022. While Discovery can continue operating within the current volumes of loadshedding, any occurrence of extended blackouts would have severe consequences for the overall availability and supply of goods and services. This would hamper our ability to service clients and could also result in increased claims. Foreign investment sentiment may impact markets and emigration rates may increase.

The riots experienced in July 2021 brought widespread violence and looting in South Africa. Discovery's key concern was the safety of employees in the affected areas. The claims impact was minimal due to SASRIA insurance coverage; however, this risk has the potential to increase should further looting or civil unrest occur in the future. Possible impacts include operational disruptions, damage to property, loss of life, negative market sentiments, increased emigration of clients and staff and volatility within the market.

Related material themes



Capitals impacted



### Key mitigating actions and opportunities

- Most product designs and operating models are protected against inflation through inflation-linked premium increases and providing clients with the option to buy-down cover as a retention tool.
- Focus on innovation and improving our products and pricing to attract and retain clients in low-growth environments.
- Manage lapses through retention efforts and servicing changes or improvements to policies.
- Diversify our local and global businesses to reduce concentration risk.
- Evaluate the impact of the macro environment on our businesses on an ongoing basis and identify appropriate mitigating actions, including the implementation of hedging and asset-liability matching strategies to manage interest and foreign exchange risks.
- Develop world-class businesses that can compete regardless of the macroeconomic conditions.
- Identify and pursue further growth opportunities.
- Enhance disaster and business continuity planning.





## UNDERSTANDING OUR RISKS AND OPPORTUNITIES *continued*

02

### Global geopolitical instability

NEW  
RISK

#### Risk description and impact on our business

Geopolitical risks have increased worldwide, including the escalation of the conflict between Russia and Ukraine and the increased tensions between China and Taiwan. While Discovery has no direct exposure to Russia or Ukraine our presence in Europe and Asia as well as the interconnectivity of global markets does expose us to these risks.

A number of risks present themselves to Discovery and include: supply chain disruptions affecting the availability and cost of key materials, equipment and parts; negative impacts on stock market returns, interest rates, inflation and exchange rates; increased risk of cyberattacks; generally lower global trade and investment; and negative impact on our global partnerships.

Collectively these risks could result in lower margins, reduced new business volumes and higher lapses, ultimately reflecting in lower earnings and reduced return on capital.

#### Key mitigating actions and opportunities

- ➔ Evaluate the impact of geopolitical tensions abroad on an ongoing basis and identify appropriate business responses.
- ➔ Enhance our understanding of and response to the impacts of potential future conflicts.
- ➔ Identify key supply chain dependencies and alternative suppliers.
- ➔ Product flexibility to enable increased prices in the event of higher input costs or claims experience.
- ➔ Enhance cyber security capabilities.

Related material themes



Capitals impacted



03

### Cyber risk

#### Risk description and impact on our business

The risk of a cyber-security breach remains high due to the increased sophistication of cyberattacks. This is particularly the case for Discovery given the nature of our business and presence in the healthcare, banking and insurance sectors.

The notable increase in Ransomware attacks, both locally and globally, is a further concern.

A cyberattack aimed at Discovery could lead to significant business interruption, substantial operational costs, increased regulatory scrutiny and reputational damage.

#### Key mitigating actions and opportunities

- ➔ Enhance our security capabilities through our Group Cyber Programme.
- ➔ Embed a Digital Trust Architecture Framework to enhance and secure the access of internal and external users.
- ➔ Further mature the Group's cyber-resilience capability to the National Institute of Standards and Technology Framework.
- ➔ Perform regular penetration testing to identify potential vulnerabilities.
- ➔ Host regular, mandatory employee awareness and training programmes.
- ➔ Bolster our cyber security team.
- ➔ Assess our security posture from an external attack perspective and identify and analyse potential threats.
- ➔ Implement appropriate levels of cyber insurance cover.

Related material themes



Capitals impacted





## UNDERSTANDING OUR RISKS AND OPPORTUNITIES *continued*

### 04

#### Impact of the COVID-19 pandemic and future pandemics

##### Risk description and impact on our business

During the year under review, COVID-19 waves fuelled by new variants continued to impact our business. As anticipated, the fourth and fifth waves had a far less material impact than previous waves.

Vaccination uptake among Discovery clients has been high, leading to lower hospitalisation risk, transmission risk and mortality risk. Various restrictions have been lifted, including the need to wear masks, which has not resulted in a notable increase in infections.

The longer-term health impacts stemming from COVID-19 remain uncertain. These include the development of future variants and the impact of long-COVID-19. Many of our clients have not undergone routine screening for illnesses due to the pandemic, which continues to pose a long-term risk of increased morbidity and mortality trends.

As we start to emerge from a time heavily influenced by the COVID-19 pandemic, concerns around the impact of future pandemics on global economies, businesses and societies has increased. COVID-19 predominantly impacted our life insurance businesses through increased claims as well as the wider group in terms of pressure on sales.

Future pandemics have the potential to have a more severe impact on the healthcare industry. While the healthcare systems in the countries where we operate withstood the impact of COVID-19, future pandemics could be significantly worse and place healthcare systems under immense pressure.

Related material themes



Capitals impacted



### 05

#### Delivery risk

##### Risk description and impact on our business

Discovery's organic growth model is driven by the building of adjacent shared-value businesses in our primary and global markets. We invest a significant proportion of earnings in new initiatives.

We need the right people and business infrastructure to develop new products and businesses, and to enter new competitive markets. This enables us to successfully develop new ventures and gain adequate traction to deliver the expected return on capital. The current global and local economic growth conditions have added to the challenges normally associated with building, launching and developing new initiatives.

This risk is decreasing as existing new material initiatives – primarily Bank, but also Umbrella Funds and Commercial Insurance – are well underway and are increasing in scale. There have been additional new ventures, but these are not considered material in terms of investment, although still strategically important.

##### Key mitigating actions and opportunities

→ Explore innovative opportunities to leverage our Shared-value Insurance model, advance our brand and expand our business.

→ Integrate our approach to growth, liquidity, solvency management and value creation through our clearly defined Group operating model.

→ Allocate capital in line with our Capital Allocation Framework.

→ Drive value creation through our purpose-led Shared-value Insurance model, strong brand and unique culture.

→ Monitor the risks our businesses face to ensure we respond proactively and consistently.



## UNDERSTANDING OUR RISKS AND OPPORTUNITIES *continued*

### 06

#### Financial resilience

##### Risk description and impact on our business

Our clients depend on us to provide them with insurance and assurance. To deliver on these expectations, we must remain financially sound and deliver product benefits as they fall due. Our organic growth model has been embedded in the composite model as key to our strategy, together with prudent capital allocation, solvency and liquidity management.

Continued uncertainty in the global economy, influenced by political and social tensions, could disrupt financial markets. This could impact our solvency and liquidity buffers and affect our ability to access funding for growth. In addition, our earnings remain exposed to interest rate fluctuations and inflation expectations, particularly in our primary markets. In South Africa, an increase in long-term nominal and real interest rates negatively impacts our life insurance earnings. In the UK, the Group's life insurance business is mainly exposed to the level of long-term reinvestment rates of interest and lower interest rate expectations negatively affect earnings. This is particularly relevant to the business written on the Prudential licence.

Related material themes



Capitals impacted



##### Key mitigating actions and opportunities

- Maintain significant solvency and liquidity buffers in each of our regulated businesses, as well as overarching buffers at Group level.
- Model and monitor capital requirements.
- Secure access to capital solutions – including retained earnings, debt, financial reinsurance and liquidity facilities – in pursuit of the Group's growth agenda.
- Monitor interest rate fluctuations and implement adequate mitigating actions, including the use of hedging arrangements where applicable.

### 07

#### Technological resilience

##### Risk description and impact on our business

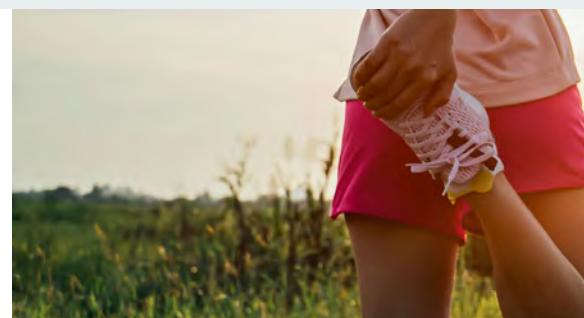
We use a wealth of data to provide services and develop products that meet the needs of our clients. The responsible collection and use of data and the secure management thereof is paramount to operating ethically and preserving our clients' trust. Failure to accurately maintain data could lead to misinformed decisions and losses, as well as the risk of regulatory action.

Technology and innovation are critical to our businesses. Material instability in our core operating systems and the Vitality1 platform could impair our business model, as it would deteriorate the speed and quality of services that rely on information processing.

Related material themes



Capitals impacted





## UNDERSTANDING OUR RISKS AND OPPORTUNITIES *continued*

08

### Human capital capabilities



#### Risk description and impact on our business

##### Global economic pressure

Our people are a strategic enabler for the Group. We face the risk of skills shortages, particularly in critical areas such as technology, data science and actuarial science. It further remains a challenge to retain and develop our existing talent to maintain a resilient and evolving work environment.

Our workforce continues to move towards being diverse, inclusive, and demographically representative of the countries where we operate as part of our transformation agenda. We do, however, continue to face the risk that the targeted change at senior management level is not occurring at a satisfactory pace. We further risk not attracting, developing and retaining black South African candidates at all levels. This could lead to reputational damage and impact our rating on the Financial Sector Codes (FSC) scorecard.

The UK have experienced the effect of the Great Resignation trend, where increased pressure on retention and recruiting has resulted in impacts on operational servicing. This risk trend has not been as severe across the other businesses within the Group but is being monitored.

A hybrid working model has been implemented across the Group in order to remain competitive. While the model has numerous benefits, a potential challenge is instilling and maintaining Discovery's unique culture, particularly for new employees.

The work environment has evolved at an unprecedented pace in the most recent years, leading to health, safety and productivity challenges across our global workforce. If left unmanaged, these changes in conditions threaten our employees' wellbeing which, in turn, impacts the overall resilience of our business.

Related material themes



Capitals impacted



#### Key mitigating actions and opportunities

- Ensure we have the best person in every role.
- Liberate the best in our people through digital enablement, challenging work and learning experiences.
- Build highly motivated teams that embody the Discovery culture.
- Create a work experience that positions Discovery as an employer of choice.
- Entrench a compelling employer talent brand and drive recruitment initiatives that attract and retain the best talent in critical segments.
- Offer competitive total rewards.
- Identify and implement succession planning across the key roles within the businesses.
- Prioritise the appointment of female, African and coloured candidates and people living with disabilities.
- Monitor the wellbeing of our employees through dedicated programmes – such as the Vitality Mental Wellness Programme – and employee engagement surveys.
- Provide support and counselling to our employees through HealthyCompany.
- Review and update our plans and contingencies to protect our employees' health, safety and work capabilities.
- Monitoring of staff attrition rates across the businesses.





# EMERGING RISKS

We continue to monitor external dynamics that could impact the sustainability of our business and, in doing so, consider critical emerging risks that could impact our long-term strategic priorities.

## Market disruptors



### Risk description and impact on our business

The rate of technological change – especially disruptive technologies – and the accelerated pace of adoption impacts our competitive landscape, shifting client behaviours and expectations.

Furthermore, due to changing business disruptors and new technologies, the aggressive collection and use of data may lead to evolving exposure to data compromise and operational functionality.

### How we are responding

- ➔ Invest in technology and innovation to ensure we differentiate ourselves in the market.
- ➔ Further enhance our data analytics capabilities to create innovative shared value opportunities based on our unique sources of data.
- ➔ Adopt disruptive technologies that support our innovative Shared-value Insurance model swiftly, thereby enriching our products and increasing the appeal of our offerings to a younger generation.
- ➔ Simplify and enhance the client experience to increase our market share.

## New and emerging regulations impacting our business



### Risk description and impact on our business

We operate across several geographies, with varied regulatory requirements that constantly change. Managing regulatory compliance presents challenges to our current and future operating model.

Over the long term, several important regulations may have operational, financial, regulatory and reputational impacts due to changes in the way we conduct business. These include the NHI Bill, climate change-related legislation, standards and reporting/disclosure requirements, Conduct of Financial Institutions Bill, Cybercrimes Bill and the Employment Equity Amendment Bill.

### How we are responding

- ➔ Maintain a stable, safe and fair, regulated business environment.
- ➔ Drive and actively support our regulatory obligations.
- ➔ Engage with regulators, lawmakers and thought leaders, directly and indirectly, through industry and professional bodies to influence and remain apprised of key regulatory developments.
- ➔ Monitor regulatory changes with discipline through our robust governance structures and framework.
- ➔ Build compliance capabilities proactively.
- ➔ Address significant developments proactively through dedicated, multidisciplinary project teams.

## Climate change



### Risk description and impact on our business

Climate change is one of the key risks facing businesses and society today. It has increased the investment that Discovery has made and continues to make in order to decrease carbon emissions through our operations and is being driven through a Group-wide formal climate change strategy. Other considerations include exposure to investments that decline in value due to fossil fuel or non-climate friendly activities, supply side considerations and reputational risk. This could be driven by energy policies and financial sector regulations.

In the longer term, climate change could increase claims risk, driven by extreme weather events and change in the weather patterns. Extreme weather events could lead to increased motor and property-related claims in our non-life insurance businesses and increased claims relating to accidental deaths and injuries in our life insurance businesses. Changing weather patterns could impact our life and health businesses by worsening health impacts brought on by rising temperatures, particularly for the elderly and those with pre-existing health conditions.

### How we are responding

- ➔ Develop products and services that prompt behavioural change among our clients.
- ➔ Adhere to the Principles for Responsible Investment.
- ➔ Signatory to the 2021 Global Investor Statement to Governments on the Climate Crisis.
- ➔ Integrate climate change-related matters into the Group's governance structures, policies and practices, as well as investment and procurement decisions, product development and service offerings, and partnerships.
- ➔ Execute on our plans to proactively reduce our carbon footprint through initiatives relating to power and water usage and waste management, pursuing carbon neutrality by 2025.



# OUR OPERATING ENVIRONMENT



We are operating in a dynamic, complex and uncertain context. Our operating environment was characterised by two significant factors: the evolution of COVID-19, as the emergency phase of the pandemic has passed, with conditions in most markets normalising, except for Asia which was affected by severe lockdowns and restrictions. Secondly, considerable geopolitical polarisation and macroeconomic volatility, caused by a combination of the COVID-19 pandemic, Ukraine conflict, and supply-side constraints. This resulted in higher inflation, increased interest rates as well as currency and market volatility.

Within this environment, our core purpose has never been more relevant. We continue to identify and respond to material trends, which are integrated into our strategic decision-making process. In this way, we ensure the ongoing relevance and resilience of our business.



## The purpose imperative

### CONTEXT

The COVID-19 pandemic highlighted the role that businesses are expected to play in bringing about social change and protecting the health and interests of the communities in which they operate as well as the planet. Now, more than ever, earning stakeholder trust and having a purpose is imperative.

Millennials and Gen Zs in particular, look to companies not only to deliver products and services or to provide employment, but increasingly companies are also expected to have a positive impact on society.

### HOW WE ARE RESPONDING

Our core purpose is central to everything we do. The structural manifestation of our core purpose is our unique business model which uses shared value as the basis for our growth, guides our strategy and forms the foundation of our products and services.

Discovery is determined to be an exceptional employer, excellent partner and a good corporate citizen, and is also deeply committed to nation building and protecting our planet for future generations. To this end, we are a signatory to the United Nations Global Compact and Principles for Responsible Investment and subscribe to the United Nation's (UN) Sustainable Development Goals (SDGs).

### RELATED MATERIAL THEMES



Operate within a volatile socio-economic environment



Expand and strengthen our social impact



Advance our disruptive Shared-value Insurance model



Strengthen our environmental stewardship

### RELATED RISKS AND OPPORTUNITIES

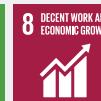
04

Impact of the COVID-19 pandemic and future pandemics

### RELATED UN SDGS



3 GOOD HEALTH  
AND WELL-BEING



8 DECENT WORK AND  
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



13 CLIMATE ACTION



17 PARTNERSHIPS  
FOR THE GOALS



## Political and economic uncertainty

### CONTEXT

The past three years have been characterised by significant economic and political uncertainty. Recent geopolitical developments, particularly Russia's invasion of Ukraine, has led to a negative global and regional economic outlook. This period is further characterised by a continued reliance on debt by several countries including the US and China, and an increased risk of stagflation due to high inflation and tepid growth. In 2020, the COVID-19 pandemic triggered a global economic downturn, which was eased by government support programmes in certain geographies. The residual impact of the pandemic, the conflict in the Ukraine and continued shutdowns in China, have resulted in persistent supply chain disruptions and subdued global recovery in FY2022. Within this economic environment, consumer inflation has exceeded expectation, ultimately influencing spending behaviour.

Unpredictable macroeconomic environments across geographies are becoming more common as geopolitical and trade tensions increase and regions are subjected to varying interest rates. Our earnings and net asset value are exposed to movements in local and global financial markets, specifically interest and currency exchange rates, which experienced significant volatility.

### HOW WE ARE RESPONDING

Our products and services continue to create shared value while addressing the needs of our clients. We introduced several new innovations in South Africa and the UK focused on affordability and value.

We continue to closely monitor the economic and political situation in all the countries where we operate and engage with relevant stakeholders when needed. We implement hedging and asset-liability matching strategies across our businesses to manage interest and foreign exchange risks in line with approved policies which are continually monitored.

Our regulated entities are capitalised in line with regulatory solvency requirements calibrated to withstand a one-in-200-year adverse event, with an additional buffer applied to ensure that, after a one-in-25-year adverse event, we still comply with regulatory requirements and hold adequate liquidity within each regulated entity, along with a liquidity buffer at the centre.

 For more information, refer to our risks and opportunities on [page 42](#) and our Group Chief Financial Officer's review on [page 63](#).

### RELATED MATERIAL THEMES



Operate within a volatile socio-economic environment



Advance our disruptive Shared-value Insurance model



Ensure long-term financial sustainability

### RELATED RISKS AND OPPORTUNITIES

02 **Global geopolitical instability** 

01 **Economic instability and uncertainty** 

04 **Impact of the COVID-19 pandemic and future pandemics** 

05 **Delivery risk** 





## Climate change

### CONTEXT

The physical impacts of climate change are increasingly felt across the globe. According to the Intergovernmental Panel on Climate Change (IPCC), more severe impacts are expected if we fail to reduce greenhouse gas emissions through mitigation and develop adaptation capacity urgently. The increased intensity and/or frequency of extreme weather events can be attributed to climate change, such as the heavy rainfall that resulted in flooding in KwaZulu-Natal, South Africa, the aftermath of which had a significant impact on the environment and society.

An increasing number of governments are committing to net-zero emissions, yet there remains a gap between current targets and what is needed to meet the goals of the Paris Agreement. In South Africa, due to existing socio-economic inequalities, a just transition is vital to ensure livelihoods are protected and communities are empowered in the transition to a low carbon economy.

### RELATED MATERIAL THEMES



Operate within a volatile socio-economic environment



Ensure long-term financial sustainability



Expand and strengthen our social impact



Strengthen our environmental stewardship

### HOW WE ARE RESPONDING

Our business is inextricably linked to the sustainable wellbeing of our communities as our core purpose supports the goal of maintaining an environment that enables and sustains good health.

We are committed to avoiding business activities that harm the environment and leveraging company assets and innovation to support the global movement towards a low-carbon future.

### RELATED RISKS AND OPPORTUNITIES

04

Impact of the COVID-19 pandemic and future pandemics



### RELATED UN SDGS

## The COVID-19 pandemic

### CONTEXT

The COVID-19 pandemic appears to have reached an inflection point in most countries largely due to widespread degrees of immunity from vaccinations and previous infections.

The financial year under review included the end of the Delta variant third wave, and the fourth wave of infections brought about by the highly infectious but less virulent Omicron variant, for which the previously raised COVID-19 provisions for the Group's life insurance operations were adequate.

COVID-19 lockdowns in key Asian markets continued to affect regional and global economies in FY2022.

### RELATED MATERIAL THEMES



Operate within a volatile socio-economic environment



Ensure long-term financial sustainability



Expand and strengthen our social impact



Strengthen our environmental stewardship

### RELATED RISKS AND OPPORTUNITIES

### RELATED MATERIAL THEMES



Operate within a volatile socio-economic environment



Safeguard and enhance our trusted brand



Advance our disruptive Shared-value Insurance model



Ensure long-term financial sustainability



Empower our people



Expand and strengthen our social impact

### RELATED RISKS AND OPPORTUNITIES

01

Economic instability and uncertainty



04

Impact of the COVID-19 pandemic and future pandemics



05

Delivery risk



06

Financial resilience





## Human-centred technology

### CONTEXT

The adoption of digitisation and automation continues to increase, as does the need for personalisation and individual control. This trend has been accelerated by the COVID-19 pandemic and has reshaped the way stakeholders interact with businesses.

The sophisticated use of Artificial Intelligence (AI) is changing businesses and business models globally. This evolution is leading to a convergence, intending to integrate and unify systems that enable businesses to understand the importance of using big data in decision-making to gain a competitive edge. Furthermore, the ability to aggregate and process data will lead to huge increases in the predictive powers of algorithms.

At the same time, medical science is advancing at an unprecedented pace, aided by technological advances. This digital transformation places clients at the centre of service offerings spanning a wide range from consumer interactions in the insurance industry to virtual healthcare and consultation in the healthcare industry. In addition, the use of data science has the potential to better integrate health and wellness products, amplifying potential benefits.

A focus on adopting ethical and human-centred practices must, however, accompany these massive leaps in technological advancements, as inherent risks persist in the emerging technology environment, including concerns around data privacy and the protection of personal information.

### HOW WE ARE RESPONDING

We are deeply committed to consistent innovation and continuously invest in our capabilities to enable the Group's long-term growth. These capabilities – data, technology and innovation – form a critical part of our business, enabling us to leverage cutting-edge solutions, like Vitality1 and Connected Care, to create integrated experiences for our clients.

The nature of the businesses we operate requires access to the personal information of our clients. We recognise our duty to protect the integrity and confidentiality of the data we collect, and consequently implement appropriate measures to support data integrity, privacy and security.

#### RELATED MATERIAL THEMES



Ensure ethical governance and leadership



Advance our disruptive Shared-value Insurance model



Empower our people



Leverage and manage technology and innovation

#### RELATED RISKS AND OPPORTUNITIES

04

Impact of the COVID-19 pandemic and future pandemics



07

Technological resilience



03

Cyber risk



08

Human capital capabilities





# OUR TRADE-OFFS

## ALLOCATING CAPITAL FOR GROWTH WHILE ENSURING LONG-TERM FINANCIAL SUSTAINABILITY

Discovery continues to invest substantially in growth and new initiatives that leverage its global leadership position in shared value technology whilst managing its capital allocation within a predetermined, balanced and disciplined framework that always ensures the long-term financial sustainability of the Group for all stakeholders. Our decisions are informed and influenced by the context in which we operate as indicated by the examples below.

### Decision to continue support of value-generating new initiatives

Following our significant investment into new initiatives, to support organic growth in recent years, we have streamlined our focus to continue to support businesses that generate significant value. On the one hand, we continue to invest in initiatives that are poised for rapid growth, including Discovery Bank, Vitality Health International – particularly through the establishment of Amplify Health – and the Vitality1 platform. On the other hand, we are reviewing our investment in AIA Health in Australia and have decided to exit VitalityInvest in the UK.

We consider the additional investment required to reach profitability, the relevant timeframe, and the opportunity cost thereof in all our capital allocation decisions. Our decision to exit the UK investment market, for example, is not only a result of structural changes in market conditions, mainly driven by significant margin compression, but also considering the pace of and extent to which the additional benefits of its contribution to the composite strategy could be realised compared to that originally anticipated.



### Decision to raise capital for Ping An Health Insurance (PAH)

In FY2022, Discovery made a capital contribution to PAH of R1.5 billion in proportion to its 24.99% shareholding, while the Ping An Group contributed their commensurate share. The combined capital contribution will provide PAH with sufficient capital for growth and regulatory requirements for a number of years and likely to the point of self-sustainability. While Discovery funded the contribution in the interim by way of a bridge facility and internal resources, it remains our preference to raise equity capital in support of this decision, but only if and when markets are conducive. The capital plan can absorb this contribution, however, this decision is in keeping with the very disciplined approach followed within management of our capital plan. Our capital framework guides us towards external capital raise for specific acquisitions or capital contributions to such projects that are over and above our long-term capital plan. This ringfenced approach supports PAH's growth ambitions while ensuring the Group's financial capital plan remains undisturbed to fully take advantage of growth opportunities in existing initiatives.

### Decision not to declare an ordinary final dividend for the year ended 30 June 2022

While the Group's capital position remains robust, we are cautious of the uncertain future impact of COVID-19 and the volatile global macroeconomic environment characterised by high inflation and geopolitical tensions. Following a number of years where the Group's investment in new initiatives was higher than our long-term guidance, the Group is exceptionally well positioned to scale globally. Now, at this pivotal point, we remain conservative in the management of our financial capital while we maintain full momentum in the drive to bring those new initiatives to scale. Important to this consideration is the substantial shareholder value creation that will be unlocked once we successfully deliver on those strategic initiatives. After careful consideration, the Discovery Board did not declare an ordinary dividend for the year under review, to ensure that the Group remains robust even in possible stress scenarios considering the volatile context in which we continue to operate.

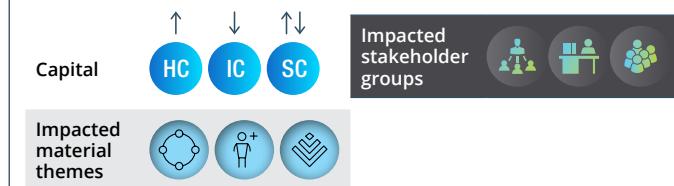
## MANAGING NEW WAYS OF WORKING EFFECTIVELY

Our adoption of new ways of working is aligned with the evolving needs of our employees and broader society. The shift, however, requires greater discipline from our employees to ensure the same level of productivity and work-life balance are maintained. Our hybrid model has the potential to affect our company culture if not proactively managed, particularly for new employees. The adoption of new ways of work enables us to attract employees from a global talent pool, however, it requires that we focus on retaining staff who are now exposed to increased opportunities internationally.



## IMPLEMENTING A MANDATORY COVID-19 VACCINATION POLICY

Discovery implemented a mandatory vaccination policy from 1 January 2022. The policy was implemented during the height of the pandemic, with the fourth COVID-19 wave posing additional risk. Even though vaccines had proven to be not only effective and safe but also a public health imperative, there was widespread hesitation around vaccinations. Our decision to implement the policy was informed by our core purpose and our legal obligation to protect and safeguard all employees. During the implementation phase, we engaged in regular and proactive discussions with employees to provide information, and considered objections through a structured process. While we have taken the appropriate steps to avoid loss of staff as a result, this clear stance, in the interest of the overwhelming majority of our staff, inevitably resulted in a small number of employees having to part ways with us.



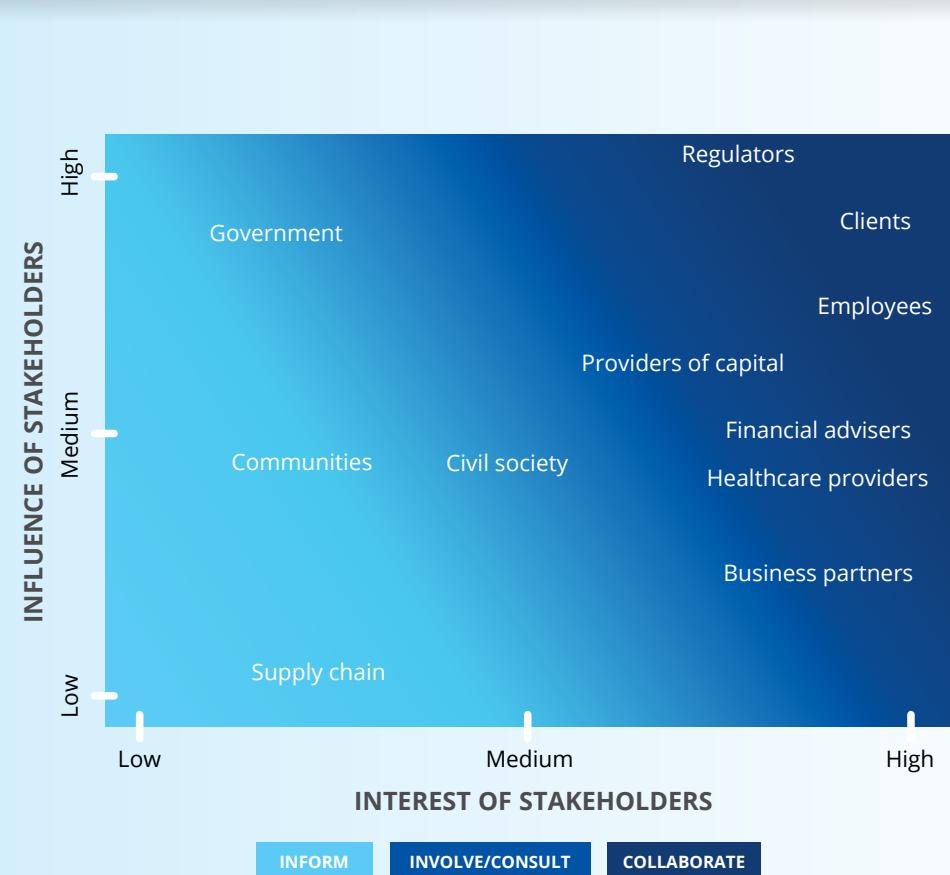


# ENGAGING WITH OUR STAKEHOLDERS

*Discovery's continued growth and success depends on how we engage with, understand and respond to our stakeholders' needs, concerns and insights.*

Maintaining good relationships with key stakeholder groups is critical to creating and sustaining value across the Group. We regularly engage with stakeholders who have vested interests in what we do and who we are.

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.



We remain committed to improving the quality of our engagements with stakeholder groups as we aim to understand their needs. We conduct regular assessments using various mechanisms to ensure that we meet our stakeholders' expectations.





## Government and regulators

### WHY WE ENGAGE

Our government stakeholders are policymakers, and they guide our operations through the relevant policies and regulations that impact our business. Engaging with government provides us the opportunity to give input into policymaking and development of regulations.

Our businesses have been granted various licences required to offer products and services in regulated sectors. To operate within the regulatory remit of our licences, we recognise that we need to engage continuously and periodically with regulators, in a manner that fosters growth and trust.

### EXPECTATIONS OF STAKEHOLDERS

- ➔ Compliance with regulatory and legal requirements
- ➔ Payment of taxes, levies and fees
- ➔ Protection of consumer, environment, labour and human rights
- ➔ Compliance with and/or meeting employment equity (EE), Broad-based Black Economic Empowerment (B-BBEE) and transformation (South Africa) requirements and targets
- ➔ Adherence to occupational health and safety standards
- ➔ Open and transparent client communication
- ➔ Organisational behaviour that does not pose a threat to our financial stability

### BASIS OF ASSESSMENT:

Feedback from government and regulators, and meeting our obligations and commitments.

### HOW WE CREATE VALUE

- ➔ Cultivate a zero-tolerance culture for regulatory non-compliance
- ➔ Engage on critical issues impacting our industries and markets
- ➔ Operate in a financially prudent and ethical manner and treat our clients fairly
- ➔ Share research and technical expertise to strengthen healthcare systems

### METHODS OF ENGAGEMENT

- ➔ Direct engagement through regular meetings (virtual or in-person), emails and telephonic discussions
- ➔ On-site inspections, periodic or thematic assessments, participation in forums and engagement through industry bodies
- ➔ Statutory reporting, licensing applications and regulatory submissions
- ➔ Input into new legislation
- ➔ B-BBEE and EE reports and submissions (South Africa)

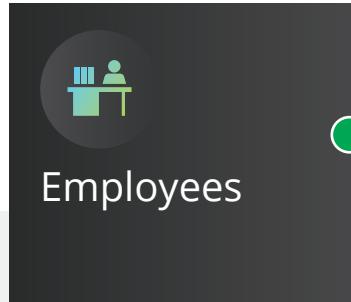


### SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Engagement on the National Health Insurance Bill through presentations to the Parliamentary Portfolio Committee on Health and through participation with Business Unity South Africa
- ➔ Supporting the vaccine rollout in South Africa and ongoing collaboration with the South African Medical Research Council (SAMRC) on related research
- ➔ Engaging with Council for Medical Schemes (CMS) at required levels

### RELATED MATERIAL THEMES

-  Ensure ethical governance and leadership
-  Empower our people
-  Strengthen our environmental stewardship



## Employees

### WHY WE ENGAGE

Discovery's business relies on constant innovation and client-centric service to remain successful. Our people act as a strategic enabler to our success by ensuring we deliver market-leading products and services to maintain our competitive advantage.

### EXPECTATIONS OF STAKEHOLDERS

- ➔ Competitive total rewards
- ➔ Effective performance management
- ➔ Investment in training and career development through targeted interventions
- ➔ Career advancement, growth, and intellectual and leadership development
- ➔ Ethical, fair and inclusive work environment
- ➔ Protection of labour and human rights
- ➔ Alignment between work and organisational purpose and values
- ➔ Opportunities for innovation

### BASIS OF ASSESSMENT:

Employee engagement score, employee net promoter score (eNPS) and employee experience index.



### HOW WE CREATE VALUE

- ➔ Review total rewards structures to ensure competitiveness when attracting and retaining talent
- ➔ Offer continuous performance engagement
- ➔ Facilitate professional development, self-driven by employees, including digital and traditional learning programmes, immersive experiences and conferences
- ➔ Offer attractive talent pipeline programmes for critical skills
- ➔ Provide opportunities for innovation and leadership development
- ➔ Invest in employee wellbeing programmes, portals and other resources

### METHODS OF ENGAGEMENT

- ➔ Annual employee engagement survey, including employee experience index
- ➔ Business unit-specific pulse surveys
- ➔ Ongoing feedback through performance management
- ➔ In-house publications, communications and emails
- ➔ Podcasts and webinars by internal and external experts and leaders
- ➔ One-on-one engagement
- ➔ Focus groups and staff dialogues
- ➔ Talent reviews

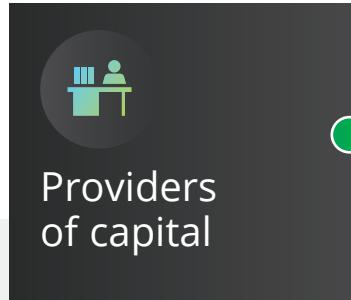
### SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Digitising of the appointment and onboarding of new employees
- ➔ Enhancing the employee experience throughout the employee lifecycle
- ➔ Diversity and inclusion, and values learning programmes
- ➔ Intensive engagement around the mandatory vaccination policy
- ➔ Employee Advocacy Programme to amplify the talent brand
- ➔ Engaging with relevant employees on the newly implemented Single Incentive Plan

### RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Empower our people
- Expand and strengthen our social impact
- Leverage and manage technology and innovation





## Providers of capital

### WHY WE ENGAGE

Providers of capital, which include investors, debt funders, investment analysts and potential investors, are a crucial element of our long-term sustainability. The feedback we receive from our engagement with these stakeholders informs our management and reporting practices.

### EXPECTATIONS OF STAKEHOLDERS

- ➔ Sustainable returns on investment
- ➔ Effective growth strategy
- ➔ Strong balance sheet
- ➔ Experienced leadership teams
- ➔ Good corporate governance
- ➔ Transparency and accountability
- ➔ Long-term sustainability

**BASIS OF ASSESSMENT:**  
Feedback from providers of capital and analyst reports.

### HOW WE CREATE VALUE

- ➔ Pursue sustainable growth in capital and distributions
- ➔ Focus on our deliberate strategy to grow organically
- ➔ Pay interest on and repay debt capital
- ➔ Continuously strengthen and evaluate governance structures
- ➔ Transparent communications and reporting
- ➔ Engage with the analyst and investor community
- ➔ Align our incentive plans with long-term shareholder interests

### METHODS OF ENGAGEMENT

- ➔ Reporting suite, including the Integrated Annual Report
- ➔ Annual and interim results presentations
- ➔ Local and international investor conferences and roadshows
- ➔ Local and international one-on-one or group engagements
- ➔ Annual General Meeting (AGM) and voting
- ➔ Media and regulatory releases, including SENS announcements
- ➔ Analyst reports



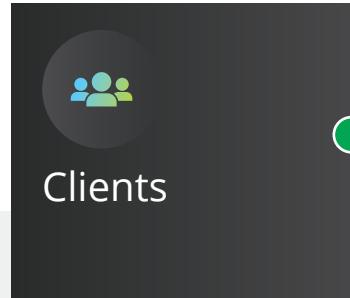
### SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Engagement with investors through virtual and in-person conferences, roadshows and one-on-one meetings
- ➔ Successful debt auction that raised R1 billion at competitive pricing
- ➔ Engaging with shareholders on the remuneration policy with regard to introduction of the Single Incentive Plan as well as the implementation report which received dissenting advisory votes of more than 25%
- ➔ Engaging with ESG ratings agencies to improve our disclosure

### RELATED MATERIAL THEMES

- |  |  |
|--|--|
|  | Operate within a volatile socio-economic environment |
|  | Ensure long-term financial sustainability            |
|  | Ensure ethical governance and leadership             |
|  | Leverage and manage technology and innovation        |
|  | Advance our disruptive Shared-value Insurance model  |
|  | Strengthen our environmental stewardship             |
|  | Safeguard and enhance our trusted brand              |





## Clients

### WHY WE ENGAGE

We engage with our clients to understand how our products and services are received in the market. We adapt our products and services to meet our clients' evolving needs.

### EXPECTATIONS OF STAKEHOLDERS

- ➔ Market-leading and innovative products and services
- ➔ Convenience in doing business
- ➔ Exceptional client service
- ➔ Responsible insurance services and solutions
- ➔ Value-for-money premiums
- ➔ Protection of client rights, health and safety
- ➔ Safeguarding of client privacy

### HOW WE CREATE VALUE

- ➔ Drive product innovation to meet clients' needs, with a biannual product launch cycle
- ➔ Focus on client servicing and journeys to simplify the client experience
- ➔ Communicate with clients continuously, including onboarding, product information and education, product enhancements and launches
- ➔ Ensure fair and equitable claims and complaints processes
- ➔ Invest in digital innovation to enhance client experience including digital portal and AI quote enhancements
- ➔ Comply with our Data Privacy and Protection of Personal Information Policy, and provide related training to employees

### METHODS OF ENGAGEMENT

- ➔ Written communications, product and service brochures, and benefit update webinars and videos
- ➔ Media, social media and advertising campaigns
- ➔ Service and product questionnaires and surveys
- ➔ Call centres and walk-in centres
- ➔ Regular and continuous monitoring of complaints, lapse rates and persistency, client surveys and feedback and quality assessments

**BASIS OF ASSESSMENT:**  
Client satisfaction surveys, net promoter and member perception scores.



### SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Client onboarding and product innovation
- ➔ Digitising client contractual information
- ➔ Ensuring client complaints are managed effectively
- ➔ Campaigns to improve awareness of Vitality engagement for unengaged clients

### RELATED MATERIAL THEMES

-  Operate within a volatile socio-economic environment
-  Advance our disruptive Shared-value Insurance model
-  Safeguard and enhance our trusted brand
-  Leverage and manage technology and innovation
-  Expand and strengthen our social impact





## WHY WE ENGAGE

Healthcare providers are key stakeholders in the healthcare sector. They provide essential services to our clients in the markets where we operate. They further ensure the viability of the public and private healthcare sectors.

## EXPECTATIONS OF STAKEHOLDERS

- ➔ Fair remuneration for services provided
- ➔ Minimise administrative burden and perceived intervention in clinical decision-making
- ➔ Appropriate communication
- ➔ Overall sector sustainability
- ➔ Quality of care initiatives
- ➔ Training and development

**BASIS OF ASSESSMENT:**  
Regular engagement, feedback and deep-dive surveys.

## HOW WE CREATE VALUE

- ➔ Contract with healthcare providers based on increased value and quality of care rather than price
- ➔ Improve patient care through electronic health records (HealthID) and reduce the administrative burden for doctors (South Africa)
- ➔ Identify healthcare providers that deliver exceptional care, and provide positive recognition – Patient Survey Score (PASS) (South Africa)
- ➔ Invest in the medical education of specialists in South Africa's public health sector through the Discovery Foundation
- ➔ Expanding the Premier Consult Network to represent a full range of specialties and regions in the UK
- ➔ Engage with healthcare partners to develop a sustainable healthcare ecosystem

## METHODS OF ENGAGEMENT

- ➔ Ad hoc discussions and regular meetings between healthcare providers and account managers
- ➔ Engagement with leadership, advisory boards, medical society executive committees and key opinion leaders
- ➔ Personal feedback and regular panel meetings
- ➔ Doctor sentiment scores



## SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Providing necessary infrastructure and driving adoption of low complexity care that can be monitored and managed effectively at home for appropriate medical conditions
- ➔ Communicating new developments in the healthcare industry and providing guidance
- ➔ Constructive engagement on costing and billing
- ➔ Roll out of Discovery Pay to improve cash flow

## RELATED MATERIAL THEMES

-  Operate within a volatile socio-economic environment
-  Ensure ethical governance and leadership
-  Advance our disruptive Shared-value Insurance model
-  Safeguard and enhance our trusted brand
-  Leverage and manage technology and innovation
-  Expand and strengthen our social impact





## Business partners

### WHY WE ENGAGE

Our global insurance and reward partners support the expansion of our Shared-value Insurance model globally. In return we help strengthen their client value propositions.

We engage with financial advisers to ensure they have the necessary tools and knowledge to provide our clients with excellent service and support.

### EXPECTATIONS OF STAKEHOLDERS

- ➔ Meeting contractual terms and agreements
- ➔ Regular engagement, and financial and non-financial support
- ➔ Long-term beneficial relationships
- ➔ Increased revenues and volume growth
- ➔ Sales remuneration
- ➔ Ease of market rollout

**BASIS OF ASSESSMENT:**  
Biannual experience survey, feedback and broker satisfaction scores.

### HOW WE CREATE VALUE

- ➔ Expand our Shared-value Insurance model globally, leading to increased brand awareness through association while also creating higher sales and client volumes
- ➔ Engage with insurance partners to support the shared-value cycle of business profitability, client value and benefits for society
- ➔ Integrate our digital platforms and leverage Discovery Health and Vitality's intellectual property
- ➔ Invest in the Vitality1 platform to support our global partners
- ➔ Provide unique reward partner offerings, contract negotiation and servicing
- ➔ Invest in digital innovation to enhance financial adviser experience including digital portal and AI quote enhancements
- ➔ Provide ongoing sales and training support to financial advisers

### METHODS OF ENGAGEMENT

- ➔ Individual engagement
- ➔ Contracts
- ➔ Regular meetings and engagement to ensure that objectives and expectations are being met
- ➔ A quality service-score assessment conducted every six months with our insurance partners
- ➔ Conferences and summits
- ➔ Professional development days for financial advisers
- ➔ Product launches and related training
- ➔ Broker satisfaction surveys



### SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Aligning shareholder and partnership interests through Vitality Health International, and the Vitality Network
- ➔ Training, webinars and support for financial advisers
- ➔ Further expansion across global markets through new strategic partnerships

### RELATED MATERIAL THEMES

-  Operate within a volatile socio-economic environment
-  Ensure ethical governance and leadership
-  Advance our disruptive Shared-value Insurance model
-  Safeguard and enhance our trusted brand
-  Leverage and manage technology and innovation
-  Expand and strengthen our social impact





## Society

### WHY WE ENGAGE

We engage with many levels of society in the countries where we operate, including communities, civil society and our supply chain. Regular engagement with society ensures that we respond appropriately to their needs, which, in turn, safeguards our reputation.

We ensure that our social activities and interactions with these stakeholders align with our core purpose and business objectives, while addressing ESG-related risks and opportunities and managing the resources we rely on.

We engage with our suppliers to support our business operations and advance our B-BBEE objectives through enterprise supplier development.

### EXPECTATIONS OF STAKEHOLDERS

- ➔ Transparent and comprehensive reporting on material ESG-related risks and opportunities
- ➔ Supporting improved community health through sustainable interventions
- ➔ Positive social impact driven by investment and upliftment
- ➔ Creating employment opportunities
- ➔ Supporting education through sustainable interventions
- ➔ B-BBEE and transformation (South Africa)
- ➔ Protecting human rights
- ➔ Understanding the potential impacts of climate change, and implementing the necessary actions to safeguard and protect the environment
- ➔ Preferential procurement as per B-BBEE codes (South Africa)

#### BASIS OF ASSESSMENT:

Monitoring and evaluation of programme outcomes and supplier evaluations.



### HOW WE CREATE VALUE

- ➔ Incentivise safer driving and supporting physical and financial wellbeing
- ➔ Link healthy behaviour with philanthropy to raise funds for various charities, enabled by Vitality Active Rewards
- ➔ Support transformation by developing a roadmap to improve our B-BBEE scorecard (South Africa)
- ➔ Develop programmes to improve the lives of vulnerable communities in a sustainable manner through the Discovery Fund
- ➔ Invest in medical education of specialists in South Africa's public health sector through the Discovery Foundation
- ➔ Drive robust supply chain processes to ensure suppliers are paid on time
- ➔ Increase suppliers' scope with a long-term goal to collaborate on innovation
- ➔ Build our supply chain through financial and non-financial support to selected enterprise and supplier development beneficiaries (South Africa)

### METHODS OF ENGAGEMENT

- ➔ Individual engagements
- ➔ Press publications
- ➔ Discovery Foundation awards
- ➔ Discovery Fund and corporate social investment (CSI) initiatives
- ➔ Engaging with and participating in civil society programmes, including education and training initiatives
- ➔ Employee volunteering efforts
- ➔ Regular working group meetings
- ➔ Monitoring against contractual arrangements entered into with beneficiaries of CSI funding
- ➔ Regularly monitoring Discovery's progress on the ESG rating indices

### SIGNIFICANT FY2022 FOCUS AREAS

- ➔ Reporting to the Discovery Fund and Discovery Foundation trustees on our progress against objectives
- ➔ Research and training grants awarded by Discovery Foundation to strengthen the healthcare workforce
- ➔ Supporting South Africa's vaccination efforts
- ➔ Supporting community development
- ➔ Signing on for the UNGC Climate Ambition Accelerator Programme
- ➔ Implementing initiatives in support of our carbon neutrality and net zero ambitions
- ➔ Regular engagement with key suppliers

### RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure ethical governance and leadership
- Safeguard and enhance our trusted brand
- Ensure long-term financial sustainability
- Expand and strengthen our social impact
- Strengthen our environmental stewardship



# PERFORMANCE REVIEW





DEON VILJOEN

# GROUP CHIEF FINANCIAL OFFICER'S REVIEW

This report should be read in conjunction with the Group Chief Executive's report and the operational reviews and specifically provides a high-level overview and more technical analysis of the financial statements.

The year under review was characterised by two significant factors. Firstly, the evolution of COVID-19, as the emergency phase of the pandemic has passed, even though it has not yet reached the endemic stage. This caused conditions in most markets to normalise, except for Asia, which was affected by severe lockdowns and restrictions. Secondly, considerable geopolitical polarisation and macroeconomic volatility, caused by a combination of the COVID-19 pandemic, the Ukraine conflict, and supply-side constraints. This resulted in higher inflation, increased interest rates as well as currency and market volatility.

In light of this, the Group focused on a pivot to growth based on three focus areas:

- 1 Achieving robust performance and strong competitive positioning of businesses within the South Africa (SA) Composite, United Kingdom (UK) Composite and Vitality Global. This continued focus on market-specific strategies has resulted in the organic growth model being embedded in the composite model.
- 2 Driving new business initiatives to scale and streamlining some initiatives to ensure the Group is well positioned for strong growth. Ensuring future spend on new initiatives reverts to the Group's long-term guidance of 10% of operating profit. As a transitional measure, new initiative spend has been disclosed separately in the Composite view.
- 3 Ensuring capital and business strength and discipline with high levels of liquidity and solvency and a commensurate reduction in the Group's financial leverage ratio.

## OVERVIEW

For the year ended 30 June 2022, normalised operating profit increased by 45% to R9 384 million and normalised headline earnings (NHE) increased by 71% to R5 816 million. Core new business annualised premium income (API) was up 6% to R21 710 million, with particularly strong growth from the SA and UK Composites, while persistency continued to exceed expectations in all businesses. Continued strong progress in Discovery Bank saw the investment in new initiatives reducing to 18%<sup>1</sup> of normalised operating profit, compared with 24% in the previous period.

NHE per share (basic) increased by 71% to 885.5 cents and headline earnings (HE) per share (basic) increased 74% to 792.4 cents, both positively impacted by mark-to-market foreign currency gains. Within HE, the negative effect of higher interest rates in SA was partly offset by higher interest rates in the UK, a portion of which was recognised as an increase in discretionary margins.

↑ NORMALISED PROFIT FROM OPERATIONS INCREASED BY 45% to **R9 384 million**  
(FY2021: R6 494 million)

↑ DILUTED NHE PER SHARE INCREASED BY 71% to **877.3 cents**  
(FY2021: 512.9 cents)

↑ DILUTED HE PER SHARE INCREASED BY 75% to **785.00 cents**  
(FY2021: 449.7 cents)

↑ EMBEDDED VALUE (EV) UP 16% to **R86 258 million**  
(FY2021: R74 645 million)

Our complete audited Annual Financial Statements and Annual Financial Results Announcement, as well as unaudited supplemental information, are available on our website to further assist in understanding how we applied our accounting policies and financial disclosures during FY2022.



## THE IMPACT OF COVID-19 ON FY2022 RESULTS

The Group continued to navigate the COVID-19 pandemic across its global operations in the reporting period, with mortality risk in SA having had the largest impact on the prior year's profit. The reporting period included the end of the Delta third wave of the COVID-19 pandemic in SA and the highly infectious but less virulent Omicron variant. While the previously raised COVID-19 provisions for the Group's life operations proved adequate, the cash flow impact of claims payments was largely felt in FY2022.

As the emergency phase of the pandemic passed, the focus shifted to incorporating the longer-term implications of COVID-19 and future mortality progression. This resulted in a significant overall strengthening of the mortality and morbidity bases in the life operations in the June 2022 actuarial review by R2 596 million.

## INVESTMENT IN NEW INITIATIVES

The Group is emerging from a cycle of significant investment into new initiatives, dominated by the investment in Discovery Bank, which now positions us well for future growth.

The period also saw increased investment in Vitality Health International, particularly to establish Amplify Health, a new health insurtech business in which Discovery owns a 25% equity interest. The joint venture combines Discovery and AIA's distinctive and complementary strengths, bringing together Discovery's market-proven health insurance technology systems and assets and Vitality technology platform and assets with AIA's market-leading businesses, brand, and distribution platform as well as decades of well-established execution capabilities across Asia. Prior to the financial year-end, the transaction agreements were finalised and Amplify Health began initial activities. The impact on Group results for FY2022 consists of income of R131 million recognised on the delivery of an initial component of intellectual property (IP) by Vitality Global, largely offset by initial transaction costs.

In addition to these investments, there has also been continued investment in other large-scale new initiatives, such as Vitality1, the platform to scale the globalisation of the shared-value model.

The Group also streamlined some new initiatives with a focus on those businesses expected to generate significant value. In addition to reviewing its stake in AIA Health in Australia, the Group decided to exit the UK investment market given the structural change in market conditions, mainly driven by significant margin compression.

Despite VitalityInvest making good progress over the period, the decision was taken based on the time and resources needed to accumulate the necessary assets under management for the business to turn to profitability and to generate material long-term value for the Group. Furthermore, it became clear that the ability to fully capitalise on the originally envisaged composite benefits would remain limited for some time given distribution dynamics in the market. The decision to exit the VitalityInvest business resulted in an accelerated write-off of various capitalised systems and intangible assets as well as assets arising from insurance contracts related to that business, with a pre-tax impact of approximately R280 million.

## THE IMPACT OF EXCHANGE RATE MOVEMENTS OVER THE YEAR

The rand has experienced extreme volatility during the last two financial years, which resulted in a positive impact on the FY2022 results when compared to the prior year. This included the utilisation and expiry of foreign exchange contracts fair valued through profit or loss given that for accounting purposes the hedge instruments were not designated as hedges (R2 million pre-tax loss against a R304 million pre-tax loss in FY2021), and pre-tax foreign exchange gains of R155 million (R389 million pre-tax loss in FY2021). The majority of the pre-tax foreign exchange loss in the prior year was attributed to the translation of foreign currency-denominated intercompany loans which have been restructured effective 1 March 2021 in order to remove a component of volatility in the income statement.

## THE IMPACT OF ECONOMIC ASSUMPTION CHANGES

Global markets continued to experience substantial volatility during the year. In South Africa, nominal interest rates increased over the second half of FY2022, impacting the valuation rates used to discount future cash flows. These emerge as economic assumption changes and resulted in a R651 million pre-tax loss (2021: R411 million pre-tax loss).

In the UK, interest rates have risen steadily from mid-December 2021. As previously disclosed in FY2020, VitalityLife implemented interest rate risk mitigation strategies to protect itself against further declines in long-term interest rates by entering into derivative contracts. As explained at the time, the derivative instruments comprised an interest rate swap, which swaps exposure to variable interest rates in return for fixed interest rates originally referenced to the 25-year UK swap curve.

During FY2022, this was restructured to be referenced to the 50-year swap curve to better match the exposure. In addition, the structure also included put swap options (payer swaptions) that were acquired to provide Discovery participation in the benefit should interest rates increase above a certain level. These swaptions have a given exercise date and therefore are required to be replaced from time to time as has been done in the past. During FY2022, the existing swaption contract was realised and replaced with a new extended swaption at a premium of £14 million maturing in 2024.

For the year under review, as per the UK Life Segmental Information set out on page 32 of the Annual Financial Statements, the net gain recognised in the profit or loss amounts to R567 million, consisting of economic assumption adjustments amounting to R820 million, less net fair value losses on interest rate derivatives of R253 million (including fair value losses on the swap contracts and intrinsic value gains of the swaption contract).

Against this net gain of R567 million within the UK Life Segmental should be seen the net fair value write-off of the time value of the swaption contract of R454 million (largely representing the opening time value of the sold swaption contract as at the beginning of the financial year). On this basis, the effective net gain recognised in profit or loss resulting from economic assumptions, including all hedge impacts amounts to R113 million (FY2021: R31 million).

The impacts of the mark-to-market revaluation of these derivative positions at reporting date are included in profit or loss for the reporting period. When presenting normalised measures, these impacts, as well as any impact recognised through profit or loss resulting from economic assumption changes net of discretionary margins, are excluded from normalised results as explained in our policy on the presentation of normalised measures. This is directionally consistent with the treatment in IFRS 17: *Insurance Contracts*, which allows for changes in economic assumptions to be presented as Other Comprehensive Income (OCI).

## DIVIDENDS

While the Group's capital position remains robust, in light of the uncertain future impact of COVID-19 and the volatile global macroeconomic environment, the Discovery Board decided to retain its prior-stated position and has decided not to declare an ordinary final dividend for the year ended 30 June 2022. The reintroduction of an ordinary dividend will be considered on an ongoing basis.



## UNDERSTANDING OUR FINANCIAL PERFORMANCE

### How we performed within our Composite structure

Our continued focus on market-specific strategies has resulted in the organic growth model being embedded in the composite model. It represents a further refinement of our operating model with a target of CPI+GDP+5% growth in Group normalised operating profit, weighted by region, now being elevated as a key performance indicator. The SA and UK Composites delivered strong growth in normalised operating profit and new business, while the operating performance of Vitality Global reflected the specific dynamics of the impact of COVID-19 on the Asian markets. The following provides a summary of performance:



<sup>1</sup> Includes SA Vitality: normalised profit from operations includes R9 million (FY2021: R43 million).

\* Equity accounted and South African costs.



## UNDERSTANDING OUR FINANCIAL PERFORMANCE *continued*

The weighted average exchange rates – which impacted the conversion of earnings from the UK and Vitality Global composites – and the closing rates used for consolidation purposes are shown below:

AVERAGE EXCHANGE RATES	FY2022	FY2021
Rand/E	<b>20.25</b>	20.74
Rand/US\$	<b>15.22</b>	15.42
Rand/RMB	<b>2.35</b>	2.32

CLOSING EXCHANGE RATES	FY2022	FY2021
Rand/E	<b>20.00</b>	19.74
Rand/US\$	<b>16.47</b>	14.28
Rand/RMB	<b>2.46</b>	2.21

To facilitate analysis of the results, we provide reconciliations on a segment total view between normalised profit from operations and profit attributable to ordinary shareholders, and profit attributable to ordinary shareholders to HE and NHE.

 PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS UP **72%** to **R5 422 million**  
(FY2021: R3 157 million)

### THE MAIN ITEMS ARE HIGHLIGHTED IN THE RECONCILIATION:

R MILLION	FY2022	FY2021	% change	Comments
Normalised profit from operations	<b>9 384</b>	6 494	<b>45%</b>	Excluded from the presentation of normalised measures, as these assumption adjustments have minimal bearing on operating performance for the year.
Economic assumption adjustments net of all hedging impacts	(538)	(380)		In the prior financial year, R537 million relates to a gain on the reduction of Discovery's effective shareholding in Cambridge Mobile Telematics (CMT) following the finalisation of CMT's acquisition of TrueMotion Inc on 16 June 2021.
Dilution gains from equity-accounted investments	<b>33</b>	554		
Deferral fees related to Prudential Book transfer	(182)	(187)		Annual cost of £9 million related to the three-year deferral of the Part VII transfer of VitalityLife's back book of business originally written on the Prudential Assurance Company's (PAC) licence to the Vitality Life Limited licence (the agreement was reached in February 2020). Prior to the financial year-end, Discovery and PAC finalised the agreement to a long-term deferral of the Part VII transfer that for all intents and purposes should be viewed as an indefinite deferral. This extension is capital efficient and has a positive effect on the Group's long-term funding plan, is at reduced cost beyond March 2023 (the previously intended date of transfer) and resulted in a positive impact to embedded value.
Finance charges, excluding 1 Discovery Place finance lease	(1 376)	(1 291)		
Unrealised losses on foreign exchange contracts not designated as a hedge	(2)	(304)		
Foreign exchange gains	<b>155</b>	(389)		The rand experienced extreme volatility during FY2022 and FY2021. This created a significant positive impact on the current financial year's results when compared to the prior year.
Vaccination costs	(157)	(42)		Continued investment in supporting the national vaccination campaign in South Africa.
Other	(48)	(248)		
Profit before tax	<b>7 269</b>	4 207	<b>73%</b>	
Tax	(1 790)	(987)		
Profit attributable to preference shareholders	(56)	(63)		
Loss attributable to non-controlling interest	(1)	-		
<b>Profit attributable to ordinary shareholders</b>	<b>5 422</b>	<b>3 157</b>	<b>72%</b>	<b>The effective tax rate in FY2022 is impacted by:</b> → Deferred tax asset adjustments after the announcement from the Minister of Finance that South African corporate income tax rate would reduce from 28% to 27% with effect from years of assessment ending on or after 31 March 2022. → True up in respect of Prudential's overall tax position, resulting in tax credits to VitalityLife in respect of its business on Prudential's balance sheet. The above was partly offset by assessed loss movements in South Africa not yet raised as a deferred tax asset, as well as non-deductible interest incurred by the Group.



## UNDERSTANDING OUR FINANCIAL PERFORMANCE *continued*

### RECONCILIATION BETWEEN EARNINGS AND HE AND NHE

R MILLION	FY2022	FY2021	% change
Profit attributable to ordinary shareholders	5 422	3 157	72%
Adjusted for:			
➔ Gain on dilution of equity-accounted investments, net of tax	(29)	(414)	
➔ (Reversal of impairment)/ impairment of investment in equity-accounted investments, net of tax	(134)	149	
➔ Other	(55)	94	
<b>HE</b>	<b>5 204</b>	<b>2 986</b>	<b>74%</b>
Economic assumption adjustments net of all hedging impacts and net of tax	377	270	
Other	235	150	
<b>NHE</b>	<b>5 816</b>	<b>3 406</b>	<b>71%</b>

#### Comments

Prior year is largely attributable to the dilution of the Group's effective shareholding in CMT.

The reversal of the prior year impairment of AIA Health was supported by a change in intention resulting in reclassification of the investment as held-for-sale.

## OUR CAPITAL MANAGEMENT APPROACH

Our capital management framework and approach are discussed below.

### STATUTORY OR REQUIRED CAPITAL

Regulated entities are capitalised in line with regulatory solvency requirements calibrated to withstand a one-in-200-year adverse event. We apply an additional buffer to ensure that after a one-in-25-year adverse event, we still comply with regulatory requirements.

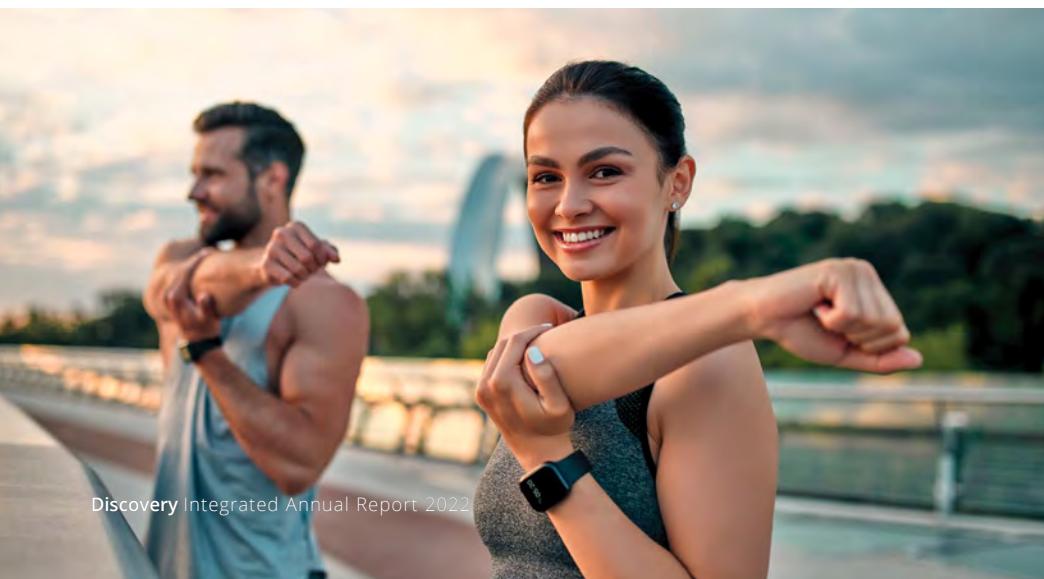
For Group subsidiaries that operate in the insurance and financial services industries, the relevant regulator specifies the minimum amount and type of capital that must be held in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the period.

VitalityHealth and VitalityLife are regulated under the European Solvency II regulatory regime. Discovery Life and Discovery Insure are regulated under the Insurance Act, No. 18 of 2017 (Insurance Act), and the related Prudential Standards implemented from 1 July 2018. It is important to note that the solvency capital requirement (SCR) coverage ratio under the Insurance Act is not comparable to the coverage ratio under the previous regime, nor is it comparable between entities. For instance, Discovery Life's major risk to value and profitability is mass lapse rates. Should these risks materialise within Discovery Life, it would reduce the capital required to be held and, accordingly, increase the SCR coverage ratio.

The table below summarises the capital requirements on the statutory basis across the Group's subsidiaries, and the actual solvency capital held in relation to these requirements.

R/£ million	June 2022		June 2021	
	Statutory capital requirements	Cover	Statutory capital requirements	Cover
Discovery Life	R20 322	1.7 x	R17 647	1.8 x
Discovery Insure	R1 138	1.2 x	R1 079	1.8 x
Vitality Health Insurance	£117.2	R2 344	£105.6	R2 084
Vitality Life Insurance	£297.1	R5 943	£225.5	R4 451

Discovery Bank maintains its capital structure such that it meets the minimum regulatory requirement in respect of the highest quality of capital being common equity tier 1. In addition to the internal management buffer to cater for future unexpected growth and volatility in risk weighted exposures, the Bank holds an estimation risk buffer.





## OUR CAPITAL MANAGEMENT APPROACH *continued*

### ALLOCATED CAPITAL

Based on our five-year business plan, allocated capital is the amount of liquid and tangible assets across the Group required to fund all known strategic initiatives, over and above statutory or required capital held by regulated entities. This includes funding for all growth initiatives, including new business strain and development costs, with explicit buffers for prudence and a general margin for uncertainty.

In capital allocation decisions, reference is made to the Group's required hurdle rate of risk-free + 10%. The normalised return on equity for FY2022 was 11.8% (FY2021: 7.5%), driven by the increase in profit as described above.

### LIQUIDITY REQUIREMENTS

Our approach is to hold adequate liquidity within each regulated entity, with a liquidity buffer at the centre. In terms of the operating model requirements, the key cash and liquidity metrics remained above target for all businesses, with an excess of liquid assets above minimum regulatory capital requirements of R13.9 billion across the Group and excess liquidity held at the centre of R2.8 billion (including a revolving credit facility of R750 million) – which was above the targeted range of R1 billion to R2 billion.

### FUNDING APPROACH

The funding of the capital plan and liquidity buffers are sourced internally from retained earnings and, externally, from financial reinsurance and borrowings.

As part of the capital management process, the Group monitors its capital structure in line with a Financial Leverage Ratio (FLR) Policy. The FLR is calculated as: total debt ÷ (total debt + total equity). Non-recourse financial reinsurance and all IFRS 16 lease liabilities are not included in total debt. The Group's strategy is to maintain a prudent FLR in line with Discovery's risk appetite statement, with an objective of preserving a FLR of less than 28%. This was achieved during the year, with an FLR of 23.8% at 30 June 2022 (FY2021: 25.7%).

### PING AN HEALTH INSURANCE CAPITAL

During FY2022, the Group contributed R1.5 billion additional capital to Ping An Health Insurance. While this has been funded in the interim by way of a bridge facility and internal resources, it had been indicated that in terms of the capital management principles applied, such capital requirements by associates and subsidiaries are typically funded by way of capital issuance at Discovery Limited level. Given that the final regulatory approval by the Chinese Banking and Insurance Regulatory Commission was prolonged, the capital continues to be funded as set out above. However, it remains our preference to keep to our disciplined capital management approach and to replace the funding with a capital issuance of this amount, but only if and when markets are conducive.



### OUR CASH MANAGEMENT PHILOSOPHY

The Group has an established framework for its expected cash flow, which allows for the maturity of the relevant businesses and provides for regulated businesses to build capital resources, and for all businesses to continually invest in new business.

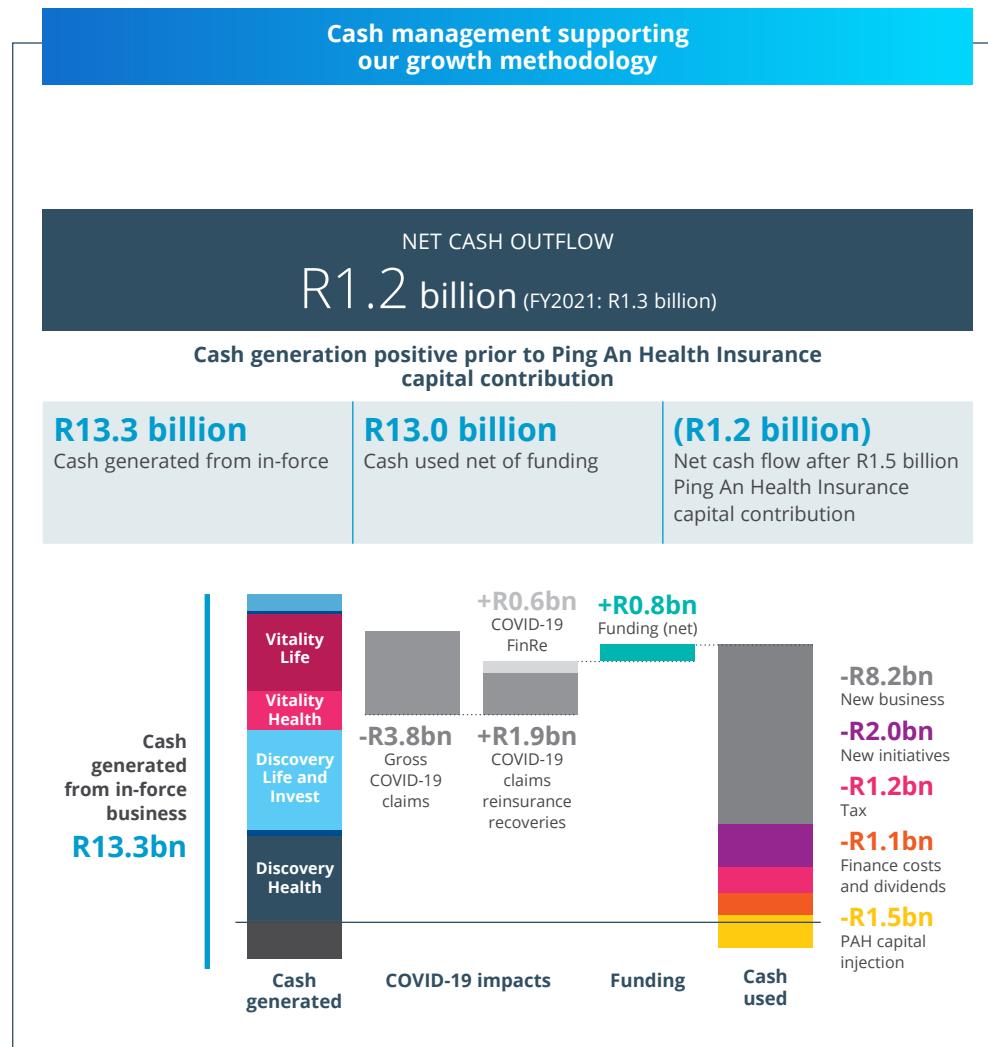
The IFRS statement of cash flows includes cash flows relating to policyholders, as well as those arising from the consolidation of Discovery Unit Trusts.

R MILLION	June 2022	June 2021
Unit-linked investment and insurance contracts	5 008	4 071
Shareholder cash	14 767	15 942
<b>Closing balance</b>	<b>19 775</b>	<b>20 013</b>

Shareholder cash balances include collateral of R245 million (FY2021: R2 million), held in respect of derivative contracts, and R4.7 billion (FY2021: R6.2 billion) regarding the deposit back related to the level premium reinsurance treaty for business written on Prudential's licence. The cash held in the Group's insurance entities is used to fund new business and match claims and other policyholder-related liabilities. This cash, together with the cash balances held by Discovery Bank, although unencumbered, is held for specific purposes and therefore not considered available for distribution. Cash available to support Group liquidity requirements is R2.1 billion (FY2021: R1.2 billion). Including a revolving credit facility of R750 million, resulting in available liquidity at the centre of R2.8 billion (R2 billion).



## OUR CASH MANAGEMENT PHILOSOPHY *continued*



## UNDERSTANDING OUR STATEMENT OF FINANCIAL POSITION

In the commentary below, we explain the significant items in our Statement of Financial Position not detailed elsewhere.

products behave during various scenarios such as the financial crises of 2008, volatile periods of market movements in foreign exchange and interest rates as well as during the COVID-19 pandemic.

→ The insights of these outputs have assisted both the Discovery Limited Audit Committee (DLAC) and the Board to consider how information will best be reported in the financial statements, including directional steering of transitional balances.

→ Discovery subject matter experts on IFRS, tax and actuarial actively partake in various insurance industry forums to keep close to recent market practice and developments. This ensures that debates on the various accounting policy elections and modelling are well thought through and benchmarked to best industry practice.

→ The members of the Discovery Board, the various Board sub-committees, as well as executives of the various insurance business lines, have had extensive training sessions on IFRS 17, including the practical interpretation and application within the context of the Discovery Group businesses.

→ The project focus for the next financial year is the implementation of the parallel run, completion of the audit of transition balances and ensuring business as usual financial reporting.

### Assets arising from insurance contracts

As at 30 June 2022, assets arising from insurance contracts amounted to R56 645 million (FY2021: R50 483 million). Discovery has consistently adopted a policy of setting up assets arising from insurance contracts, often referred to as the negative reserve, at the point of sale approximately equal to the acquisition costs incurred in writing these long-term policies.

IFRS 17: *Insurance Contracts* will be effective for the Group from 1 July 2023. Discovery has elected to apply IFRS 17 retrospectively. The past year has seen significant progress being made in the preparation for transition of IFRS 17.

→ With current working assumptions, Discovery has modelled the retrospective application of IFRS 17 up to June 2021 for the majority of its insurance portfolios, enabling a rigorous and informed debate on accounting policy elections and modelling. The fully retrospective approach has allowed Discovery to evaluate how its



## UNDERSTANDING OUR STATEMENT OF FINANCIAL POSITION *continued*

### Financial assets – investments at fair value through profit or loss

Investments at fair value through profit or loss at 30 June 2022 increased to R141 494 million (FY2021: R130 937 million). This increase is mainly attributable to the growth in assets under administration in Discovery Invest although constrained by lower market levels over the second half of the reporting period. These factors are also reflected in the increase in liabilities arising from insurance contracts to R109 200 million (FY2021: R100 977 million) and in financial liabilities – investment contracts at fair value through profit or loss to R37 361 million (FY2021: R32 291 million).

### Other reserves

As at 30 June 2022, other reserves increased from R1 935 million to R3 621 million, largely because of the increase in the foreign currency translation reserve driven by the weakening rand against the pound sterling and dollar.

### Borrowings at amortised cost

R MILLION	June 2022	June 2021
Borrowings from banks	16 308	15 230
→ UK borrowings	3 122	3 764
→ South African borrowings	13 186	11 466
Bank overdraft in underlying liabilities of consolidated Unit Trusts	156	-
Lease liabilities	4 120	4 263
→ 1 Discovery Place	3 373	3 388
→ Other lease liabilities	747	875
<b>Total borrowings at amortised cost</b>	<b>20 584</b>	<b>19 493</b>

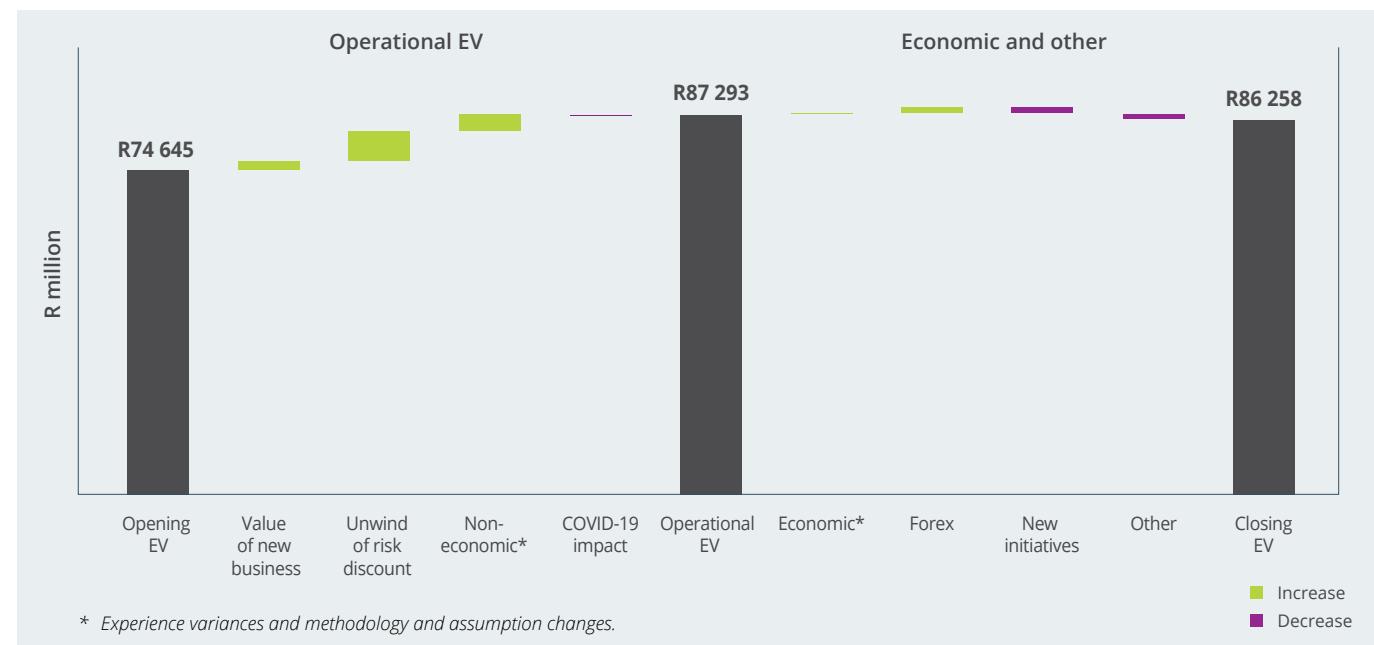
During the year, senior unsecured floating rate notes of R1 billion were listed in terms of Discovery's Domestic Medium Term Note Programme. We have a continuous process in place to manage the maturity profile of our term debt.

### DISCOVERY LIMITED'S CREDIT RATING

In April 2022 Moody's Investors Service reaffirmed Discovery Limited's Global scale long-term issuer rating of Ba3 and the national scale long-term issuer rating at A1.za. The outlook changed to stable from negative, aligned to the outlook of the country.

### EMBEDDED VALUE (EV)

Discovery's EV includes the Group's insurance and administration businesses. Covered businesses includes business written in South Africa through Discovery Life, Discovery Invest, Discovery Health and Discovery Vitality and, in the UK, through VitalityLife and VitalityHealth. For non-covered businesses such as Vitality Global, Ping An Health Insurance and Discovery Insure, no published embedded value was presented on current in-force business as these have not yet reached suitable scale with predictable experience. EV increased by 16% to R86 258 million (FY2021: R74 645 million) and annualised return on opening EV increased to 14.8% (FY2021: 4.6%).



## LOOKING FORWARD

Our Shared-value Insurance model continued to demonstrate its relevance and ability to deliver value to clients and to Discovery across all aspects of the value chain as well as to broader society supporting continued investment in the model.

The effect of rising inflation and interest rates globally, together with continued currency volatility is expected to remain a feature of the reported results for the foreseeable future. Discovery implements hedging and asset-liability matching strategies where appropriate to manage interest and foreign exchange risks.

Given the ongoing macroeconomic environment, we are committed to driving cost efficiencies across the Group. Economic uncertainty and regulatory developments in each of the markets we operate in remain focus areas, and we will continue implementing stringent processes and procedures to ensure we comply with all new requirements and respond to changes in our operating environment.

A disciplined long-term capital plan remains a key focus as Discovery continues to follow a highly structured approach to capitalising on its growth opportunities while ensuring operational resilience despite the challenging macro environment. Having successfully navigated the Group through the challenging COVID-19 period, while continuously driving our new initiatives to scale, the Group is now exceptionally well placed to drive growth.

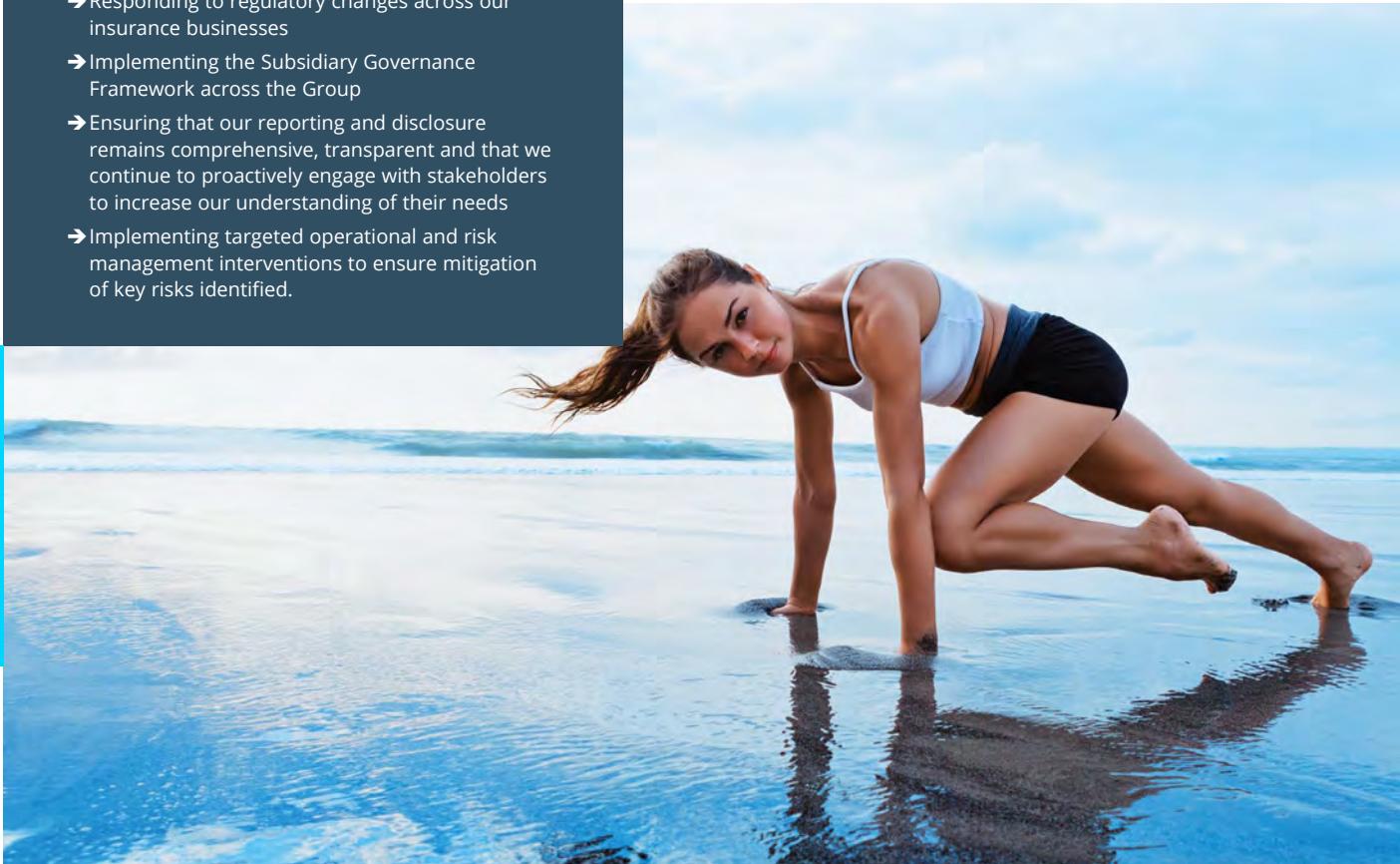
**"Having successfully navigated the Group through the challenging COVID-19 period, while continuously driving our new initiatives to scale, the Group is now exceptionally well placed to drive growth."**

### **From a financial management perspective, we will continue to focus on:**

- ➔ Managing and closely monitoring the Group's capital plan, ensuring robustness through continuous refinement and stress testing as well as optimisation of capital allocation and risk-based return on capital
- ➔ Managing our funding plan in line with the above as well as our debt maturity profile
- ➔ Ensuring our readiness for IFRS 17
- ➔ Responding to regulatory changes across our insurance businesses
- ➔ Implementing the Subsidiary Governance Framework across the Group
- ➔ Ensuring that our reporting and disclosure remains comprehensive, transparent and that we continue to proactively engage with stakeholders to increase our understanding of their needs
- ➔ Implementing targeted operational and risk management interventions to ensure mitigation of key risks identified.

The past year has highlighted to me the resilience and dedication of the Discovery team. Despite the challenges we have faced, their commitment has been unwavering and we find ourselves in a strong position for growth. I want to extend my thanks to each and every person – our success is only possible thanks to your hard work.

**DEON VILJOEN**



# COVID-19 IN THE YEAR UNDER REVIEW

Over the past year, COVID-19 continued to cause significant disruption within the countries where we operate, affecting our communities, employees, financial advisers and other stakeholders. The pandemic highlighted the economic and social significance of our core purpose of making people healthier and enhancing and protecting their lives.

The reporting period included the end of the Delta variant third wave of the COVID-19 pandemic in SA, in the latter part of September 2021, and the highly infectious Omicron variant resulting in a fourth wave in SA commencing towards the end of November 2021. The third wave led to a significant number of deaths in SA while the fourth wave saw a considerable increase in the number of new infections, but with less severe clinical outcomes compared with the other waves of infections. The impact of the fifth wave, which started in late-April 2022, was even lighter than previous waves as measured by infections, hospitalisations, deaths and claims.

Our disciplined strategy, which underpinned our response, enabled us to maintain financial strength and resilience. During FY2022, we continued to maintain strong operating profit, monitored and minimised the impact of COVID-19 on our liquidity and solvency, protected our capital plan and maintained sufficient claim reserves.

While we remain confident that the short-term impacts of the pandemic have been managed effectively, uncertainty remains about the long-term impacts. We know that our most effective tool is vaccination, which is key to mitigate against severe illness and death.

## COVID-19-RELATED STATISTICS

98% of employees vaccinated

OVER 16 142 COVID-related client deaths

OVER R3.7 billion paid in gross COVID-19 claims in FY2022 and

OVER R7.2 billion paid throughout the pandemic

HELPED VACCINATE OVER 2 million members

SPENT R200 million on the South African mass vaccination campaign

## Supporting vaccination efforts

Public-private partnerships enabled more effective outcomes in response to the pandemic. Discovery Health continued to work closely with the National Department of Health, Business for South Africa, Business Leadership South Africa and other stakeholders.

In response to the national mass vaccination rollout, Discovery ran nine temporary mass vaccination sites countrywide, with the capacity to deliver over 18 000 vaccinations daily. Given the increase in vaccine availability and vaccination site accessibility across South Africa, these temporary vaccination sites were subsequently closed in March 2022. We continue to support access to COVID-19 vaccination through our partnerships with Clicks and Dis-Chem.

## Supporting COVID-19 research locally and internationally

Throughout the pandemic, Discovery Health provided analytics to support the South African Medical Research Council and the South African government. Internationally, Discovery Health contributed to the global research agenda with its COVID-19 analysis and research, releasing an at-scale, real-world analysis of the Omicron outbreak in December 2021 to analyse vaccine effectiveness.

## Supporting our healthcare professionals

Discovery paid tribute to South Africa's healthcare professions through a nine-episode documentary series that shares their stories through real-life accounts from the COVID-19 frontline.

## Protecting our people

We implemented several protocols to protect our people – including wellbeing support – and ensured they remained connected. During the year we:

- ➔ Implemented a mandatory vaccination policy as part of our moral and social obligation to increase vaccine take-up and to curb the loss of life.
- ➔ Piloted a hybrid working model to ensure that we find an optimal balance to new ways of working.
- ➔ Launched salary extender, a new employee benefit that pays an additional month's salary to employees' families upon their death to cover short-term financial needs.

## Supporting resilience and wellbeing

We continue to develop products that are fit-for-purpose as our client needs evolve while ensuring affordability, value and resilience. During the year, we focused on enhancing access to healthcare professionals through digital platforms and supporting at-home care to improve access and address concerns about going to hospitals. Given the adverse impact of the pandemic on mental health, we have provided additional resources to support resilience and wellbeing through our mental health information hub. We also provided financial relief through an innovative pricing strategy which deferred implementation of both the 2021 and 2022 health insurance contribution increases in South Africa.

 Refer to page 74 and page 77 for more information on products within our digital service offering.



# OUR BUSINESS REVIEWS

## SOUTH AFRICA COMPOSITE

Perfect composite model, number one in every industry, and Discovery Bank pivoting to growth as the composite-maker

### DISCOVERY

- ⌚ Health
- ⌚ Life
- ⌚ Invest
- ⌚ Insure
- ⌚ Bank



Vitality

## UNITED KINGDOM COMPOSITE

Best-in-breed products across businesses, operating as a fully integrated composite business with a seamless One Vitality client journey and a successful entry into motor insurance

### VITALITY UK

- ⌚ Health
- ⌚ Life

The Group has decided to exit the UK investment market given the structural change in market conditions mainly driven by significant margin compression

## VITALITY GLOBAL (formerly Vitality Group)

Leading wellness and healthcare platform that provides preeminent life and health insurers globally with our Vitality shared-value and health management capabilities to assist them in making their clients healthier, while ensuring their products are more competitive with better margins

Vitality

### Vitality Global

- ⌚ Ping An Health Insurance

- ⌚ ESTABLISHED BUSINESS
- ⌚ EMERGING BUSINESS
- ⌚ NEW BUSINESS



## OUR BUSINESS REVIEWS

# DISCOVERY HEALTH

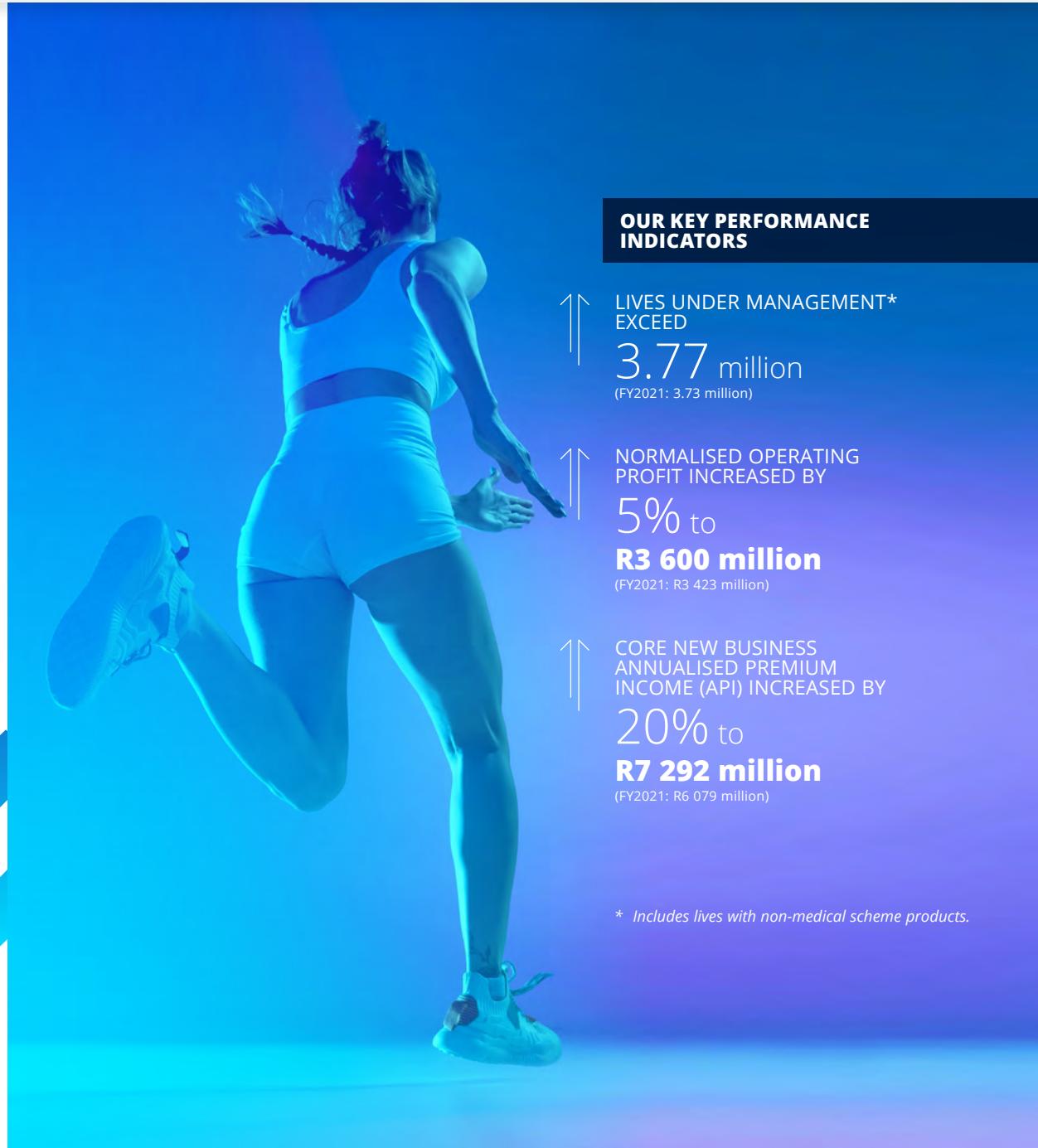
SOUTH  
AFRICA

- ESTABLISHED BUSINESS

### WHAT SETS DISCOVERY HEALTH APART

Discovery Health strives to support affordable, high-quality healthcare by meeting the healthcare needs of our client medical schemes and their members, with an increasing focus on delivering affordable products to expand access to private healthcare to a broader segment of South Africans.

We focus on balancing long-term sustainability with short-term affordability, enabling meaningful digital healthcare services, enhancing benefits to drive positive outcomes, and expanding access to affordable healthcare. World-class product innovation, sophisticated big data capability, and best-in-class service excellence support our fully integrated, value-driven healthcare operating system. Vitality, Discovery's behaviour-change programme, empowers us to meet our core purpose of making people healthier and enhancing and protecting their lives. Our shared-value approach enables value-based measurement and reimbursement that supports quality healthcare while lowering costs, resulting in efficient healthcare delivery and ultimately lower member contributions.





## OUR PERFORMANCE AGAINST STRATEGY ☀️

Discovery Health delivered a robust financial performance, supported by higher-than-expected CPI and stronger Discovery Health Medical Scheme (DHMS) membership growth. DHMS showed net growth of more than 24 000 lives and lapse rates remained below pre-COVID-19 levels, with its share of the open medical scheme market growing to 57.6%. DHMS provided financial relief for its members through an innovative pricing strategy involving the deferred implementation of both the 2021 and 2022 contribution increases. The financial relief protected members in real terms through cumulative cost savings of R6.8 billion during the 2021 and 2022 benefit years. DHMS capital reserves increased to a solvency level of 38% by the end of the 2021 benefit year. This exceeded expectation, considering the scheme priced for a reduction in solvency during the period to return excess solvency to members. Solvency remains high, well over the 25% regulatory requirement, assuring members of the robust financial strength of the scheme.

In addition to DHMS, Discovery Health administers 18 closed medical schemes that performed well during the period. Flexicare, Gap Cover and Healthy Company, our non-medical scheme products, now cover 263 840 non-medical scheme lives under Discovery Health's administration. Total non-medical scheme revenue was R1.2 billion, representing 13.2% of Discovery Health's total revenue.

We realised shared-value benefits through engaged Vitality members whose hospital costs were

**24%**  
**lower and their lapse rate  
2.86 times lower compared  
with non-Vitality members.**

Value-based care contracts now cover  
**17%**  
**of all healthcare professional  
spend and more than 58% of  
contracted hospital spend -  
within the schemes we  
administer and which have  
opted in.**

✓ DHMS members can access valuable integrated benefits and rewards through Vitality and Discovery Bank. These benefits include free access to Discovery Pay, Health Pay, Vitality Travel, Vitality Money and Discovery Miles.

✓ DHMS members gained access to Discovery Hospital at Home, which delivers hospital-level care safely and effectively in a patient's home for certain medical and surgical conditions that would otherwise require hospital admission.

✓ DHMS partnered with myHealthTeams to enhance the support offered to members with diabetes, heart disease and long-COVID-19 by providing access to a digital community of patients with the same condition.

✓ Healthy Company, Discovery's comprehensive, digitally enabled employee assistance programme, launched product enhancements, including app interface updates, enhanced financial wellbeing assessment capabilities, updated pricing and the introduction of Vitality Active rewards for employers.

○ We engaged with the Parliamentary Portfolio Committee on Health on the National Health Insurance Bill and proposed a phased implementation approach and sustainable blended funding model which ensures the ongoing role of medical schemes.

○ Engagement with Council for Medical Schemes (CMS) at required levels.

## WHERE WE ARE HEADED

DHMS membership is expected to continue to grow with the introduction of lower cost medical scheme products such as KeyCare Regional Start and new digital-first plans. These plans support equitable access to high quality healthcare by introducing innovative networks and access models which leverage Discovery Health's extensive digital healthcare ecosystem.

Strong growth of non-medical scheme products is also expected in FY2023 with the launch of a Flexicare Retail product. Flexicare, which was previously only offered in the employer market, is now available in the individual retail market. Flexicare Retail offers affordable access to quality, private primary healthcare to lower-income members and their families.

Discovery Health has made substantial investment to build new digital platforms for members and healthcare professionals which are planned for release in FY2023.





## OUR BUSINESS REVIEWS

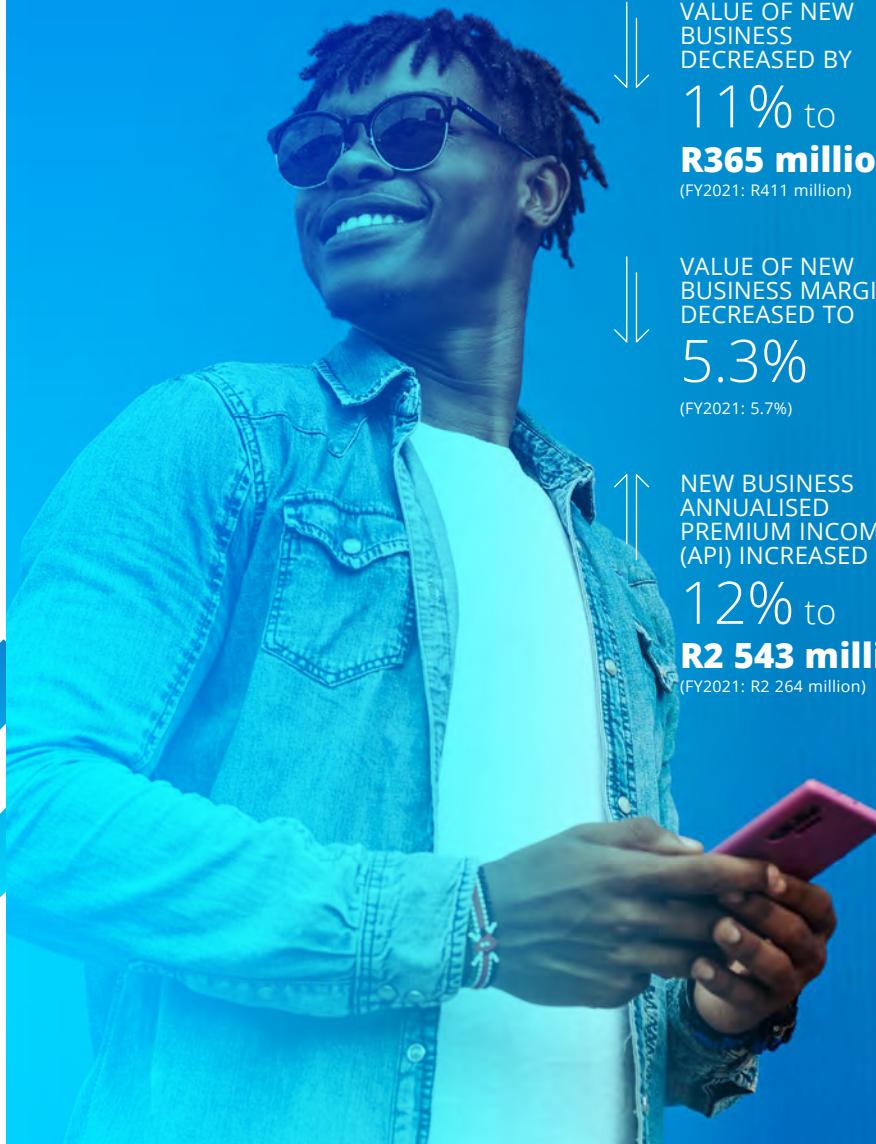
# DISCOVERY LIFE

SOUTH AFRICA



### WHAT SETS DISCOVERY LIFE APART

For over two decades, Discovery Life has focused on market-leading innovation and services. Its comprehensive risk offering ensures that clients of all life stages are covered, rewarded, and financially secure. In the highly penetrated South African insurance industry, its dynamic Shared-value Insurance model empowers clients to derive value from actively managing their health and through various mechanisms, such as the PayBack benefit, rewards them for it.



### OUR KEY PERFORMANCE INDICATORS

↓ VALUE OF NEW BUSINESS DECREASED BY 11% to **R365 million**  
(FY2021: R411 million)

↓ VALUE OF NEW BUSINESS MARGIN DECREASED TO 5.3%  
(FY2021: 5.7%)

↑ NEW BUSINESS ANNUALISED PREMIUM INCOME (API) INCREASED BY 12% to **R2 543 million**  
(FY2021: R2 264 million)

↑ NORMALISED OPERATING PROFIT INCREASED BY 200% to **R4 028 million**  
(FY2021: R1 341 million)

↑ EMBEDDED VALUE INCREASED BY 10.5% to **R38.4 billion**  
(Discovery Life and Discovery Invest)

— MAINTAINED LEADING NEW BUSINESS POSITION, WITH A MARKET SHARE OF 30.2%  
in the fully underwritten retail affluent segment



## OUR PERFORMANCE AGAINST STRATEGY



Discovery Life's response to the COVID-19 pandemic enabled us to navigate the complex environment we operate in. In FY2022, we paid out R3.7 billion in COVID-19 claims, gross of reinsurance, including group life and individual life claims. Provisions within the individual life book were sufficient to cover COVID-19 claims incurred in the reporting period. High levels of vaccination among our clients and high levels of immunity due to previous infections in South Africa led to a significant reduction in case fatality rates in the fourth and fifth waves.

Discovery Life is well positioned for growth with a continued focus on product innovation and improving the ease of doing business through digital innovations.

More than  
**R3.7 billion**  
provided to clients through  
shared-value benefits in FY2022 –  
including PayBack, Cash  
Conversions and Premium Savings

Total gross claims and benefits of  
**R14 billion**  
paid during the year, of which  
R3.7 billion related to COVID-19

✗	Value of new business and margin were negatively impacted by higher interest rates and slightly lower volumes of new policies.
✓	Increase in normalised operating profit can be attributed to positive overall experience, COVID-19 experience consistent with provision modelling and prudent expense management.
✗	Claims experience that was not directly identified as COVID-19 was worse than expected but was offset by exceptional lapse experience.
✓	The increase in new business was driven by strong automatic contribution increases. Discovery Life became the first insurer to introduce vaccination status as a new business underwriting criteria to ensure high-quality new business.
✓	Discovery Life won Silver at the global Efma-Accenture Innovation in Insurance awards in the new social, sustainable and responsible category, for its first-of-a-kind Vaccination Max PayBack Offer. This offer encourages new clients to fully vaccinate against COVID-19 and rewards them with the maximum payback amount available on their plans on their first policy anniversary.
✓	Financial position remains robust with a solvency coverage ratio of 174% and strong internal liquidity buffers.
✓	Discovery Life released the first component of AI Comply, which is the digital online integrated replacement advice record tool, that assists financial advisers in comparing Discovery Life's benefits with others available in the market.
✓	Launched digital acceptance, which enables one click activation by clients in the secure Discovery web, thereby easing administrative burdens and eliminating the need for a wet signature.
✓	Multiple limited offers were available during FY2022 to provide clients and advisers with an enhanced value proposition through various mechanisms, including boosted risk cover and rewards benefits. These have seen strong take-up and have helped to positively shift behaviours in the market, supporting new business sales as well as positive servicing.

## WHERE WE ARE HEADED

Discovery Life intends to continue driving digitisation and ease of business through product and service initiatives, encouraging high-quality business and growth in market share. Updated COVID-19 modelling suggests COVID-19 will transition to an endemic disease during FY2023 and has been incorporated into the June 2022 actuarial basis review. The distribution strategy to expand the distribution force and support is on track.





## OUR BUSINESS REVIEWS

# DISCOVERY INVEST

SOUTH AFRICA

- ESTABLISHED BUSINESS

### WHAT SETS DISCOVERY INVEST APART

Discovery Invest encourages and rewards clients for investing longer, investing more, living well, and managing and withdrawing their money wisely in retirement.

We combine powerful, simple benefits with cost-effective products and world-class investment funds as part of our shared-value model for investments. As a result of these shared-value benefits, our clients improve their investment behaviours, consequently they receive higher income in retirement, pay lower fees and are less likely to react negatively to market downturns. This unique approach – supported by strong asset management partnerships – assists clients in securing their retirement or achieving other shorter or medium-term goals.



### OUR KEY PERFORMANCE INDICATORS

- NET INFLOWS AMOUNTED TO **R5.75 billion**  
(FY2021: R5.65 billion)
- ASSETS UNDER ADMINISTRATION INCREASED BY **4%** to **R122 billion**  
(FY2021: R117 billion)\*
- NEW BUSINESS ANNUALISED PREMIUM INCOME (API) INCREASED BY **7%** to **R2 920 million**  
(FY2021: R2 737 million)\*
- LINKED FUNDS PLACED IN DISCOVERY FUNDS INCREASED TO **80%**  
(FY2021: 79.6%)
- ASSETS UNDER MANAGEMENT INCREASED BY **7%** to **R81 billion**  
(FY2021: R76 billion)\*
- NORMALISED OPERATING PROFIT INCREASED BY **11%** to **R1 204 million**  
(FY2021: R1 084 million)\*

\* Excludes the Discovery Invest Umbrella Fund business.



## OUR PERFORMANCE AGAINST STRATEGY



In FY2022, Discovery Invest attracted significant net retail flows in South Africa, and performed well, despite the challenges in the operating market including the COVID-19 pandemic and volatile financial markets. Total assets under administration reached R122 billion as our clients remained invested with us and new business increased.

Furthermore, Discovery Invest developed Cogence, a first-of-its-kind shared value discretionary fund manager offering independent multi-manager solutions in partnership with BlackRock. Cogence will leverage BlackRock's global asset allocation and offshore fund selection expertise coupled with RisCura's local research capabilities to build its solutions. In addition, Cogence will leverage BlackRock's Aladdin Wealth™ technology together with Discovery's insights on longevity, through Vitality, to provide personalised proposals targeting improved outcomes for our clients.

Since inception, we have paid and accrued more than

**R13.3 billion**

**in shared-value benefits, including more than R2.5 billion in discounted fees.**

Clients exhibited

**10%**

lower drawdowns, up to

**25%**

**lower lapse rates and 1.7 times more ad hoc contributions to their investment savings compared to figures prior to the launch of our new retirement planning model in 2015.**



Normalised operating profit increased by 11% in FY2022, while fee income grew by 18%, due to the positive impact of a once-off guaranteed inflation-linked matching portfolio profit of R60 million in FY2021. Profits also include a release of additional COVID-19 lapse provisions, that were provided for in FY2020, amounting to R88 million (FY2021: R72 million) which will not recur.



New business increased by 7% to R2 920 million (FY2021: R2 737 million) despite a 28% reduction in sales of guaranteed plans due to lower guaranteed rates following the depletion of the tax asset. Sales of linked products, however, increased by 14% in the period.



Total funds under administration in our Umbrella Fund business increased by 163% to R8.9 billion while sales annual premium equivalent, excluding the Discovery staff scheme transfer, totalled R414 million (FY2021: R707 million).



Since June 2015, Discovery unit trusts have at R36 billion been the third largest recipients of net inflows, excluding white label providers, according to the Association for Savings and Investments South Africa (ASISA).



In South Africa, National Treasury's new two-pot retirement rules were promulgated in a Tax Laws Amendment Bill in July 2022 with implementation planned for March 2024. Although Discovery Invest supports the changes that allow for access to retirement savings in case of emergency, we remain concerned about the implementation challenges to existing retirement products in the current timeframe.



The Discovery Invest component of the Discovery app was enhanced and provides a comprehensive view of policy information. Our digital enhancements roadmap includes additional anti-money laundering and payment functionality as well as increased self-service capabilities on the app to empower clients to manage their policies more effectively.

## WHERE WE ARE HEADED

**Discovery Invest focuses on product innovation and distribution in response to market opportunities. This includes several initiatives to unlock new opportunities and improve the business's digital offering to create impactful client experiences and simplify user and operational processes.**

Our market-leading partnership with BlackRock, a world-class asset manager, will enable our clients to benefit from global investment opportunities. As such, we will focus on the roll out of Cogence, officially launched in August 2022, which will include engagement with financial advisers and its integration into the Discovery Invest platform – further unlocking the full suite of shared value boosts to encourage and reward clients for the right investment behaviour.





## OUR BUSINESS REVIEWS

# DISCOVERY INSURE

SOUTH  
AFRICA

○ ⚡ 🔍 EMERGING BUSINESS

### WHAT SETS DISCOVERY INSURE APART

Discovery Insure has played a disruptive role in the short-term insurance market in South Africa for more than a decade.

Our innovative products across car, home and business insurance are underpinned by our Shared-value Insurance model, offering compelling incentives informed by state-of-the-art technology. Discovery Insure was the first South African insurer to offer telematics-based vehicle insurance. Integral to our approach is Vitality Drive, our incentive-based behaviour programme, that rewards clients for driving well and, in doing so, helps prevent accidents, deaths and injuries – making a material difference to the health and safety of our clients and broader society.



### OUR KEY PERFORMANCE INDICATORS

↑ GROSS WRITTEN PREMIUM EARNED INCREASED BY 13% to **R4 762 million (excluding commercial)** (FY2021: R4 205 million)

↓ GROSS NEW BUSINESS ANNUALISED PREMIUM INCOME (API) (EXCLUDING VAT) DECREASED BY 3% to **R1 246 million (excluding commercial)** (FY2021: R1 287 million)

↓ OPERATING MARGIN DECREASED TO -3%, impacted by a higher than expected loss ratio (FY2021: 6%)\*

↓ NORMALISED OPERATING LOSSES INCREASED BY 165% to **-R162 million (excluding commercial)** (FY2021: R250 million)

\* Personal lines only.



## OUR PERFORMANCE AGAINST STRATEGY



In FY2022, we experienced a decrease in year-on-year operating profit and new business API due to a number of once-off and persistent external factors. Normalised operating profit was impacted by new business falling below prior year, a higher-than-expected claims ratio and Cambridge Mobile Telematics losses. Despite these challenges, our gross written premiums remained resilient and we maintained an estimated 7% of the personal lines market share. We implemented strategic actions early on to understand and manage the impact of the business experience, while also improving the overall client risk profile.

As the fastest-growing short-term insurer in South Africa, Discovery Insure covers over R439 billion in assets and has collected over 16 billion kilometres of driving data which enables data analytics and product innovation. We continue to see evidence of the efficacy of our Shared-value Insurance model.

We reached the milestone of paying our clients over

R1 billion in fuel cash back.  
**This demonstrates the impact of our Shared-value Insurance model as our clients reap the benefits of their good driving behaviour.**

Discovery Insure clients' fatality rate is  
39% lower  
**than South Africa's overall road fatality rate, creating a nation of better drivers.\***

\* To date, since inception.

- |  |  |
|--|--|
|  | The increased loss ratio was driven by adverse weather events, including the April 2022 KwaZulu-Natal flooding, which led to a R66 million net impact, motor parts inflation dramatically exceeding CPI, elevated power surge experience and a number of large residential fire claims.  |
|  | The sustainability of the Shared-value Insurance model was emphasised despite the challenging operating environment in the year under review. Revenue grew due to the retention of a quality client base, with lapse rates for Vitality Gold and Diamond clients 74% lower than Vitality Blue drivers.   |
|  | As a unique benefit for our clients, we continued to pay Dynamic Distance cash back benefits every month from April 2020 until end March 2022 for driving less. Clients who were not able to reduce their driving were rewarded for good driving through cash back on fuel.  |
|  | Our ambition of being a force for social good progressed: <ul style="list-style-type: none"><li>➔ Launched Fire Force in Johannesburg, in partnership with Advanced Emergency Management Services, to handle fire-related emergencies affecting homes and vehicles.</li><li>➔ Pothole Patrol, a joint initiative with Dialdirect and the City of Johannesburg, filled more than 100 000 potholes since May 2021.</li><li>➔ Safe Travel to School Programme transported 17 000 school pupils daily. The programme operates in the Western Cape and launched in Gauteng in FY2022.</li></ul> |
|  | Launched Bi-Me, our direct-to-SME online platform which allows small businesses to buy insurance online.   |
|  | Restructured Vitality Drive to make it even simpler for clients to earn rewards and enhanced its integration across the Group, further enriching the digitisation of our client journey.   |
|  | Launched travel insurance in response to client needs.   |

## WHERE WE ARE HEADED

**Discovery Insure products, services and feature enhancements will continue to provide extensive and relevant cover and benefits for our clients and their families, as we build a nation of great drivers and aim to protect the lives and safety of our clients and fellow South Africans.**

We will drive new sales growth through our commercial business and by providing relevant and valuable solutions to both our personal lines and commercial clients. Looking ahead, we will persist in increasing our scale in terms of market share and implementing strategic solutions to rebuild our operating margins. We will continue to drive innovation by leveraging data analytics and consumer and market insights to provide the best value proposition to our clients. The rich data set available will allow the business to understand risks and respond quickly to events that occur during the year and ensure client value is protected.

Our Shared-value Insurance model is replicable in global markets as Discovery Insure plays a role in advancing the Group's strategy through expanding Vitality Drive beyond South Africa. In FY2023, we expect to increase Vitality Drive's reach through existing partnerships that include Vitality Car in the UK, Tawuniya and Avis SafeDrive, and expansion across other international markets.

Furthermore, weather claims increasingly impact our business and may be further exacerbated by climate change. We continue to improve our understanding of this risk, the potential impacts, and our response.

## OUR BUSINESS REVIEWS

# DISCOVERY BANK

SOUTH AFRICA



### WHAT SETS DISCOVERY BANK APART

Discovery Bank is revolutionising banking by combining innovative technology and leading digital capabilities with the Group's understanding of risk and behaviour change to create a new category of banking underpinned by the Shared-value model.

Our unique approach is driven by Vitality Money, which considers individual financial behaviours to understand clients' financial health. As clients improve their Vitality Money status, they earn greater value through a personalised stack of shared-value rewards. Rewards include better interest rates, discounts at lifestyle and travel partners, and Discovery Miles, a powerful rewards currency more valuable than cash when spent within our vast network of online and retail partners.

Discovery Bank's differentiated digital banking platform delivers a streamlined end-to-end client journey, offering seamless and quick onboarding in fewer than five minutes with South Africa's first GPS-enabled know your customer (KYC) processing and immediate transactional capability. Clients can make secure contactless payments, access unique account management features like SmartVault, SmartSearch and financial analyser; get 24/7/365 assistance including Live Assist; unlock rewards; and bank safely with our state-of-the-art security features.



### OUR KEY PERFORMANCE INDICATORS

↑ 470 220 clients  
(FY2021: 331 000 clients)  
(excluding secondary clients)

↑ 1 023 790 accounts  
(FY2021: 649 000 accounts)

↑ RETAIL DEPOSITS OF  
R10.6 billion  
(FY2021: R8.2 billion)

↑ TOTAL CREDIT FACILITIES OF  
R10.7 billion  
available, of which R4.3 billion  
is being utilised  
(FY2021: R9.5 billion/R3.8 billion)

↑ CREDIT LOSS RATIO OF  
2.18%  
(including COVID-19 overlay) or  
1.52%  
(excluding COVID-19 overlay)  
(FY2021: 4.6%/3.96%)

↓ NORMALISED OPERATING LOSS  
DECREASED BY  
10% to  
**R990 million**  
(FY2021: R1 094 million)



## OUR PERFORMANCE AGAINST STRATEGY



Discovery Bank has recorded a number of milestones over the past year resulting in a best-of-breed product for clients and significant growth to one million accounts. To achieve our ambition to be South Africa's preferred fully digital retail bank, we focus on four strategic areas – accelerating growth; leveraging our composite model; offering differentiated, market-leading products; and providing unparalleled service and operational excellence. Our strategy is led by our Shared-value Banking model, providing world-class banking solutions that improve our clients' financial health and impact society positively. Our shared-value fundamentals remain validated, with Gold and Diamond clients displaying significantly better arrears rates, deposits and spend.

Discovery Bank is a key priority for the Group and the South African composite. In FY2022, we made good progress against our strategy as growth in clients, accounts and deposits performed ahead of our expectations.

Clients earned over 5.2 billion Discovery Miles and received a **16%** average discount when spending their Discovery Miles in-store, online and in Vitality Mall.

Discovery Miles D-Day continues to drive engagement with a combined spend of over **877 million miles in FY2022.**

Clients achieved **1.56 million weekly Vitality Active Rewards money goals and earned over R62 million in interest boosts.**

- ✓ Discovery Bank's high average levels of non-interest revenue per client and a low credit loss ratio are reflective of the good quality of clients.
- Growth in advances were driven by increased credit applications and operational improvements. Due to a prudent lending approach, our credit loss ratio reduced to below 2%, significantly below market average.
- ✓ Clients' utilisation of Discovery Bank's transaction capabilities grew with total payment volumes increasing 74% with a 57% increase in value and total spend increasing by 39%.
- ✓ Despite increased volumes, service levels were maintained above industry payment processing success rates. We improved in all key net sentiment metrics, with above market average app ratings.
- ✓ Launched real-time multi-currency accounts, allowing clients to easily transfer, save and transact in US dollars, Pounds and Euros while managing their foreign currency allowances in app.
- ✓ Launched Vitality Travel, a comprehensive travel ecosystem which supports every aspect of the travel experience, from bookings to Priority Fast Track service and lounge access at the airport. Vitality Travel achieved significant traction with more than 70 000 local flights and 20 000 international flights booked since its launch in March 2022.
- ✓ Vitality Pay as you Gym makes physical activity more accessible to all Discovery Bank clients with access to more than 170 Virgin Active and Planet Fitness clubs nationwide at rates of R75 to R100 per visit.
- ✓ Discovery clients who do not have a Discovery Bank account have access to our exclusive Discovery Account, a fully digital banking account with no monthly fees. Clients are able to access the Vitality Travel platform, monetise their healthy behaviours through Discovery Miles and make integrated, real-time payments through Discovery Pay.

## WHERE WE ARE HEADED

Discovery Bank is well positioned for future growth and is on track for break-even through strong client and revenue growth, and further expense efficiencies. We continue to drive new business growth for scale, while maintaining an optimal product mix, by improving conversion rates through operational enhancements and increasing adviser penetration through new sales tools and support channels.

Our product suite offers differentiated and superior products enabled by a sophisticated digital platform. We aim to maintain our rate of innovation and deliver new products, app enhancements and integration benefits. We will continue to provide high levels of service and operational capabilities to deliver unparalleled and streamlined client experiences, while increasing our operational efficiencies.

We plan to drive primary Bank utilisation and increase non-interest revenue by leveraging our powerful and unique data and machine learning assets. We will continue to grow high-quality advances by expanding our lending offering while enhancing credit journeys. With a deposit-to-loan ratio exceeding 200%, we are well positioned to grow our advances book.



## OUR BUSINESS REVIEWS

# VITALITYHEALTH

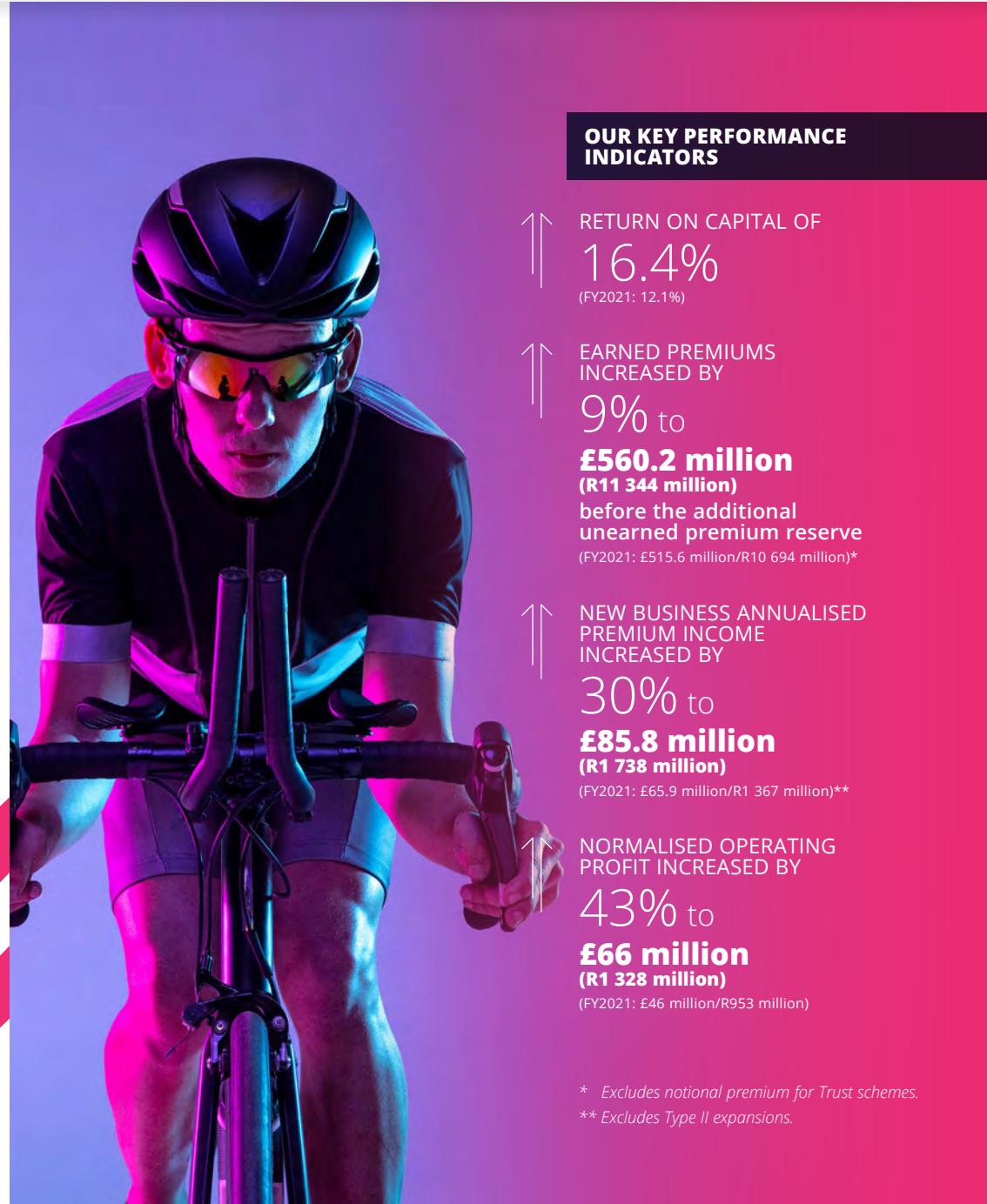
ESTABLISHED BUSINESS

### WHAT SETS VITALITYHEALTH APART

VitalityHealth encourages healthy living and rewards people for doing so – an essential element of our Shared-value Insurance model. We empower our members to take control of their wellness and develop long-term, sustainable healthy habits by driving engagement through the Vitality programme – which is good for members, our business and society.

VitalityHealth prioritises prevention, primary care, and digital pathways that enable members to better understand and navigate the complex healthcare system. We further provide employers with customised private medical insurance products and broader wellbeing programme options for their workforce. Our digital platform, Care Hub, includes a Consultant Finder feature which lists a range of healthcare providers including Vitality Premier Consultants. The Vitality Premier Consultants are a panel of designated, high-performing consultants, who demonstrate superior performance outcomes including lower lengths of stay and reduced re-admission rates.

UK



\* Excludes notional premium for Trust schemes.

\*\* Excludes Type II expansions.



## OUR PERFORMANCE AGAINST STRATEGY



VitalityHealth performed well across key metrics driving strong profit growth. The increase in new business annualised premium income was driven by strong sales performance across all channels. During FY2022, claim authorisations increased but remained at pre-COVID-19 levels, however, claim costs were lower than pre-COVID-19 levels. While the severity and cost of claims were less than expected, uncertainty remains around the impact of claims catch-ups moving forward.

An unearned premium reserve adjustment of £15.2 million was recognised as at 30 June 2022, up from the £14.2 million recognised at 30 June 2021. The same methodology was applied as the prior years, scaling in line with claims as a percentage of normal levels but subject to a 12-month contract boundary. The adjustment recognises the impact of the Omicron variant and the continued restrictions that were in place in the UK until February 2022. It also considers the impact of inflation on risk exposure.

Vitality Premier Consultants  
**continue to deliver value as well as better outcomes for clients and members across key measures of quality and efficiency when compared to Non-Premier Consultants**

Members have high confidence in Premier Consultants, with  
**80% of members selecting from the list of consultants presented to them through the Vitality Consult Finder**

- ✓ Strong sales and retention performance increased total lives insured by 15% to 839 000. Earned premiums growth, excluding the unearned premium reserve adjustment, was also driven by strong retention levels.
- ✓ Significant increase in the use of Primary Care services by members to 40% of all claims – up from less than 10% in 2015 – representing a shift in the kind of care people are looking for and accessing.
- ✓ Increase in the use of digital healthcare services, with over 100 000 digital consultations in 2021, consisting of Vitality GP, digital cognitive behavioural therapy (CBT) and online physiotherapy appointments. VitalityHealth's online GP service experienced a 70% increase in usage between 2019 and 2021.
- ✓ The newly constituted Premier Consultant Network has demonstrated improved claims cost efficiencies through its expansion. As at June 2022, 47.7% of our consultant-led consultations were through our newly constituted Premier Consultant network. Also, under our other partner networks, 86% of new outpatient physiotherapy authorisations and 85% of new outpatient mental health authorisations were within the network.
- ✓ With positive mental health an essential part of overall wellbeing, VitalityHealth launched a new Mental Health Cover module, providing access to early intervention and support such as unlimited CBT and counselling.
- ✓ To help employers build an effective long-term workplace wellbeing strategy, VitalityHealth has produced a free, bespoke workplace wellbeing toolkit which includes a guide, digital learning platform and other useful tools; all of which are available online.

## WHERE WE ARE HEADED



We continue to strive for growth by creating innovative and disruptive products and services, in line with our core purpose to make people healthier and enhance and protect their lives. We remain focused on improving the health of our clients to reduce future morbidity, mortality and increase their healthy years of life. To this end, we continue to develop a range of initiatives, including better understanding the health risks of our members, whether clinical or lifestyle related, to determine their next best action. This personalised and data driven approach supports members in taking one life changing action at a time that could maximise the number of years they live in good health.

We will push the boundaries of what health insurance provides and actively seek out the technology that can transform how people access and use our services. We will focus on enhancing our products and delivering a fully integrated, digital healthcare experience through our member Care Hub, and our quality care pathways through our Premier Consultant Network. Through these initiatives, our clients will be able to access self-service tools and engage with us through digital and telephonic channels.

Our other priorities include continuing to enhance our behavioural rewards which are integral to driving a sustainable behavioural change, having recently introduced Peloton, Mindful Chef and PureGym to our list of partners.



## OUR BUSINESS REVIEWS

# VITALITYLIFE

EMERGING BUSINESS

### WHAT SETS VITALITYLIFE APART

VitalityLife encourages healthy living through the Vitality Shared-value Insurance model, which allows clients to access cover at the best risk rate upfront and maintain this over time by engaging in Vitality. This, combined with unique, innovative products, gives clients market-leading protection at competitive prices.

UK



### OUR KEY PERFORMANCE INDICATORS

NORMALISED OPERATING PROFIT INCREASED BY  
7% to  
**£33.1 million**  
(R671 million)  
(FY2021: £31 million/R644 million)

NEW BUSINESS INCREASED BY  
13% to  
**£62 million**  
(R1 256 million)  
(FY2021: £55 million/R1 141 million)

ANNUALISED NEW BUSINESS MARGIN DECREASED TO  
1.4%  
(FY2021: 4.1%)

EARNED PREMIUMS INCREASED BY  
7% to  
**£333.3 million**  
(R6 750 million)  
(FY2021: £311.8/R6 466 million)

NEW BUSINESS FROM SEVERE ILLNESS COVER PRODUCT DECREASED TO  
28.1%,  
while optimised new business decreased to 56.8%  
(FY2021: 30%/64.1%)



## OUR PERFORMANCE AGAINST STRATEGY



VitalityLife's growth in normalised operating profit was driven by strong operating variances. Despite a challenging sales environment, new business API increased while strong retention performance delivered higher earned premiums. Annualised new business margin was impacted by the higher interest rate environment and deferral of the Part VII transfer of the VitalityLife book.

The hedge structure implemented in FY2020 continues to effectively negate the negative impact of volatile interest rate movements. Interest rates rose significantly over the period leading to economic assumption gains through the value generated by the interest rate swaption held by VitalityLife.

VitalityLife, through focused management actions, continued to witness the benefits of its plan to protect the business and position the UK business for success, over the course of the year. These interventions were actioned across the areas of operations, capital and liquidity and included its distribution channel, actuarial alignment, local liquidity funding and the indefinite deferral of the Part VII transfer.

99.8% of life cover claims paid totalling  
**£54.3 million** and 91%  
of serious illness cover claims paid totalling **£27.9 million**.

\* In CY2021.

Optimiser allows members to pay less for their life cover if they make healthy living choices.

Optimised members who utilised a reward saved up to **62%**  
of their annual life insurance premium with Bronze members saving a quarter of their annual premium on average.

- |                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Lives covered increased by 9% to 722 000 and in-force policies increased by 9% to 553 000.   |
| <input type="checkbox"/>            | Management expenses increased by 15% to £104.9 million (R2 124 million) as a result of a period of high expense and salary inflation and continued investment in technology and data.  |
| <input type="radio"/>               | Prudential and Discovery came to a new agreement with regard to the terms of an indefinite deferral of the Part VII transfer of the VitalityLife book currently written on the Prudential balance sheet. Accordingly, a Part VII transfer to VitalityLife Limited is not required by May 2023. The agreement was reached on sustainable commercial terms and significantly reduces capital and liquidity risk for VitalityLife as well as removing the operational complexity of the Part VII transfer. As part of the agreement, a significant portion of the VitalityLife hedges have been moved to the Prudential balance sheet to further reduce complexity. |
| <input checked="" type="checkbox"/> | Lapse rates remain encouraging, particularly in a challenging economic environment. VitalityLife's focus on individual client needs and utilisation of the Vitality programme to control premiums, had a positive impact on lapse rate performance.  |
| <input checked="" type="checkbox"/> | VitalityLife's distribution footprint has expanded since the launch of its simplified proposition in 2020, with 42% of brokers writing policies a year after the launch compared to the previous year.   |
| <input checked="" type="checkbox"/> | In FY2022, we launched our Distribution Quality Framework to enable the business to assess and manage the quality of business written by brokers, improving the overall distribution quality of the book.  |
| <input type="radio"/>               | VitalityLife embarked on a transformation project, to optimise pricing and drive sales in profitable market segments, enabled by investment in technology and data. Price optimisation will allow for price testing to better understand the economics of the market and to reprice flexibly, in an efficient, controlled and fit-for-future way.  |

## WHERE WE ARE HEADED

The challenge and defining next phase for VitalityLife continues to be the pursuit of the right business volume, mix and quality. Steps to further simplify our proposition, and build an even wider supporter base of advisers, are currently underway.

As we navigate the complex operating environment, we will continue to monitor the cost of living in the UK which could have an adverse impact on retention.

VitalityLife will deliberately focus on digital enhancements and technology to support increased efficiency in the business.





## OUR BUSINESS REVIEWS

# VITALITY GLOBAL

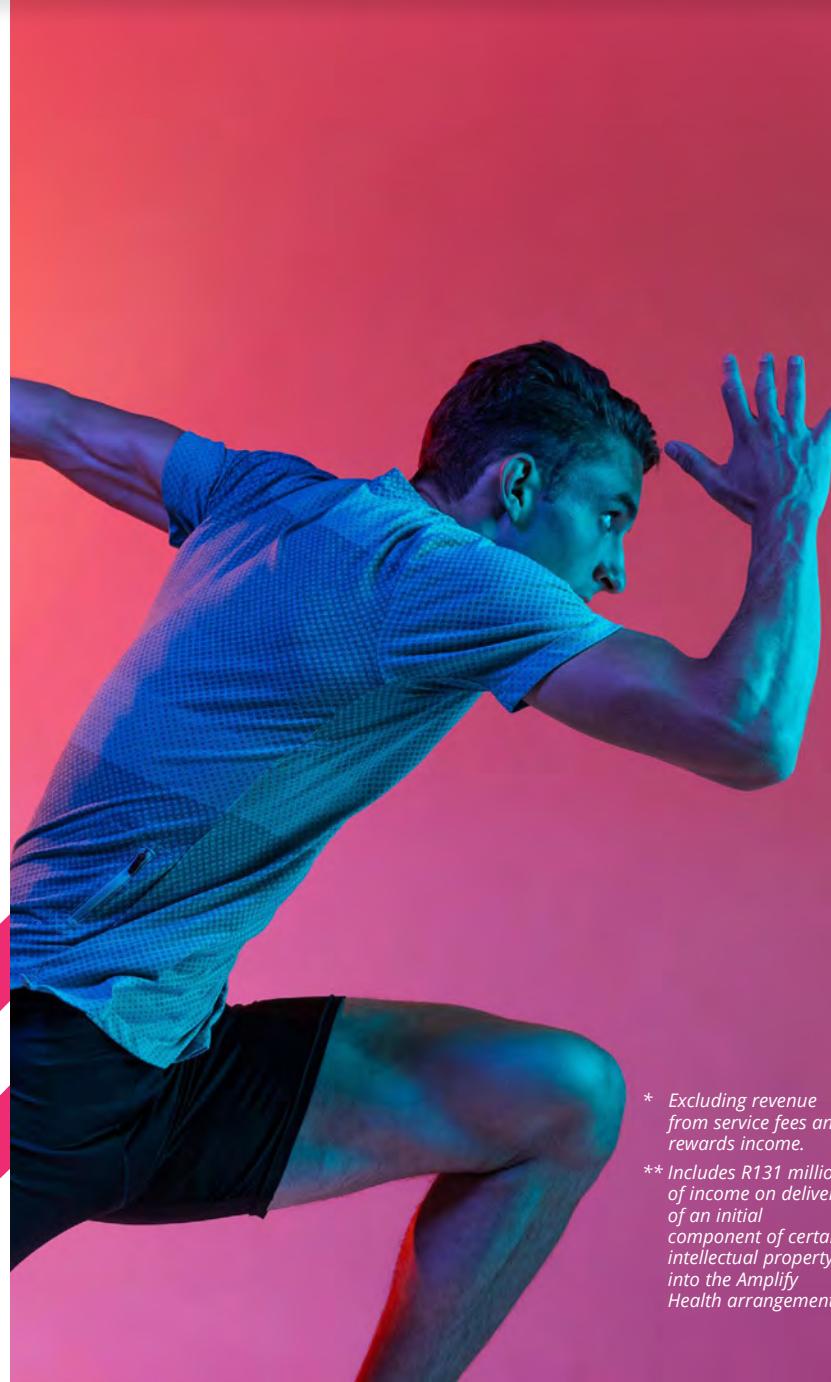
GLOBAL

EMERGING BUSINESS

### WHAT SETS VITALITY GLOBAL APART

Vitality Global strives to be the world's largest and most sophisticated behavioural platform linked to financial services.

The business spans multiple markets and leverages worldwide, aspirational rewards partners and, as one of the largest wellness companies in the world, brings a dynamic and diverse perspective by successfully partnering with the most forward-thinking global insurers and employers. Through these partnerships, we have deployed Discovery's Shared-value Insurance model to 35 markets, beyond SA and the UK. The business has also taken strategic equity stakes, in target health businesses in rapidly growing markets, to apply our health-related intellectual property to grow into key markets.



### OUR KEY PERFORMANCE INDICATORS

(excluding Ping An Health Insurance)

↑ REVENUE\* INCREASED BY  
22% to  
**US\$100.4 million**  
**(R1.5 billion)\*\***  
(FY2021: US\$82.4 million/R1.3 billion)  
(excluding new initiatives)

↑ PROFIT INCREASED BY  
15% to  
**US\$31 million**  
**(R473 million)\*\***  
(FY2021: US\$27 million/R417 million)  
(excluding new initiatives)

↑ INTEGRATED ANNUALISED PREMIUM  
INCOME (API) BY INSURANCE  
PARTNERS INCREASED BY  
10% to  
**US\$1.4 billion**  
**(R21.7 billion)**  
(FY2021: US\$1.3 billion/R19.9 billion)

↑ INSURANCE AND FRANCHISE PARTNER  
MEMBERSHIP INCREASED BY  
25% to  
**3 million**  
(FY2021: 2.4 million)

↑ OVER  
**1.6 million active clients**  
**engaged on the Vitality1 platform**  
(FY2021: over 1.3 million)

\* Excluding revenue from service fees and rewards income.

\*\* Includes R131 million of income on delivery of an initial component of certain intellectual property into the Amplify Health arrangement.

## OUR PERFORMANCE AGAINST STRATEGY



We pledged to make 100 million people 20% more active by 2025 together with our insurance partners. This core commitment continued to drive the growth of Vitality Global during the year. Vitality1, our cloud-based, feature-rich platform, is built to support and enable our diverse and growing set of global partnerships and programmes. The platform serves 22 countries, thereby enabling repeatability, and driving the expansion of Vitality Global. Vitality Global showed strong underlying growth in our insurance partner markets and through Vitality Health International.

During the year, Discovery and long-standing partner AIA Group, established Amplify Health, a health insurtech business. The joint venture extends our behavioural platform in Asia beyond China, Hong Kong and Macau, where we have an exclusive partnership with the Ping An Group. It includes the full stack of health technologies and intellectual property used to develop the Discovery Group's high performing health insurance businesses. Amplify Health is uniquely positioned to leverage technology, digital and analytic capabilities to deliver convenient, lower-cost healthcare solutions to AIA's healthcare businesses across Asia, as well as to other insurance providers and governments in the region, while easing pressure on traditional healthcare delivery models.

In FY2022, earnings growth was impacted as the prior period benefited from a foreign exchange hedge gain which was not repeated. This was offset in this period by income related to the delivery of an initial component of Vitality intellectual property, related to the Amplify Health transaction.



**"WE PLEDGED TO MAKE 100 MILLION PEOPLE 20% MORE ACTIVE BY 2025 TOGETHER WITH OUR INSURANCE PARTNERS."**

Vitality is live in 35 markets (beyond SA and the UK), impacting

**32 million lives,**

**supported by 150 programme partners with 100 000 new devices linked each month.**

The Vitality1 platform

**adds value to our partners by allowing for continual product enhancements, new features being made readily available to all markets and better performance at decreased costs of shared services and localisation.**

### Vitality Network



In FY2022, Sumitomo Life Vitality reached the milestone of selling more than one million Vitality-linked policies since its launch in 2018. Proactive franchise initiatives, annual Vitality Day launches, successful parkrun sponsorships, a stand-alone Vitality product offering, our ground-breaking partnership with Pokémon Go and the launch of the Vitality store in Ginza, Tokyo supported this achievement.



Vitality is now available in all seven Generali markets with launches in Italy, the Czech Republic and Poland in FY2022. Existing markets in Austria and Germany showed high engagement.



Performance fees from AIA Vitality markets that are linked to engagement, lapse rates and overall value of new business were adversely impacted by COVID-19 and lockdowns across Asia – these have somewhat recovered in the second half of FY2022.



Penetration rates across all AIA markets increased to 64% while three-month rolling engagement rates were 29.9% (FY2021: 61%/32.2%).



John Hancock Vitality recorded increased sales for Vitality-integrated products since December 2022. Manulife Insurance leveraged Go Big, an entry level Vitality product, which increased their sales and supported their expansion throughout Canada.



Vitality Network's partnership with Hannover Re broke-even in February 2022 and is on track to generate profits: Increased sales were recorded in Ecuador through SaludSa and Equivida; in the Netherlands, engagement increased with a.s.r.; and more lives were added to the Vitality1 platform in Mexico together with BBVA.



Generali Welion won an award at the Italy Insurance Forum Awards for best new product for their Vitality programme.



## Vitality Health International (VHI)



Amplify Health was launched in March 2022 and is being developed at a rapid pace and scale. A management team is in place in the company's headquarters in Singapore, and is focused on sales, localising technologies and solutions for deployment in Asia.



VHI launched shared-value health insurance products, which incorporate Vitality, to employer groups operating in multiple African countries beyond South Africa. Cover is available in Nigeria, Kenya, the Democratic Republic of Congo and Zambia, with plans to expand to other countries in the region.



VHI has partnered with Medical Services Organisation International (MSOI) to deliver health insurance in Africa, and to manage and expand healthcare networks available to clients. MSOI is a leading provider of integrated healthcare risk management and third-party administration services and solutions throughout Africa.



Vitality Global's US business is expanding beyond its current core offering of an incentivised wellness and behavioural change platform to include a wide range of health technologies and solutions offered to US health plans, self-insured employers, and healthcare providers.



Vitality Global came to an agreement with AIA to review its shareholding in AIA Health as it focuses on efforts in the Asian health markets through Amplify Health.

## WHERE WE ARE HEADED



**Vitality Global aims to create and own the Shared-value Insurance category globally and deliver digital and product excellence in collaboration with our partners. We plan to increase our competitive advantage by building an ecosystem based on Vitality and our wealth of health-related intellectual property. Vitality Global aims to transform our partners' businesses and explore opportunities for growth across the insurance value chain.**

Our vision is to be the leading health insurer and provider of health insurtech services globally. We remain focused on leveraging emerging healthcare ecosystems to expand our footprint through equity partnerships in key markets through Vitality Health International. We are also enhancing the Group's focus on Africa with our expansion into innovative health insurance solutions for the rest of Africa. Through Vitality Network we will continue to provide leading intellectual property solutions and offer consulting services to the world's leading insurers.

Through Vitality1, Vitality Global delivers high-quality digital experiences to clients globally. The business' research and development and technology investments will be made available to all markets irrespective of geography, creating a significant strategic advantage.



## OUR BUSINESS REVIEWS

# PING AN HEALTH INSURANCE

GLOBAL

○ EMERGING BUSINESS

### WHAT SETS PING AN HEALTH INSURANCE APART

Discovery embeds its leading product development, systems, data and risk management assets, as well as its Vitality expertise, into the Ping An Health Insurance (PAH) business.

This – along with the Ping An Group's distribution network, healthcare ecosystem, scale and technological capabilities – supports the business in meeting the increasing demand for healthcare in China.

Through this partnership, PAH is becoming a leading health insurer in China, positioned to capture emerging opportunities in private health insurance.



### OUR KEY PERFORMANCE INDICATORS

↑ PAH TOTAL REVENUE\*  
(WRITTEN PREMIUM)  
INCREASED BY  
14% to  
**RMB19.2 billion**  
**(R45.2 billion)**  
(FY2021: RMB16.9 billion/R39.3 billion)\*\*

↓ PAH NEW BUSINESS  
PREMIUM DECREASED BY  
17% to  
**RMB4.9 billion**  
**(R11.5 billion)**  
(FY2021: RMB5.9 billion/R13.6 billion)\*\*

↓ DISCOVERY'S OPERATING  
PROFIT FROM PAH (AFTER  
TAX) DECREASED BY  
19% to  
**RMB143.6 million**  
**(18% decrease to**  
**R338 million)**  
(FY2021: RMB177.2 million/R411 million)

↑ PAH EARNED PREMIUM  
INCREASED BY  
4% to  
**RMB13.7 billion**  
**(R32.2 billion)**  
(FY2021: RMB13.2 billion/R30.6 billion)

↓ NUMBER OF LIVES  
INSURED DECREASED BY  
11% to  
**27.3 million**  
(FY2021: 30.6 million)\*\*

\* Total revenue includes policies written on Ping An Health Insurance's own insurance licence, as well as policies written on Ping An Life and Ping An P&C's licences directly reinsured to Ping An Health Insurance based on the reinsurance treaty terms.

\*\* Given the restructuring of the cooperation with Ping An Life for business written in certain regions in China as part of the overall re-alignment of PAH to focus on growing high-quality own business, FY2021 figures have been restated. Previously reported: Total revenue of RMB17.5 billion/R40.6 billion and new business premium of RMB6.8 billion/R15.8 billion. In addition, the number of reinsured PAH lives reduced to 8.6 million (FY2021: 13 million).



## OUR PERFORMANCE AGAINST STRATEGY



PAH has made three key business model pivots by shifting towards an emphasis on quality of business and steady growth in profits, client-centricity, and a shared value approach manifesting in the creation of a health and wellness business.

PAH showed strong growth in profits from the insurance business through improved lapse experience, prudent expense management and investments in underwriting and claims management. PAH insurance licence written premium grew – achieving an estimated 23.3% higher growth than the market average. A reduction in new business annualised premium income, primarily due to the restructuring of cooperation with Ping An Life for business written in certain regions in China, is not expected to impact profitability going forward. PAH pre-tax operating profit excluding investment income and gains increased by 30%, however, overall profitability was affected by a significant reduction in investment income in the first quarter of 2022, impacted by the decline in the China equity market. The revised investment policy focuses on capital preservation and risk neutrality – reducing the risk of volatility of investment outcomes in the future.

On the PAH insurance licence, revenue (written premium) increased by 33% to RMB13.8 billion (R32.4 billion) (FY2021: RMB10.4 billion/R24.2 billion), while new business premium increased by 6% to RMB3.8 billion (R8.9 billion) (FY2021: RMB3.6 billion/R8.4 billion).



PAH takes a targeted approach through five distribution channels to scale operations and acquire clients. These channels include leveraging agency collaborations, growing own sales agents and large brokers, growing digital platforms and other third-party platform partnerships, increasing collaboration with part-time and third-party agents, and channelling clients from Health & Wellness products to insurance products.



Successfully opened three new branches – one at provincial level and two at city level – to expand PAH's offline distribution network.



Improved client retention by 3% – driven by data-led client segmentation, that is customised by channel, with personalised product and service offerings to improve client stickiness.



PAH upgraded its flagship eShengBao product to develop different insurance products for specific types of clients. This encouraged increased client spend and promoted the development of mid-market products and integration with Health & Wellness services.



PAH expanded its business lines through the development of its health management business. Integration of online services, such as virtual consultations and chronic management with the healthcare network that provides offline services, such as hospitals and doctors appointment booking, discharge and rehab services, which will enhance client healthcare journeys. To date, PAH has integrated 77 of the top 100 hospitals in China to deliver distinctive services to its client.



Claims management controls have maintained loss ratios by increasing the proportion of high-quality clients, improving the retention of healthy clients and implementing data-driven risk management for claims and underwriting controls. PAH has increased the positive identification of fraud risks by 3.7pts to 35.3%.



Own license new business from the group business product increased by 60%.

## WHERE WE ARE HEADED



**PAH is focused on scaling the business and ensuring its long-term sustainability by diversifying products and developing world-class health insurance capabilities and distribution channels. The Ping An Group aims to build efficient access to online and offline healthcare services. PAH leverages this healthcare ecosystem, supported by the Ping An Healthcare app, to build capabilities and products that provide superior value to clients.**

PAH will focus on diversifying and growing insurance distribution channels to increase new business and reduce dependency on Ping An Life. This will be done by targeting multiple distribution channels to scale and acquire clients and managing channels to generate sustainable and profitable growth. Furthermore, to support profit growth over the next three years, there will be a focus on cost optimisation, loss ratio management and expense reduction.

PAH is focused on building three platforms to enhance its insurance capabilities, including the online and digital platform, the IT-support platform and the Health & Wellness platform. The online and digital platform will integrate user-centric digital operations to support China's increasing online client base. The PAH IT-support platform aims to create distinctive client healthcare journeys to manage and optimise the quality of care through both the eShengBao flagship product, and the sale of Health & Wellness products. PAH has also consolidated existing wellness capabilities into Ping An Le Jian Kang, a single health and wellness platform, to promote healthy behaviours and reduce healthcare costs by leveraging Vitality's global experience.

# REMUNERATION OVERVIEW

*Discovery believes that great people are the foundation of our success. We provide challenging and meaningful work that liberates our people to seize opportunities and grow. We balance a flexible approach to differences in individual performance, value and contribution with a consistent framework to ensure fair and responsible pay.*

Our remuneration policy and Remuneration Committee (RemCo) decisions are aligned with our shared-value approach. Our core purpose and values provide the base from which remuneration decisions are made. RemCo endeavours to balance the often-conflicting needs of various stakeholder groups in its deliberations and decisions.

We provide a brief overview of the factors that influenced remuneration within our business as well as the remuneration decisions made in FY2022. This overview further outlines key aspects of our remuneration policy, the implementation thereof and how remuneration supports our strategic objectives in the year under review.



## REMUNERATION GOVERNANCE

Our RemCo assists the Board in ensuring that Discovery remunerates fairly, responsibly, and transparently.

RemCo is committed to remaining informed of emerging trends and leading practice. As such, RemCo appointed two independent service providers to provide remuneration-related advisory services. RemCo is satisfied that the input provided by these service providers is credible, independent and objective.

## ENGAGEMENT WITH SHAREHOLDERS

We engage constructively with our shareholders to better understand their perspectives and ensure our remuneration practices balance their legitimate expectations with the business's strategy and performance. Each year, at our Annual General Meeting (AGM), shareholders are invited to take part in a non-binding advisory vote on our remuneration policy, the implementation thereof, and Non-executive Directors' fees.

In FY2022, as part of our transition to the Single Incentive Plan and to further understand the concerns underlying the dissenting votes received in relation to our FY2021 implementation report, we engaged with shareholders and summarised the feedback received and RemCo's response in our Remuneration Report.



## REWARDING PERFORMANCE THAT SUPPORTS STRATEGIC VALUE CREATION

### Incentivising performance across the Group

Most permanent employees earn performance-based pay. We offer competitive guaranteed rewards at the market median, with many roles able to earn additional variable pay-for-performance incentives, leading to above-market median total rewards for top performers. Targets are reviewed and adjusted as required and at the discretion of management to drive continuous improvement.

### Remuneration that supports our strategic objectives

Our total rewards approach encompasses financial and non-financial elements. The Single Incentive Plan (SIP) is assessed against financial and non-financial measures as outlined by the Group scorecard as well as business unit and personal scorecards. RemCo sets the short- and long-term performance measures, targets and weighting annually to reflect Discovery's key financial, operational and strategic priorities.

The proposed Group scorecard for FY2023 is shown below and aligns to the Group strategic objectives.

Area	Measure	Weight
FINANCIAL 65%	Growth in normalised operating profit	20%
	Headline earnings per share growth	10%
	Return on equity	15%
	Revenue growth	10%
	Cash conversion ratio	10%
SUSTAINABILITY 35%	Clients	8%
	ESG	8%
	Strategy	9%
	People	10%
		<b>100%</b>

### Contract terms for Executive Directors

Executive Director contract terms aim to align their interests with the interests of our shareholders and ensure stability within Discovery's leadership. These include a minimum shareholding requirement, notice periods and malus and clawback among others.

### Executive Directors' single figure remuneration

Remuneration earned by Executive Directors during FY2022 is available in single-figure format in our Remuneration Report. It reflects earnings received and due to each, based on performance over the period under review in accordance with King IV™ principles.

Executive performance for FY2022 is detailed in our Remuneration Report from both a Group scorecard and individual performance scorecard perspective.

### Non-executive Director remuneration

Non-executive Directors receive a fixed retainer fee to participate during Board and Board committee meetings, and do not receive any annual incentive awards. RemCo annually reviews the fees paid to Non-executive Directors, considering their individual responsibilities and Board committee memberships.

## OUR FOCUS AREAS AND REMUNERATION DECISIONS IN FY2022

During FY2022, our approach to remuneration was informed by several elements, including the impact of our operating environment and our performance during the financial year.

 Refer to [pages 49 to 52](#) for more information on our operating environment, and [pages 63 to 71](#) for our financial performance.

Considerations included a high inflationary environment, global skills shortages and increasing stakeholder expectations. In light of this, RemCo applied its mind as follows:

### Single Incentive Plan implementation

Our SIP recognises our management teams' responsibilities and contributions to Discovery's success. The SIP aims to create remuneration alignment and increase transparency and understanding across the Group, which drives performance.

In FY2022, the SIP was implemented and applies to senior management levels at Deputy General Manager and above. The SIP provides short- and long-term incentives by paying out a portion in cash and in deferred Discovery shares, which vest over three to five years for Executive Directors.

For our Executive Directors, SIP comprises a portion of both individual performance and Group performance. We believe this enables appropriate remuneration outcomes for each role and supports a better understanding of and transparency with regards to how individual and Group performance is linked to remuneration and rewards.

WEIGHTING		
	Group	Business unit/ function/ individual
Group Chief Executive	80%	20%
Group CFO	70%	30%
Executive Directors	50%	50%

In FY2022, the RemCo deliberated and monitored the implementation of the SIP, with extensive engagement undertaken with relevant employees to ensure appropriate stretch targets were set and developed to drive performance.

Following the approval of our FY2021 remuneration policy, which included our transition to SIP, RemCo continued to engage with interested stakeholders who showed strong support of our policy and SIP. In FY2022 we continued with the implementation of the SIP, which commenced in South Africa, and will be expanded to include the UK and the US in FY2023.

## OUR FOCUS AREAS AND REMUNERATION DECISIONS IN FY2022 *continued*

### Adjustments to salaries

In line with our remuneration policy, Discovery is committed to fair and responsible remuneration. RemCo annually deliberates salary adjustments for employees, management teams and Executive Directors.

Salary adjustment decisions are informed by our operating environment, with RemCo continuously balancing the needs and expectations of employees and other stakeholder groups.

The volatile operating environment contributed towards global inflationary pressures. RemCo understands the pressures facing employees as a result of the rising cost of living and continues to closely monitor inflation. Accordingly, Discovery awarded inflation-linked salary increases to our employees, management teams, and Executive Directors.

### Vitality Global Outperformance plan

Vitality Global's expansion is a strategic focus area for Discovery, and the incentivisation and retention of executives within Vitality Global is essential.

The Vitality Global Outperformance Plan was developed to support the strategic imperatives of the Discovery Group and related capital invested. The scheme also focuses on retaining key individuals, which is a priority for RemCo in this competitive environment.

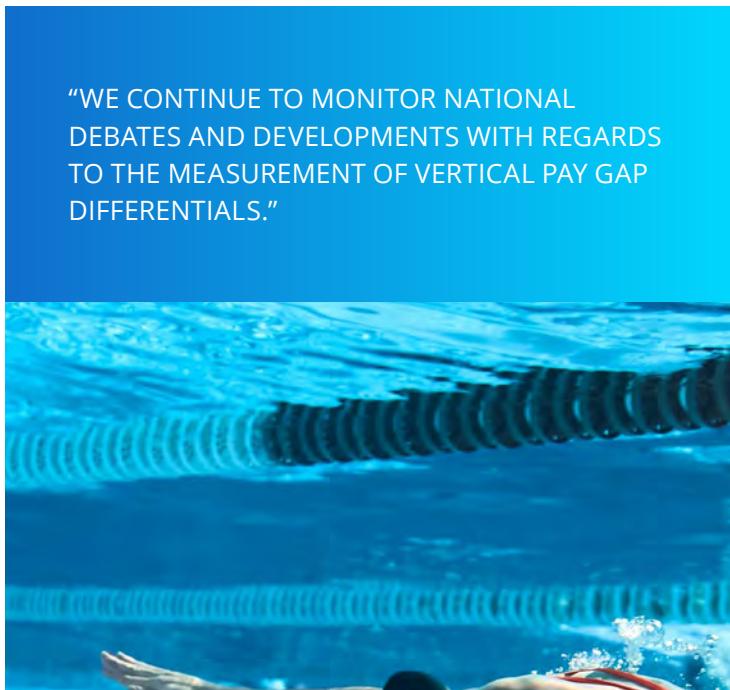
During FY2022, RemCo approved the Vitality Global Outperformance Plan which operates as a top up to the SIP, with participants eligible for additional rewards by achieving set targets.

### Understanding and addressing potential pay gaps

RemCo is committed to identifying and addressing any pay gaps as part of our focus on fair and responsible remuneration.

In FY2022, RemCo focused on measuring and understanding the current remuneration gaps as part of its long-term focus on closing these gaps. During the year, a review was done per role to identify any race and gender pay gaps. Where appropriate, interim salary adjustments were made to reduce gaps and misalignments to market benchmarks. Discovery continues to pay above the national minimum wage.

We continue to monitor national debates and developments with regards to the measurement of vertical pay gap differentials.



### PLANNED FOCUS AREAS IN FY2023

- ➔ Embedding the SIP and overseeing its implementation in our UK and US operations.
- ➔ Remaining up to date with key issues that influence remuneration in the current dynamic operating environment.
- ➔ Monitoring regulatory developments related to remuneration, and in particular the proposed changes to the South African Companies Act.
- ➔ Continuing to embed and strengthen fair and responsible remuneration practices into the business, and address any pay disparities identified.
- ➔ Continuing to review ESG-related targets linked to remuneration practices.
- ➔ Ensuring our remuneration structures remain suitable and competitive to attract and retain our people, with a focus on critical skills and diverse talent within key positions.
- ➔ Driving an entrepreneurial culture through incentives to increase alignment with shareholder interests.



# OUR INTEGRATED REPORTING FRAMEWORK





# OUR DETAILED VALUE CREATION SCORECARD

## OUR INPUTS ↓

These key resources are not an exhaustive list, but rather represent those material resources that we depend on and which have a bearing on our ability to create value in the short, medium and long term.

### HC PEOPLE

- Over 13 450 employees (FY2021: 12 650), including our experienced leadership teams
- The best human capital capabilities, driven by top talent, employee engagement, and employee wellness programmes
- Ethical and aspirational brand anchored in values
- Diverse and inclusive workforce, whose strength we leverage
- A workforce prepared for the future, enabled by professional and leadership development programmes
- Time spent on training programmes averaged 112 hours per employee (FY2021: 78 hours)

### MC TECHNOLOGY AND DIGITAL ASSETS

- Our pioneering Shared-value Insurance model and Vitality behaviour-change platform
- AI capabilities
- Vitality1 platform, servicing 22 countries, supporting single integration for wearable devices and health apps
- IT infrastructure that supports our business and adapts to suit our needs
- A datacentric cyber-security model to enhance data security and anonymity

### IC DATA AND INNOVATION

- Vitality intellectual property driving strategic partnerships
- Over 380 data scientists and actuaries with critical skills
- Research and development
- Innovative culture across the business

### FC FINANCIAL CAPITAL

- Market capitalisation of R86 billion (FY2021: R84 billion)
- Equity/capital of R53 555 million (FY2021: R46 419 million)
- Debt of R16 308 million (FY2021: R15 230 million)
- Investment in new initiatives at 18%
- R3.7 billion paid in COVID-19 claims adequately covered by the associated provision

### NC ENVIRONMENTAL RESOURCES

- 1 Discovery Place in South Africa, has a six Green Star rating from the Green Building Council of South Africa
- 35 059 MWh total energy consumed (FY2021: 33 683 MWh)
- 87 465 kl total water withdrawn from municipal water supplies in South Africa (FY2021: 78 963 kl)
- Renewable energy sources for our UK offices

### SC RELATIONSHIPS

- Operations located in 35 countries
- Over 39.7 million lives impacted globally (FY2021: 41.3 million)
- Brand equity
- Existing relationships with stakeholder groups
- Over R2.73 billion procurement spend on black-owned businesses (FY2021: R1.62 billion)
- Driving the COVID-19 vaccination rollout in South Africa and contributing to the global research agenda

*Our Shared-value Insurance model forms the foundation of our business and strategy, and creates a compelling value proposition for our clients.*

*Our detailed value creation scorecard demonstrates how our business activities transform our inputs into outputs – our products and services – and outcomes in pursuit of our strategic objectives, that create and preserve value for our stakeholders.*

## OUR BUSINESS ACTIVITIES ⇄

### HOW

Our core purpose manifests through our pioneering Shared-value Insurance model, which is built on the Vitality behaviour-change platform and guides and incentivises people to better health, driving and financial behaviour.



## OUR OUTPUTS ↓

### WHAT

Our products and services

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

## OUR OUTCOMES ☀

These outcomes are not exhaustive, but do reflect the material effects on our resources as a result of our business activities and outputs.

### HC PEOPLE

- R11 billion in staff costs, including Executive Directors (FY2021: R9.7 billion)
- Top Employers South Africa certification and Employer of Choice in Insurance
- 83% employee experience score (SA) (FY2021: 87%)
- Employee net promoter score (eNPS) (UK) +23 (FY2021: +15)
- Women represent 57% of our workforce (FY2021: 57%)
- 76% black South African employees (FY2021: 74%)
- 36% black senior managers in South Africa (FY2021: 34.9%)
- 44% of women in senior leadership positions (FY2021: 43%)
- 13.6% attrition rate (FY2021: 12.4%)

### IC DATA AND INNOVATION

- Leader in financial services linked to shared value
- Behavioural programmes developed with leading academic institutions, tested and proven to create change at scale
- Behavioural linked mortality and morbidity database and models with more than 40 million life years of data
- Global Innovator Award and the Gold Product and Service Innovation Award for our Discovery Hospital at Home offering at the 2022 Efma-Accenture Innovation in Insurance Awards

### FC FINANCIAL CAPITAL

- Normalised return on capital 11.8% (FY2021: 7.5%)
- Core new business annualised premium income (API) R21 710 million (FY2021: R20 409 million)
- Normalised profit from operations R9 384 million (FY2021: R6 494 million)
- Normalised headline earnings R5 816 million (FY2021: R3 406 million)
- Capital ratios above targeted levels
- Liquidity buffers within target range

### SC RELATIONSHIPS

- Global reward-partner network with proven and recognised behavioural incentive design structures
- Target achieved for Enterprise Supplier Development (as determined by the Financial Sector Code)
- Level 1 B-BBEE contributor (FY2021: Level 1)
- Improvements in client behaviours, such as physical activity, nutrition, self-management and related positive impact on biometrics
- Discovery has helped vaccinate over 2 million people (FY2021: 1.1 million)
- R8 billion in tax contributions across markets (2021: R7.7 billion)
- Brand value growth of 8.4% in 2022 according to Kantar BrandZ

### MC TECHNOLOGY AND DIGITAL ASSETS

- Launched the Vitality1 platform in six new markets, touching 1.6 million members - with extensive device and app integration and fraud protection
- A global technology platform that improves client experience, decreases turnaround times and reduces human error as a result of manual servicing
- Enhanced data governance and compliance with data privacy requirements
- Data, privacy and cyber-security awareness training for all employees
- Considerable progress made with next-generation consumer devices

### NC ENVIRONMENTAL RESOURCES

- Recycled approximately 88% of the waste generated on South African campuses (FY2021: 72%)
- 231 tonnes total weight of waste (South Africa) (2021: 145 tonnes)
- 53 172 tonnes CO<sub>2</sub>e carbon emissions (FY2021: 37 388 tonnes)

✓ Positive (net increase in capital)
✗ Negative (net decrease in capital)
○ Neutral (no movement in capital)

Interested stakeholders:





# OUR MATERIAL THEMES AND MATERIAL MATTERS

*Discovery's businesses are deeply intertwined with the lives of our clients and the societies in which they live. When we look at what value creation means to Discovery, we are guided by our core purpose – which also influences our business decisions.*

The content in this report is informed by matters that could substantively impact our ability to create or preserve value for our stakeholders in the short, medium and long term, as well as those matters that could erode value if not managed effectively. In FY2022, we conducted an extensive materiality review process to identify the Group's material themes through a double materiality process. Following this, we identified nine material themes that were analysed and validated by the Group's Executive Committee and Board.



## OUR PROCESS TO DETERMINE OUR MATERIAL THEMES AND MATERIAL MATTERS

- 1 Review of Discovery's FY2021 material matters, strategy and risks and opportunities
- 2 Review of the material matters disclosed in Discovery's FY2021 Sustainability Report
- 3 Review global research to assess the external context, as well as peer reports
- 4 Detailed review of externally available information, including media reports
- 5 Prioritisation of the material matters, and themes identified by key stakeholders through an online survey
- 6 Validation and approval of material matters by the executives and those charged with governance
- 7 Finalisation of material matters for reporting purposes

**IDENTIFY**  
Following detailed research, we identified all matters that could impact Discovery's ability to deliver on its core purpose. These included both actual and potential risks and opportunities in the short, medium and long term.

**PRIORITISE**  
Not all relevant matters are material. For inclusion, a matter also needs to be important in terms of its actual or potential effect through a double materiality lens. To this end, we evaluated the magnitude of a matter's effect on Discovery's ability to create value, as well as Discovery's impact on society and the environment.

**VALIDATE**  
The prioritised matters were then analysed and validated by the Group's Executive Committee, as well as the Board.



Following our materiality determination process, we identified nine material themes critical to the sustainability of our business, society and the environment we operate in. These themes, along with the associated material matters, address the concerns and legitimate needs of our stakeholders while supporting the delivery of our core purpose of making people healthier and enhancing and protecting their lives.

The material themes and material matters below are underpinned by Discovery's purpose and values – we aim to ensure that value creation is balanced with value preservation with every decision that we make.



For more information on operational effectiveness, refer to our Group Chief Financial Officer's review on [page 63](#) and our strategy on [page 33](#).

## OUR MATERIAL THEMES

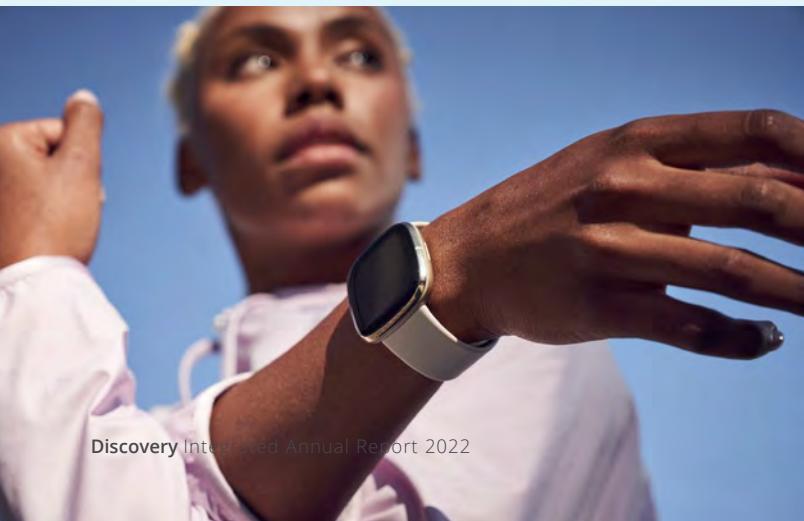
### OUR MATERIAL MATTERS

 Operate within a volatile socio-economic environment  Economic uncertainty Persistent economic pressure Healthcare system strain Societal shifts Unforeseen global events	 Ensure ethical governance and leadership  Ethical conduct Board effectiveness Ownership and control Consumer protection Reputation in governance Regulatory change and compliance Reporting transparency and effectiveness Supply chain impact management Fair and responsible remuneration	 Advance our disruptive Shared-value Insurance model  Incentivise positive behaviour change Product and service development New market entrance Risk management	 Empower our people  Attraction, retention and culture Capability development Transformation, diversity and inclusion Labour management and governance	 Safeguard and enhance our trusted brand  Discovery and Vitality brands Reputational management Increased transparency expectations	 Ensure long-term financial sustainability  Prudent capital allocation Sustainable performance Climate change vulnerability management Responsible investment	 Leverage and manage technology and innovation  Technology and innovation Digital stewardship Digital inclusion and equality	 Expand and strengthen our social impact  Expand and strengthen our collective impact through behavioural change Collaboration to increase impact Economic development Financial inclusion and education	 Strengthen our environmental stewardship  Climate change mitigation Environmental impact management
--	--	--	---	---	--	--	---	---



# INTEGRATED REPORTING FRAMEWORK APPLICATION REGISTER

*By applying the requirements of the framework, our Integrated Annual Report provides insight into the resources and relationships used and impacted by Discovery in pursuit of sustainable value. In the Integrated Reporting Framework, these are referred to as the six capitals. Below, we explain what these capitals mean for our business.*



## OUR RESOURCES AND RELATIONSHIPS (CAPITALS) AND WHAT THEY MEAN FOR US

<b>FC</b> FINANCIAL CAPITAL	<b>HC</b> PEOPLE	<b>IC</b> DATA AND INNOVATION
The pool of funds, including equity and debt, used to support our global expansion, and investments in new businesses and initiatives.	The human capital we depend on, including their diversity, skills, experience and expertise.	The intellectual capital we leverage to enhance our data and actuarial science capabilities to drive innovation – supported by big data, machine learning, automation and artificial intelligence.
<b>MC</b> TECHNOLOGY AND DIGITAL ASSETS	<b>SC</b> RELATIONSHIPS	<b>NC</b> ENVIRONMENTAL RESOURCES
Our manufactured capital, including the Shared-value Insurance model and Vitality1 platform, as well as the assets developed through the model such as behaviour-change programmes.	The social and relationship capital we rely on to establish equity and credibility in the market, including global partnerships and relationships with clients, governments and communities, and brand assets.	The natural capital used during normal business activities, including energy consumption and water usage.



*In preparing our FY2022 Integrated Annual Report, we were guided by the requirements of the Integrated Reporting Framework. Our Board of Directors assumes responsibility for the integrity of this report, and confirms that it complies with these requirements. We reference the application of the framework's guiding principles and content elements in the sections that follow.*

## GUIDING PRINCIPLES

### Strategic focus

An integrated report should provide insight into the organisation's strategy and how it relates to the organisation's ability to create value in the short, medium and long term, and to its use of and effects on the capitals.

Our Integrated Annual Report sets out our medium-term ambition statement and long-term objectives, along with the key performance indicators we measure in the short-term to ensure we deliver on our core purpose. We also consider the Group's significant risks and opportunities stemming from our market position and global footprint, along with how the six capitals contribute to our ability to achieve the Group's strategic objectives.

### Connectivity of information

An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time.

Discovery continues to embody the philosophy of integrated thinking, and our Integrated Annual Report aims to provide a comprehensive, but concise, overview of how the Group creates value for its stakeholder groups. We compiled this report to tell our value creation story by following a logical structure and using effective navigation devices. Furthermore, we specifically focused on enhancing the linkage between the six capitals, our stakeholder groups, risks and opportunities, and material themes to explain how it impacts our ability to create sustainable value.

### Stakeholder relationships

An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests.

This report reflects on Discovery's relationships with its stakeholder groups, including how we perceive and measure the quality of these relationships. We provide useful information relating to our stakeholder groups' legitimate needs, interests and expectations, as well as how we create value. We also discuss the risks and opportunities, and material themes that impact these groups.

### Materiality

An integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term.

In compiling this report, we applied our judgement to only include information that has the ability to affect value creation. We followed a structured process – which is integrated into our management processes – to identify and prioritise the material themes and material matters we believe could have direct implications for Discovery or our stakeholder groups.



## GUIDING PRINCIPLES *continued*

### Consistency and comparability

The information in an integrated report should be presented:

- On a basis that is consistent over time
- In a way that enables comparison with other organisations to the extent it is material to the organisation's own ability to create value over time.

We ensure that we report on information that is comparable year on year, including the key performance indicators used to measure our performance at a business unit and Group level. We also follow industry and global reporting best practice.

### Reliability and completeness

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.

Our reporting process is subject to a rigorous internal review as part of our commitment to providing accurate information. Following an extensive review by our Group Internal Audit function, we believe that the quantitative information in this report – which includes both positive and negative information – is an accurate representation of Discovery's FY2022 performance. The report is also reviewed by our Group Audit Committee and, in turn, approved by our Board.

### Conciseness

An integrated report should be concise.

Our Integrated Annual Report follows a logical structure, using cross-referencing and links to external sources to avoid any repetition of information. In doing this, we also ensure that we include the necessary information relating to our strategy, governance practices and performance to enable our stakeholder groups to make informed decisions on our prospects.

## CONTENT ELEMENTS

### Organisational elements

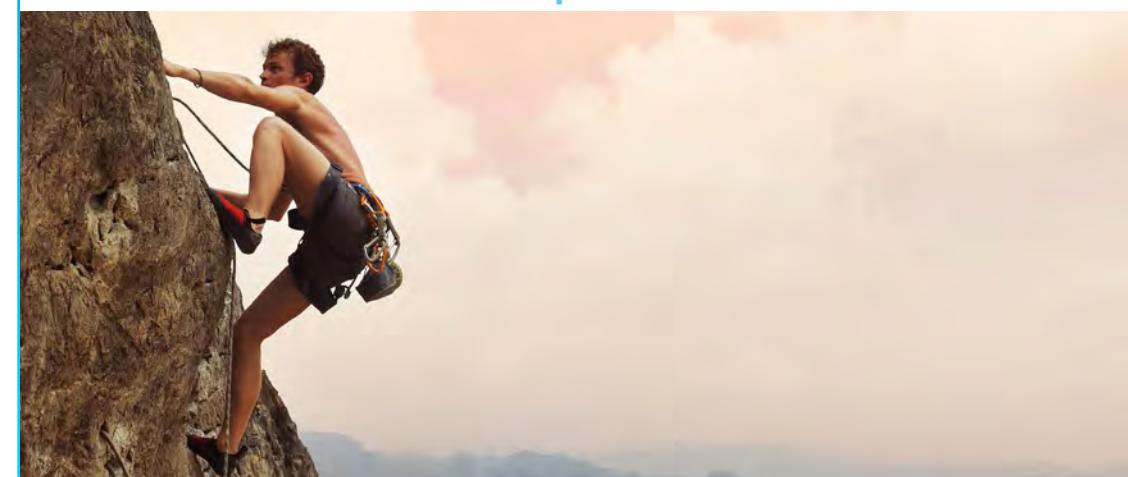
What does the organisation do and what are the circumstances under which it operates?

We unpack who we are as a South African-founded diversified financial services organisation and global leader in shared-value insurance. We explain why we are in business, how we operate and what we do, and include key quantitative information to provide a holistic overview of our business and performance. We also disclose the material trends impacting our operating environment and our ability to create value in the short, medium and long term.

### Governance

How does the organisation's governance structure support its ability to create value in the short, medium and long term?

Our report provides insight into our leadership structure, including our Board members' background, qualifications, skills, experience and expertise. We also disclose key indicators of our Board composition, including race, gender, independence and tenure. Furthermore, we explain how our governance structures support value creation for our stakeholder groups by monitoring the Group's strategic direction.



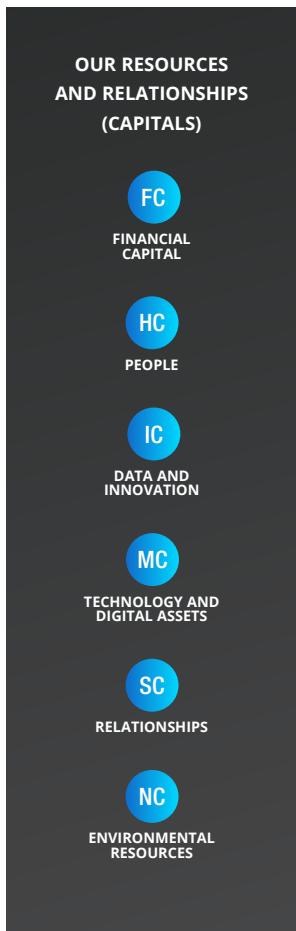


## CONTENT ELEMENTS *continued*

Business model	Risk and opportunities	Performance	Outlook	Basis of preparation and presentation
<p>What is the organisation's business model?</p> <p>Throughout this report, we use icons to indicate the various elements of our business model as defined by the Integrated Reporting Framework. We also include a detailed value creation scorecard to explain how our business activities transform our inputs into outputs – our products and services – and outcomes in pursuit of our Ambition 2023 and our long-term objectives.</p> <p>Our WHY, HOW and WHAT are fundamentally linked to our integrated thinking and the resources and relationships that we rely on to create and preserve value for our stakeholders.</p> <p>Our Shared-value Insurance model incentivises positive behaviour change – delivering better value for clients, superior actuarial dynamics for the insurer, and a healthier society.</p>	<p>What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?</p> <p>This report identifies Discovery's current and emerging risks, along with the steps we are taking to mitigate these and capture any opportunities that may emerge.</p>	<p>To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?</p> <p>Throughout this report, we disclose both quantitative and qualitative information on Discovery's performance during FY2022. We report on our progress against key performance indicators across our three strategic objectives, as well as how our performance impacted the six capitals. We also unpack the performance of each of our business units during the year.</p>	<p>What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?</p> <p>We highlight Discovery's expectations for the short and medium term, as well as how we plan on achieving our long-term strategic objectives. We explain how we respond to changes in our operating environment to ensure the sustainability of our business, as well as the current and emerging risks we are likely to face in the short, medium and long term. Furthermore, we provide information on whether we are equipped to respond to future challenges given the difficult macroeconomic environment.</p>	<p>How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?</p> <p>The content in this Integrated Annual Report is guided by issues that could substantively impact our ability to create or preserve value for our stakeholder groups over time, as well as those issues that could erode value if not managed effectively. As such, we outline a summary of the materiality determination process followed during FY2022, as well as the material themes and material matters that arose from this process. During the preparation of this report, we were also guided by specific principles, requirements and legislation.</p>
<p>Inputs      Activities      Outputs      Outcomes</p> 	<p><b>Strategy and resource allocation</b></p> <p>Where does the organisation want to go and how does it intend to get there?</p> <p>We detail our purpose-driven strategy, including our long-term strategic objectives across market-specific strands – South Africa, the UK and Vitality Global – along with our medium-term ambition statement, Ambition 2023, and the short-term key performance indicators that will help us get to where we want to be.</p>			



For your convenience, tear out this page and use as a reference to the icons contained in this report.

**OUR MATERIAL THEMES**

- Operate within a volatile socio-economic environment
- Ensure ethical governance and leadership
- Advance our disruptive Shared-value Insurance model
- Empower our people
- Safeguard and enhance our trusted brand
- Ensure long-term financial sustainability
- Leverage and manage technology and innovation
- Expand and strengthen our social impact
- Strengthen our environmental stewardship

**ELEMENTS OF OUR BUSINESS MODEL****OUR STAKEHOLDER GROUPS****OUR TOP RISKS**

01	Economic instability and uncertainty		
04	Impact of the COVID-19 pandemic and future pandemics		
07	Technological resilience		
02	Global geopolitical instability		
05	Delivery risk		
08	Human capital capabilities		
03	Cyber risk		
06	Financial resilience		

INCREASE IN SEVERITY OF RISK    RISK SEVERITY UNCHANGED    DECREASE IN SEVERITY OF RISK



Discovery | +27 11 529 2888 | [askthecfo@discovery.co.za](mailto:askthecfo@discovery.co.za) | [www.discovery.co.za](http://www.discovery.co.za)

Subsidiaries of Discovery Limited are authorised financial services providers.

