



# DISCOVERY

INTEGRATED ANNUAL  
REPORT  
for the year ended 30 June 2021



# LETTER TO OUR STAKEHOLDERS

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*.

Over 20 years ago, we set out to build brilliant businesses that encourage people to make healthier decisions. Guided by this purpose, Discovery is now operational in 28 countries and has impacted 41.3 million lives globally.

**Discovery's evolution has been deliberate, and focused on:**

- 1 Building businesses from a place of **purpose and values**
- 2 Committing to **profound innovation**
- 3 Driving **organic growth** through our Shared-value Insurance model
- 4 Expanding **globally** through strategic partnerships
- 5 Setting **bold ambition** statements

At Discovery, we think like founders and we seek disruption as we lead a global transformation in financial services. Our businesses are built to disrupt the industries in which we operate, and we aim to deliver a personalised and integrated experience to our clients. In doing so, we explore new ways to connect stakeholders through our Vitality platform to generate sustainable value.

COVID-19 has accelerated the link between health, wellness, resilience and mortality through underlying behavioural drivers of risk. As these

coalesce with the rising trends of technology adoption, supported by the emerging rise of insurtech and health ecosystems, the opportunity for growth is profound.

As a business, we continue to strive for excellence in everything we do and, as such, adopt and align with global best practice. Accordingly, we support and report under the International Integrated Reporting Council's (IIRC) International <IR> Framework. We appreciate the principle-based approach of the framework, which allows organisations such as ourselves to report in a congruent and authentic manner that reflects our unique approach to value creation.

With this in mind, this year we restructured our Integrated Annual Report to better capture our value creation story. Our **Group overview** explains the essence of **WHO** we are, **WHAT** we do across our primary and partner markets, **WHY** we are in business, and **HOW** we operate. In our **value creation** chapter, our Group Chief Executive gives an overview of our performance before we delve into our short, medium and long-term strategies, followed by risks and opportunities, our operating environment, our trade-offs and stakeholders. Following this, we unpack our **performance** in our COVID-19 response, our Group Chief Financial Officer's review and our business reviews. Finally, we include an overview of our **corporate governance** and **remuneration** practices.

We appreciate the time it takes to read this report, and strive to ensure the content included provides you – our stakeholder – with an insight into how we are delivering on our core purpose in the markets where we operate. To help with understanding how we applied the content elements and guiding principles of the International <IR> Framework, we included an application register at the end of this report.

## 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 International <IR> Framework, as updated in January 2021. 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 FY2021 Integrated Annual Report on 7 October 2021.

**Mark Tucker**

Independent Non-executive Chairperson

*Mark Tucker*

**Adrian Gore**

Group Chief Executive

## Navigating and connecting our value creation story

### OUR RESOURCES AND RELATIONSHIPS (CAPITALS)

**FC**

Financial capital

**HC**

People

**IC**

Data and innovation

**MC**

Technology and digital assets

**SC**

Relationships

**NC**

Environmental resources

THE MATERIAL THEMES THAT GUIDE OUR INTEGRATED REPORTING

Purpose

Brand

Values

Capabilities

People

Operations

Model

COVID-19

### OUR STAKEHOLDER GROUPS



Government and regulators



Employees



Providers of capital



Clients and financial advisers



Healthcare providers



Business partners



Civil society and communities

Throughout the report, we use the following icons to indicate the elements of our business model in terms of the International <IR> Framework:



Inputs



Activities



Outputs



Outcomes



# CONTENTS

## 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.

## NAVIGATING OUR REPORT

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



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Clickable points of interest



This icon refers to more information in this report



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



# 01

## ABOUT THIS REPORT

Our 2021 Integrated Annual Report details how we created, preserved or eroded value for our shareholders, providers of financial capital and other stakeholder groups during the year. We provide a concise overview of our progress against our strategic objectives, considering our material matters, risks and opportunities, stakeholder concerns and the external environment.



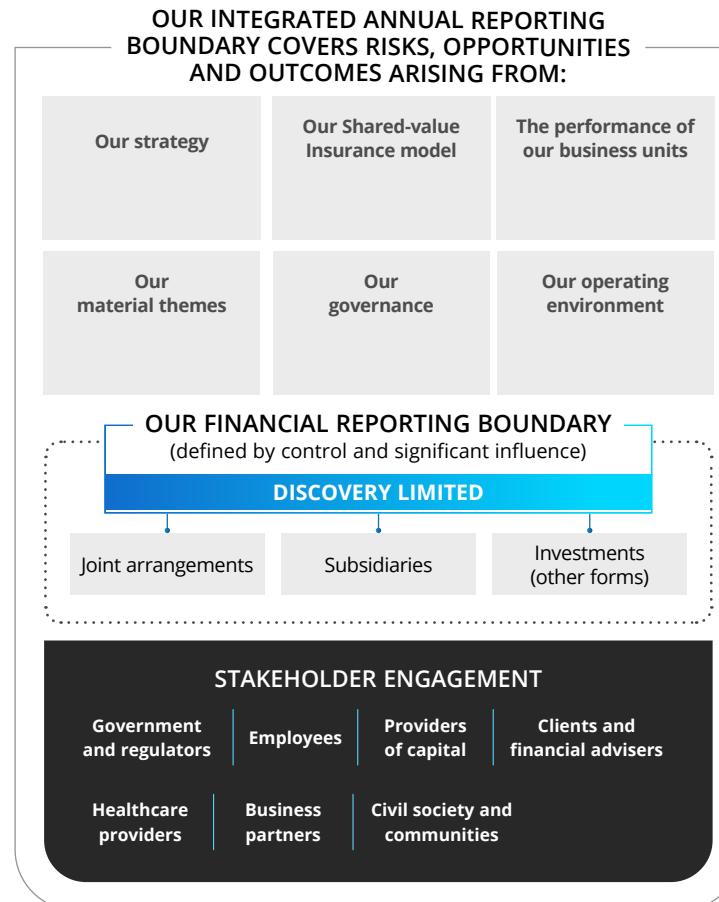
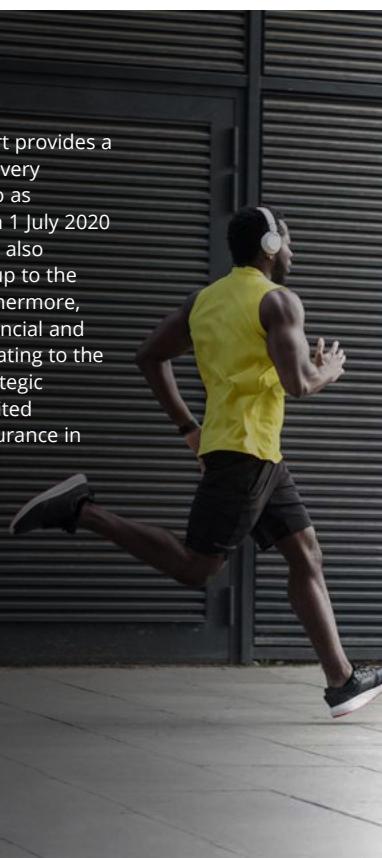
# ABOUT THIS REPORT

## 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 2020 to 30 June 2021 (FY2021). We also included 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 four strategic strands: South Africa, the United Kingdom, Ping An Health Insurance in China and the Vitality Group.



## Reporting frameworks

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

- International Integrated Reporting Council's (IIRC) International <IR> Framework (updated January 2021)
- 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)

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## Materiality

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 (less than one year), medium (between one and three years) and long term (three years and beyond), and those matters that could erode value if not managed effectively. Following a detailed materiality determination process, we identified eight material themes that were validated by the Group's Executive Committee and Board.

## Combined assurance

Discovery is committed to providing accurate information that supports stakeholders' decision-making. We use a Combined Assurance Model to integrate the efforts of our management and assurance providers, both internal and external, to assure the integrity of this report. This year, our reporting suite was assured as follows:

- **Annual Financial Statements:** external assurance by PwC
- **Select sustainability information:** limited assurance by Nexia SAB&T
- **Quantitative financial and non-financial information:** 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 FY2021.

The Integrated Annual Report is the culmination of a Group-wide process led by the Group Finance function, with the oversight of the Group Executive, and is reviewed in detail by our Group Audit Committee who, in turn, recommends it 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](mailto:askthecfo@discovery.co.za).



## GROUP OVERVIEW

Click the buttons  
to navigate to  
subsections





TOTAL NEW BUSINESS  
API INCREASED BY

**11%**  
**TO R21 325 MILLION**

(FY2020: R19 173 million)

NORMALISED PROFIT FROM  
OPERATIONS INCREASED BY

**7%**  
**TO R6 494 MILLION**

(FY2020: R6 069 million)

## SNAPSHOT OF FY2021

CORE NEW BUSINESS  
INCREASED BY

**9%**  
**TO R20 951 MILLION**

(FY2020: R19 173 million)

NORMALISED HEADLINE  
EARNINGS PER SHARE  
(DILUTED) DECREASED BY

**9%**  
**TO 512.9 CENTS**

(FY2020: 566.7 cents)

NORMALISED HEADLINE  
EARNINGS DECREASED BY

**9%**  
**TO R3 406 MILLION**

(FY2020: R3 747 million)

PROVISION AND RESERVES  
FOR EXPECTED COVID-19  
IMPACTS



**R3 BILLION**

(FY2020: R3.4 billion)



OPERATIONAL IN  
**28 COUNTRIES**

**GLOBALLY**

(FY2020: 22)



WE IMPACT  
**41.3 MILLION LIVES**

**GLOBALLY**

(FY2020: 31.5 million)



VITALITY1 PLATFORM  
EXPANDED TO  
**16 MARKETS,**  
reaching 1.8 million members globally

(FY2020: 1.5 million members in 11 markets)

FOR MORE INFORMATION ON OUR  
PERFORMANCE, REFER TO OUR GROUP CHIEF  
FINANCIAL OFFICER'S REVIEW ON PAGE 55  
OR OUR BUSINESS REVIEWS FROM PAGE 66.

We supported  
the South African  
**NATIONAL DEPARTMENT  
OF HEALTH'S COVID-19 VACCINE  
FUNDING AND ROLLOUT  
STRATEGY**, with 1 Discovery Place  
the largest national private sector  
site administering vaccinations.



Discovery received the  
**GOLD CORE INSURANCE  
TRANSFORMATION  
AWARD** for our AI Quote  
offering, and the Silver Global  
Innovator award at the 2021  
Efma-Accenture Innovation in  
Insurance Awards.



MAINTAINED  
LEVEL 1 B-BBEE

**DISCOVERY CARE PLATFORM**  
launched in November 2020,  
seamlessly integrating members,  
providers and case managers on  
a single digital engagement  
platform



Looking ahead, we will focus on:

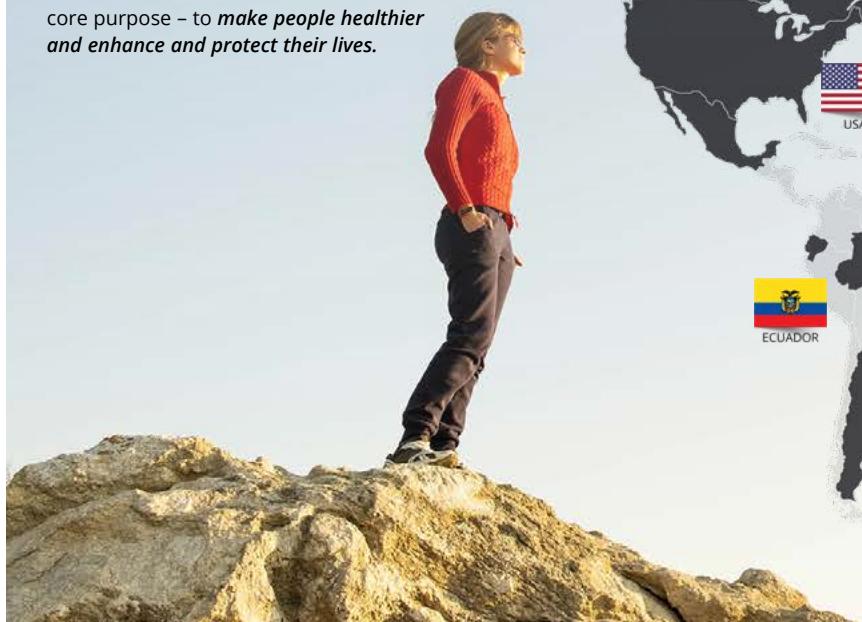
- Ongoing investment to capture organic growth potential by developing assets within our businesses and investing in our emerging and new businesses
- Capturing opportunities for public-private partnerships
- Continuing to drive COVID-19 relief initiatives to assist our employees, clients, the healthcare system and broader society
- Bolstering vaccination capacity across South Africa, with the aspiration of vaccinating 40 000 individuals per day
- Expanding Vitality1 to an additional eight markets, while platform and product teams drive innovation and continued product enhancements
- Accelerating the growth of Discovery Bank and driving integration through differentiated, market-leading products and digital sophistication
- Expanding Vitality Drive to the United Kingdom and Saudi Arabia in partnership with Covéa and Tawuniya, respectively

# WHO WE ARE



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.

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*.



Operational in  
**28 COUNTRIES**  
with more in the pipeline



Over  
**12 650 PEOPLE**  
employed across the Group



Over  
**41.3 MILLION LIVES**  
impacted globally



Market capitalisation of  
**R84 BILLION**



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.

### 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

### HOW WE OPERATE

#### What sets us apart

Our core purpose manifests through our pioneering and bespoke Shared-value Insurance model across our four strategic business strands of South Africa, the United Kingdom, Ping An Health Insurance and Vitality Group – underpinned by our leading behaviour-change platform, Vitality, and supported by our unique foundation and operating model.

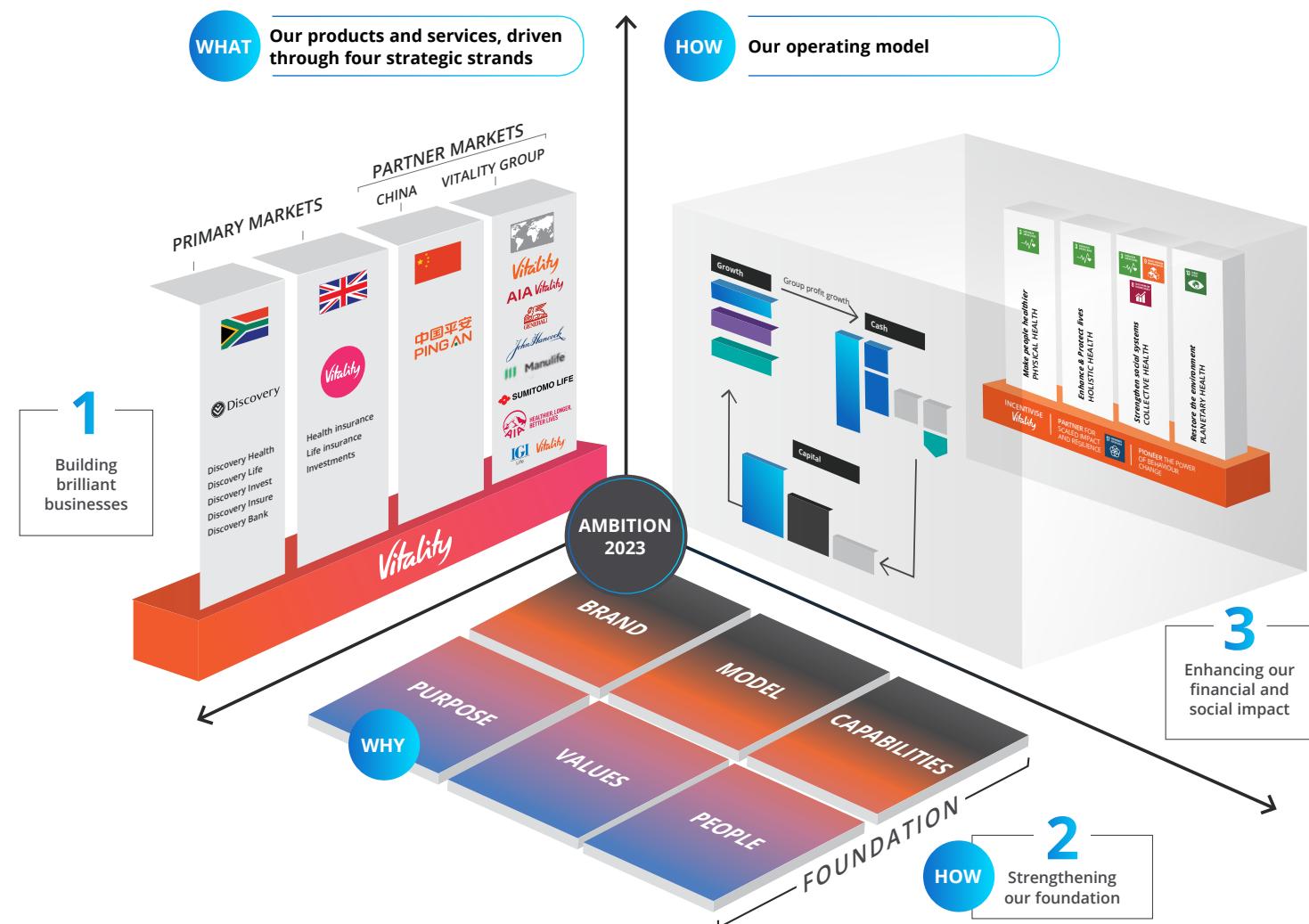
Our WHY, HOW and WHAT guides our long-term objectives across our four strategic business strands, which are scaled through our strategy and medium-term ambition statements – an approach that has transformed Discovery into the business it is today.

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

**1** Building brilliant businesses

**2** Strengthening our foundation

**3** Enhancing our financial and social impact



### AMBITION 2023 OUR MEDIUM-TERM STRATEGIC FOCUS

Being a leading financial services organisation globally, utilising an insurtech platform through the pioneering Vitality Shared-value Insurance model, positively influencing 100 million lives – with more than 10 million directly insured – and being a powerful force for social good.

WE EXPLAIN OUR WHY IN MORE DETAIL ON PAGE 12, OUR HOW ON PAGE 13, AND OUR WHAT ON PAGE 10.



# WHAT WE DO

By leveraging our disruptive Shared-value Insurance model, we build market-leading businesses from the ground up that grow organically and have the potential to transform the industries in which we operate.

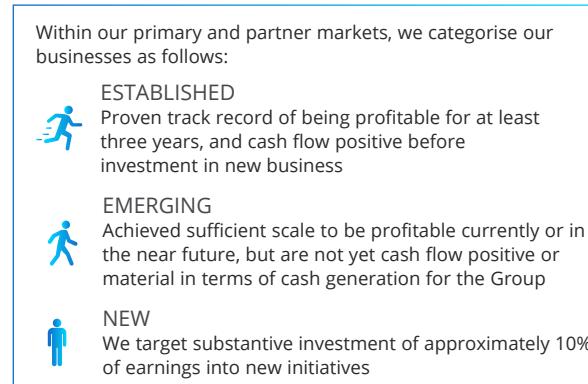
Our shared-value approach – which is scalable, repeatable and globally relevant – is central to each business. Most notably, we can apply our Vitality behavioural platform to any institutional capability – banking, savings, health, life or other insurance – be it in a Discovery-owned business or through our strategic partnerships, creating a considerable competitive advantage.

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 **four strategic strands**. This is how we create value and differentiate ourselves.

## OUR PRIMARY MARKETS

Our primary markets are in 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.

### SOUTH AFRICA

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

Discovery

Health   Life  
 Invest   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

Health   Life  
 Invest   Bank

## OUR PARTNER MARKETS

We offer shared-value insurance through our equity partnership in Ping An Health Insurance in China, as well as an online Vitality programme linked to Ping An Group insurance products.

### PING AN HEALTH

**The leading health insurer in China, with over 50 million clients**

中国平安 PINGAN

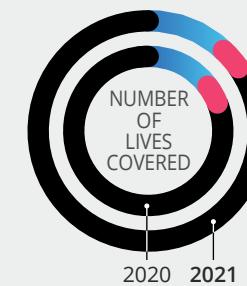
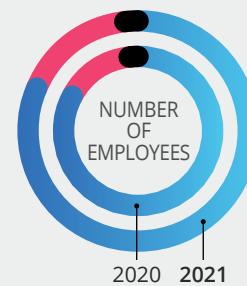
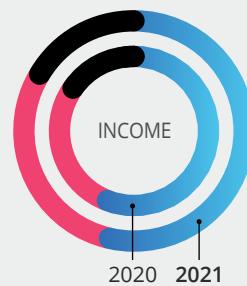
Health   Life  
 Invest   Bank

### VITALITY GROUP

**The world's largest and most sophisticated behavioural platform linked to financial services**

Vitality

Health   Life  
 Invest   Bank



- South Africa
- United Kingdom
- Global Markets



# WHAT WE OFFER

We think like founders and – irrespective of our scale – we seek disruption as we lead a global transformation in financial services. Our businesses are built to disrupt the industries in which we operate, and we aim to create a compelling value proposition for clients through products that are innovative and can deal with complex issues.



## 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 over 3.73 million lives. We manage 39.2% of the total membership of South African medical schemes, including Discovery Health Medical Scheme – the country's largest open medical scheme, which on its own represents 56.4% of open medical scheme membership. In addition, we manage 19 restricted medical schemes on behalf of leading corporate clients, with a combined membership of 707 343 lives. Discovery Health is also securing medium to long-term revenue sources through non-medical scheme-related products such as Gap Cover for unexpected medical costs, Flexicare – which provides quality, affordable access to primary healthcare for employees who are 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% - 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. The business also extends its offerings to corporates through our Umbrella Fund business, providing substantial incentives for long-term investing at an attractive price point. Discovery Invest continues to be the fastest-growing active fund management retail investment provider in South Africa, with assets under administration of R117 billion.

### **Discovery Insure**

Discovery Insure offers its clients flexible, innovative and comprehensive car, home and business insurance, providing protection from modern and emerging insurance risks. The business covers over 282 000 cars and over R396 billion in personal insured assets.

### **Discovery Bank**

Discovery Bank is a retail bank offering a range of products that can be managed through the Discovery Bank app. These products include transaction accounts – with optional overdraft facility – for day-to-day banking; a standalone credit card account with built-in transactional capabilities; a full banking suite; and savings and investment 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 12% share of the PMI market in the United Kingdom.

### **VitalityLife**

VitalityLife provides long-term life, serious illness and income protection cover to individuals.

### **VitalityInvest**

VitalityInvest provides long-term savings and investment products to clients, offering ready-made solutions backed by world-leading partners through tax efficient individual savings accounts (ISA), junior ISA and pension wrappers. Within these wrappers, the business offers a range of Vitality unit-linked funds, as well as a wide selection of third party funds.

### **VitalityCar**

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

## PING AN HEALTH



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 globally.

## VITALITY GROUP



Vitality Group is responsible for expanding Discovery's Shared-value Insurance model outside South Africa and the United Kingdom through partnerships and joint ventures with global insurers. The business provides wellness solutions to employer groups and individuals that reward daily engagement and create long-term behaviour change.

## OUR MAIN OPERATIONAL ACTIVITIES ACROSS OUR BUSINESSES INCLUDE:

Product development

Predictive analytics

Distribution support

Client servicing and support

Managed care services

Credit extension

Transactional services

Payment of claims

Funding and deposits

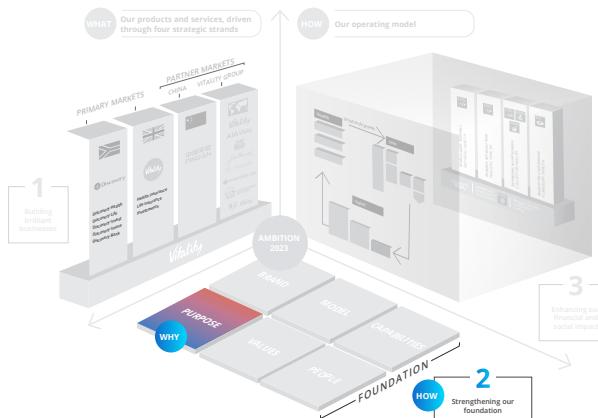
Business support

Capital and risk management

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. In the Group's insurance businesses, distribution via independent financial advisers represents the largest share, followed by direct distribution channels and tied agents. In the Group's investment operations, distribution via independent financial advisers represents the majority, followed by tied agents and direct distribution channels.

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.

#### 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.*

#### Life and health

##### 4 Lifestyle behaviours

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

Responsible for  
**60%**

of all deaths  
worldwide

*World Health Organization  
and Global Burden of  
Disease.*

#### Accident

##### 5 Driving behaviours

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

Responsible for  
**60%**

of fatal vehicle  
accidents with  
identifiable causes  
in South Africa

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

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

#### Climate change

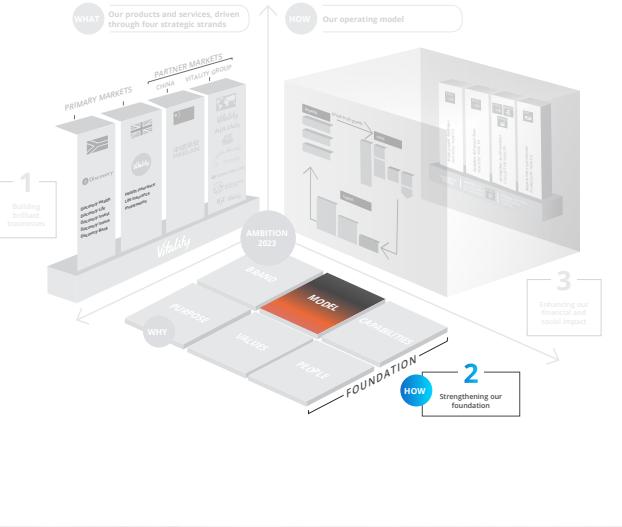
##### 4 Controllable behaviours

- Electricity consumption
- Nutrition
- Driving
- Flying

Responsible for  
**>85%**

of personal and  
household CO<sup>2</sup>  
emissions

How the Vitality behaviour-change platform creates shared value



## HOW WE OPERATE

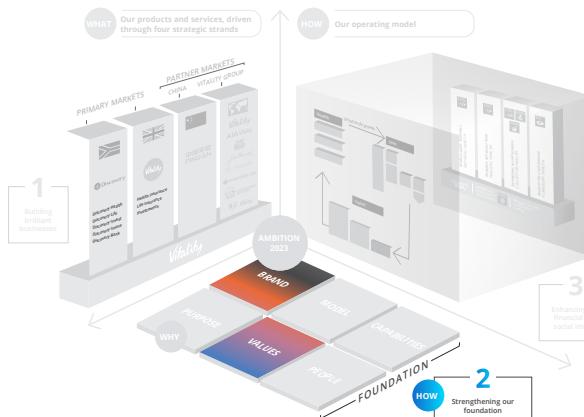
### OUR SHARED-VALUE INSURANCE MODEL

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 Discovery's businesses and further 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.



## OUR VALUES

Every decision we make is underpinned by our core purpose and values to ensure that, at all times, value creation is balanced with value preservation.

**Great people**

**Liberate the best in people**

**Intellectual leadership**

**Drive, tenacity and urgency**

**Innovation and optimism**

**Business astuteness and prudence**

**Customer, customer, customer**

**Integrity, honesty and fairness**

**Force for good**

## OUR BRAND

*The Discovery brand continues to be recognised for its intellectual leadership, innovation and purpose-led Shared-value Insurance model, enabling us to be a force for social good. Our brand is a key asset and differentiator in pursuit of our long-term strategic objectives. We aim to build the Discovery brand in South Africa while leveraging Vitality as a leading global behaviour-change platform.*



### DRIVING OUR

#### WHY

*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*

### ENABLING OUR

#### HOW

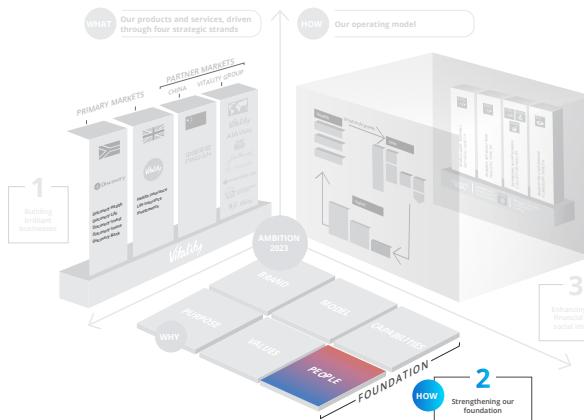
We understand that, because of the strength of our brand, Discovery is expected to add value and take action in matters of social responsibility. As a central component of the Group's strategy, we leverage our brand equity to support our global growth strategy across our four strategic strands. Furthermore, our brand equity enables us to build brilliant businesses that naturally integrate with our core purpose and Shared-value Insurance model, driving organic growth without the need for acquisitions. Ultimately, this 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, we ensure that our products and services reflect our core purpose and contribute to the Discovery and Vitality brands. The strength of our brand

enables us to 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 has also driven growth in new business through distribution support from financial advisers.



## 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 foster a culture of collaboration, where we work together to meet the challenges of an increasingly complex world. To do this, we create an unrivalled employee experience that motivates and inspires our people to harness their passion for excellence, contributing to our competitive advantage.*



### DRIVING OUR

### ENABLING OUR

**WHY**

**HOW**

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

### SUPPORTING OUR

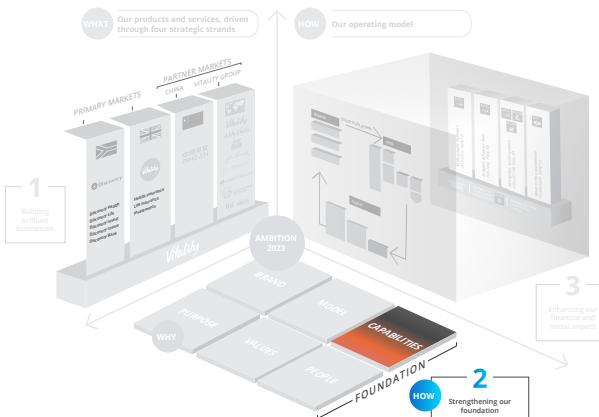
**WHAT**

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

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 ( $EQ > IQ$ ).

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 business across our markets.



## OUR 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.*



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.

### DRIVING OUR

**WHY**

*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*

### ENABLING OUR

**HOW**

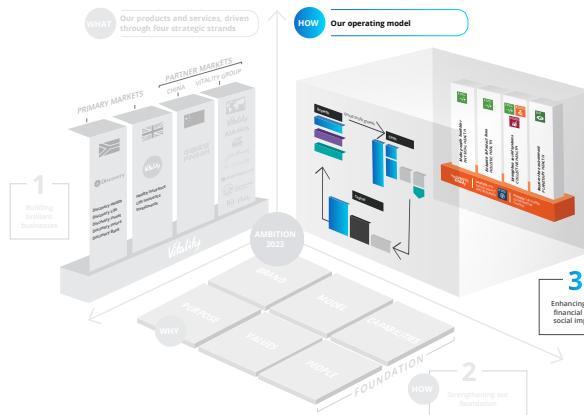
Our expertise in data and data science is central to how we aim to transform the global financial services industry. Furthermore, our innovations are inspired by the societal challenges we face or opportunities we identify to deliver on our core purpose. We encourage our people to unlock greater value 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 embrace 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**

We have unique insight into our clients' behaviour across our businesses. The data we collect supports our shared-value approach – by using data and data science techniques, we understand the link between our clients' behaviour, their associated risks and how to incentivise sustained behaviour change. As a result, we can offer personalised rewards to encourage positive change. Our clients create additional value through these changes and can match their premiums and fees to their own

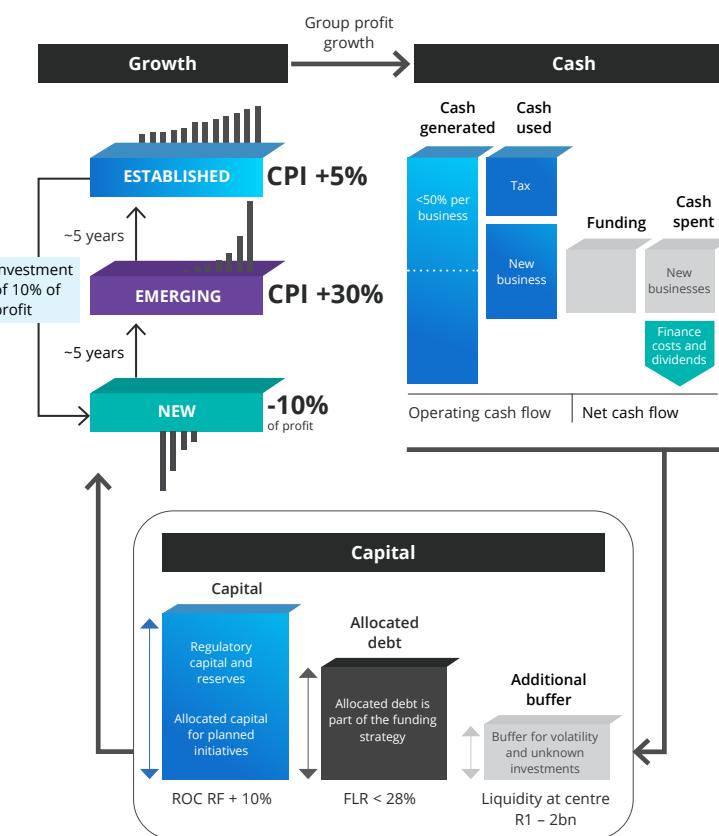
controllable behavioural risk – offering them financial services products at a far better value. Furthermore, by leveraging our capabilities, emerging and new businesses within the Discovery ecosystem have access to the intellectual leadership and data science expertise we developed over the years. Accordingly, relatively new areas in our business immediately gain sophisticated insights, and we can rapidly enter new markets globally.



## OUR OPERATING MODEL

Given Discovery's unique organic growth strategy and the extent to which we invest in new initiatives, our operating model guides our expansion into adjacent geographies and sectors. This model provides stakeholders with a useful framework for interpreting our income statement, as well as understanding the management and governance around our various businesses. Furthermore, it frames our growth strategy and forms the basis for financial discipline. The model is continuously being refined but, in essence, remains in line with our operating model communicated in previous years.

Our unique operating model and integrated sustainability framework – that position us well for financial and social impact – and foundation, support how we execute our strategy and deliver on our core purpose.



## OUR INTEGRATED SUSTAINABILITY FRAMEWORK

Our integrated sustainability framework helps us align to and deliver on the Sustainable Development Goals (SDGs) and acts as differentiator by embedding material environmental, social and governance (ESG) factors in our foundation.





# OUR LEADERSHIP

## Our Board of Directors

As a founder-led organisation, Discovery has a strong, purpose-driven and experienced Board of Directors who are invested in and committed to intellectual leadership. 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

For Discovery, governance is a critical component of value creation. As the highest governing body, our Board of Directors aims to preserve our unique entrepreneurial spirit; encourage innovation and entrench the principles of good governance and ethical leadership to ensure we deliver on our core purpose of making people healthier and enhancing and protecting their lives. 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 (63)**  
*Independent Non-executive Director*  
Appointed: 1 March 2019  
Qualifications: BA (Hons), University of Leeds, ACA, ICAEW

### EXECUTIVE DIRECTORS



**Adrian Gore (57)**  
*Founder and Group Chief Executive*  
Appointed: Founder  
Qualifications: BSc (Hons), FFA, ASA, MAAA, FASSA, Honorary DCom (Wits)



**Hylton Kallner (46)**  
*Chief Executive Officer: Discovery Bank*  
Appointed: 3 June 2010  
Qualifications: BEconSc, FFA, FASSA



**Neville Koopowitz (57)**  
*Chief Executive Officer: Vitality UK*  
Appointed: 19 September 1999  
Qualifications: BCom



**Dr Ayanda Ntsaluba (61)**  
*Executive Director*  
Appointed: 1 July 2011  
Qualifications: MBChB, MSc (London), FCOG (SA), Executive MBA (SA)



**Alan Pollard (52)**  
*President of Product and Innovation: Vitality Group*  
Appointed: 30 August 2007  
Qualifications: BSc (Hons), FASSA



**Barry Swartzberg (56)**  
*Chief Executive Officer: Vitality Group*  
Appointed: 3 August 1999  
Qualifications: BSc, FFA, ASA, FASSA, CFP



**Deon Viljoen (56)**  
*Group Chief Financial Officer*  
Appointed: 1 May 2017  
Qualifications: BCom Accountancy (cum laude), BCom (Hons), CA(SA)

### NON-EXECUTIVE DIRECTORS



**Herman Bosman (52)**  
*Non-executive Director*  
Appointed: 14 April 2014  
Qualifications: BCom LLB, LLM (cum laude), CFA



**Dr Brian Brink (69)**  
*Independent Non-executive Director*  
Appointed: 19 February 2004  
Qualifications: BSc (Med), MBBCh, DMed (Honorary)



**Sonja De Bruyn (49)**  
*Independent Non-executive Director*  
Appointed: 8 December 2005  
Qualifications: LLB (Hons), MA, SFA, Harvard Executive Programme



**Richard Farber (50)**  
*Non-executive Director*  
Appointed: 1 April 2018  
Qualifications: BCom (Hons), CA(SA), FCMA, CA ANZ, MAICD



**Faith Khanyile (54)**  
*Independent Non-executive Director*  
Appointed: 1 October 2015  
Qualifications: BA Econ, MBA (Finance), HDIP Tax, Executive Leadership Programme (Columbia University)



**David Macready (62)**  
*Independent Non-executive Director*  
Appointed: 3 February 2020  
Qualifications: BCom (Hons), CTA, CA(SA), Harvard (SEP), INSEAD (IDP)



**Dr Vincent Maphai (69)**  
*Independent Non-executive Director*  
Appointed: 8 December 2005  
Qualifications: BA, BA (Hons), MPhil, DPhil, Advanced Management Programme (Harvard)



**Marquerithe Schreuder (52)**  
*Independent Non-executive Director*  
Appointed: 19 February 2021  
Qualifications: BCom (Hons), FIA, FASSA



**Sindi Zilwa (54)**  
*Independent Non-executive Director*  
Appointed: 20 February 2003  
Qualifications: BCompt (Hons), CTA, CA(SA), Advanced Taxation Certificate (SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)

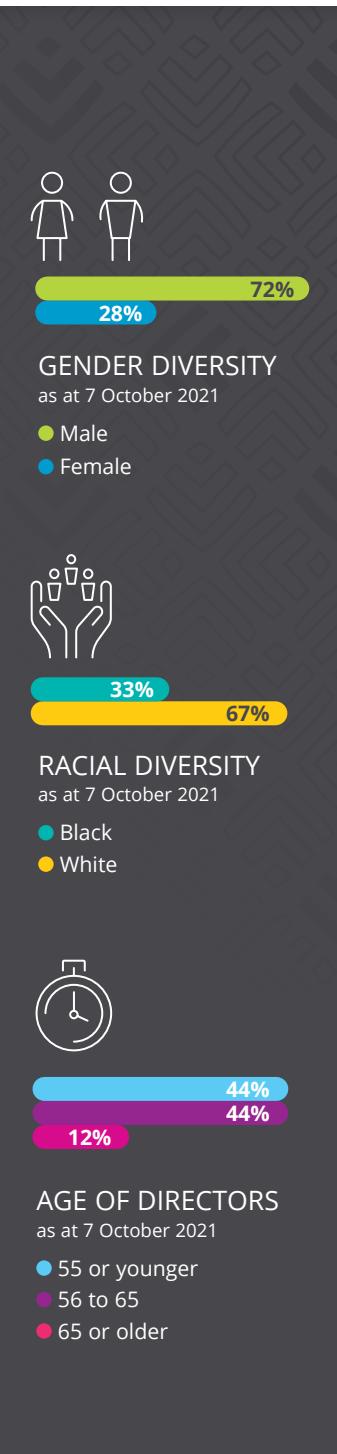
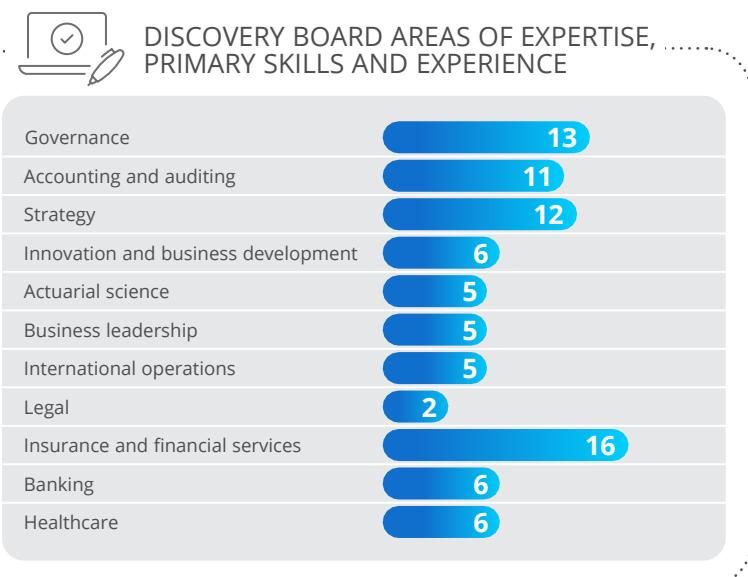
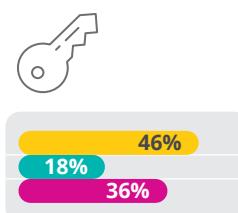
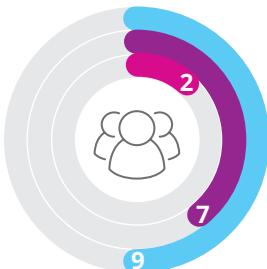
### New Board appointment since year-end:



**Monhla Hlahla (58)**  
*Independent Non-executive Director*  
Appointed: 15 August 2021  
Qualifications: BA (Hons) (Economics), MA, Advanced Management Programme (Harvard)

Herschel Mayers retired as a Non-executive Director with effect from 26 November 2020.

## Our Board leadership statistics



## Our Group Executive Committee

Discovery's Group Executive Committee consists of 23 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.



Each business unit across our markets have established an Executive Committee that meets regularly and reports to the South African Executive Committee, UK Executive Committee and Vitality Group Executive Committee, as relevant. Feedback on the activities of each business unit and composite is then provided during the weekly meetings of the Group Executive Committee.



Mark E Tucker

## CHAIRPERSON'S REFLECTIONS

*Over the past year, the COVID-19 pandemic has been the dominant factor for all businesses and societies as the biggest global crisis in a generation. Beyond the terrible human cost, the economic impact has been unprecedented. It has demanded that business demonstrate not only financial resilience but also adaptability in serving all stakeholders. At Discovery, our core purpose of making people healthier, enhancing and protecting their lives, and our commitment to be a force for social good, guided our decision-making and actions so that we were able to achieve both.*

**The impact of the pandemic varied across our markets – affected by the pace of vaccine supply and rollout – with the mortality impact in South Africa (SA) being significantly worse than expected.** In particular, SA experienced a severe third wave, driven by the Delta variant and a delayed vaccine roll out due to supply constraints.

**Our response to the pandemic was informed by the framework we set out at its onset: protecting our people; protecting and supporting our clients; supporting country efforts in SA; and all underpinned by a disciplined strategy to maintain financial strength and resilience.** The framework served us well as a strategic roadmap, allowing us to maintain operational excellence, provide relevant and innovative product solutions to our clients, and contribute meaningfully to the SA COVID-19 response. This involved collaborating with the National Department of Health in South Africa to support the Government's Mass Vaccination Rollout Programme, with Discovery helping to vaccinate over 1,1 million people. Included in the initiatives put in place to protect our people was our decision to implement a mandatory vaccination policy in our South African offices from 1 January 2022. The Board is fully supportive of this decision and believe that it is the right thing to do in order to safeguard our people and set an example that encourages other organisations in the country to do the same – materially impacting national vaccination take-up rates.

**Notwithstanding the uncertain and complex backdrop, we are pleased with the Group's financial performance over the financial year.** Despite the material

**"WE CONTRIBUTED MEANINGFULLY TO THE SA COVID-19 RESPONSE – WITH DISCOVERY HELPING TO VACCINATE OVER 1.1 MILLION PEOPLE".**

impact of elevated COVID-19 mortality in SA, all businesses performed well, and normalised operating profit grew strongly, increasing by 7% to R6 494 million. New business growth of 11% was robust, and we are confident that the Group and businesses are well-capitalised.

**Each individual business showed remarkable resilience.** While Discovery Life was significantly impacted by high COVID-19 claims, the SA composite delivered a robust operational performance and Discovery Bank achieved high-quality client growth, reaching 362 000 clients. The United Kingdom (UK) composite achieved an excellent operating result with VitalityLife recovering strongly. Notably, the UK business expanded its composite strategy over the period with the launch of VitalityCar. Vitality Group accelerated its roll out to new markets with Vitality's footprint now extending to 28 countries. Ping An Health Insurance focused both on quality of profits and scale, through distribution channels and product diversification. Notwithstanding recent developments in China, we still regard the prospects for private healthcare and private health insurance in China as an excellent long-term opportunity, and we remain excited about its growth potential.

**The year under review also highlighted the need for business globally to act as a force for social good, given the widespread impact of the pandemic.** Additionally, we continued to make various contributions to support the South African healthcare ecosystem through initiatives such as the Discovery Foundation, which seeks to build and expand access to specialised healthcare services; and by



broadening access to care through our Prepaid Health offering – over and above our expansive support of the South African National Department of Health on a range of vaccine-related initiatives in what has become a great example of how public and private sectors can work together.

**Amid the global uncertainties, we simply can't afford to ignore the long-term challenges we face – none of which is greater than tackling climate change.** Over the period, we focused on minimising our own impact and published our climate change strategy, committing to achieving carbon-neutral operations by 2025\*. In addition, we focused on developing product solutions which apply our behaviour change and incentives expertise to the area of personal carbon emissions and will continue to do so.

**We continued to ensure that rigorous governance underpinned the organisation's choices and decisions,** an essential companion to the organisation's entrepreneurial and adaptive spirit. There were several changes to the Board during the year. Herschel Mayers retired from our Board, and I thank him for his valuable contribution to the Group over many years. I am also pleased to welcome Marquerithe Schreuder – who is our new Risk and Compliance Committee Chairperson – and Monhla Hlahla, who joined the Board as Independent Non-executive Directors. With their appointments, we further augment the Board's actuarial and business expertise while improving its diversity.

**On 20 September 2021, Rand Merchant Investment Holdings Limited (RMI),** a long-term shareholder of Discovery, announced their intention to restructure their business in order to become a focused property and casualty insurance investment group. As part of the restructure, RMI will be unbundling their shareholding in Discovery. On behalf of the Board, I want to express my gratitude to RMI for their valuable support over the years and wish them success with this restructure. Strategic shareholders of RMI – Remgro and Royal Bafokeng Holdings – will, post the proposed

unbundling, continue to hold a direct interest in Discovery and we look forward to working closely with them going forward.

**We remain focused and confident as we work towards achieving our Ambition 2023 of being a leading financial services organisation globally and a powerful force for social good. Underpinning this focus is our business model,** the relevance of which has been accentuated during the pandemic and positions us well to grow business and maintain operational resilience in the markets in which we operate.

*On behalf of the Board, I would like to extend my appreciation to Adrian Gore, our Group Chief Executive, and his team for their exceptional leadership over the past year. I would also like to thank all Discovery people for their remarkable dedication and contributions to the Group. Lastly, I would like to thank our clients and other stakeholders for their ongoing support and for being an important part of our journey as we deliver on our core purpose... making people healthier.*

MARK E TUCKER

**"IN TERMS OF OUR ENVIRONMENTAL IMPACT, WE HAVE FOCUSED ON MINIMISING OUR OWN IMPACT AND PUBLISHED OUR CLIMATE CHANGE STRATEGY, COMMITTING TO ACHIEVING CARBON-NEUTRAL OPERATIONS BY 2025\*".**

\* Scope 1 and 2 emissions.



## 03 VALUE CREATION

Click the buttons  
to navigate to  
subsections



Adrian Gore

# DISCOVERY GROUP CHIEF EXECUTIVE'S REPORT

*Discovery delivered a strong operating performance, over the period under review, in challenging operating environments which continue to be dominated by the COVID-19 pandemic – a testament of the efficacy of our business model, and the dedication and efforts of our great people. Our core purpose of making people healthier and enhancing and protecting their lives has never been more relevant and will continue to be the driving force behind our innovation and commitment to being a force for good.*



The year was contextualised by the COVID-19 pandemic which continued to cause complexity and uncertainty during the year under review.

The relevance of our core purpose and business model was accentuated in this context, and we therefore focused on responding proactively to COVID-19 and delivering a resilient performance in the short-term, while simultaneously remaining focused on our medium-term Ambition 2023 of being a leading financial services organisation utilising a global insurtech platform through the pioneering Vitality Shared-value Insurance model, and positively influencing 100 million lives – with more than 10 million directly insured – while being a powerful force for social good. We made pleasing progress against both priorities over the period.

## Financial and social impact

In terms of our impact, we focused on four distinctive strategic objectives during the period. Firstly, we continued to navigate the significant impact of COVID-19 while meeting our core purpose; secondly, we achieved resilient operating performance with actuarial dynamics largely in line with expectation; thirdly, we retained our focus on capital strength and liquidity and all metrics were above target; and lastly, we looked to capitalise on the relevance and applicability of our Vitality Shared-value model in order to secure growth.

## NAVIGATING THE COVID-19 PANDEMIC

The COVID-19 pandemic continued to cause an unprecedented loss of life as well as substantial economic costs. The epidemic in South Africa (SA) was significantly worse than anticipated, and the third wave, which occurred before the commencement of the vaccine rollout programme, was particularly severe.

**"WE ADDED OUR COMMITMENT TO BE A "FORCE FOR SOCIAL GOOD" TO OUR VALUES FRAMEWORK, THEREBY REINFORCING OUR COMMITMENT TO BE A GOOD EMPLOYER, PARTNER AND CORPORATE CITIZEN AS WELL AS OUR COMMITMENT TO NATION BUILDING AND PROTECTING THE PLANET".**

Our strategic response to the significant effects of the pandemic continued to focus on four areas: protect our people, protect and support our clients, support country efforts in SA, and maintain financial strength and resilience. In particular, given that global and local data strongly support the safety and efficacy of vaccination, we focused our efforts on playing a leadership role in driving up vaccination rates through various initiatives across these focus areas.

To protect and support our people, we put numerous interventions and wellbeing support initiatives in place. In addition to this, we announced our intention to implement a mandatory employee vaccination policy from January 2022 for our SA-based employees. We believe it is the right thing to do, given the moral and social obligation to pursue this, supported by a legal obligation to safeguard our employees from all potential risks.

To support our clients, we enhanced our products ensuring that they continued to remain relevant in a COVID-19 context. Further, Discovery Life implemented several structural and pricing changes to its products, recognising the reduced COVID-19 mortality risk of vaccinated clients.

To support country efforts in SA, we leveraged our assets to support the state-led COVID-19 response and worked directly with the South African National Department of Health on a range of vaccine-related initiatives. We also established nine vaccination sites nationally and as at 31 August 2021, helped vaccinate over 1.1 million people. In addition to this, we used our actuarial and clinical expertise to advance vaccine-related research. I am particularly proud of this collaboration and believe our contribution in this regard has been substantial and a strong articulation of our core purpose and values in action.

Additionally, we continued to prioritise maintaining the Group's financial strength and resilience. While the R2 billion provision established by Discovery Life at the end of the previous year was adequate for the retail business' in-period claims, we set up an additional provision at the end of the year under review to provide for expected mortality claims from the run-off of the third wave beyond the reporting year and the expected claims that will arise from an anticipated fourth wave. In the United Kingdom (UK), VitalityLife's book performed better than expected and, despite a recent spike in the country's number of infections, mortality rates remained particularly low.

Due to the short-term nature of Group Life business, Discovery Life could not establish a provision for future group life claims at the end of the previous year. As a result, the full impact of the high in-period group life COVID-19 claims caused further strain in the reporting year. The combined impact on Discovery Life's overall operating profit from the above factors was R2.4 billion for the year under review.

## RESILIENT OPERATING PERFORMANCE

Notwithstanding the impact of significant COVID-19 mortality experience in SA, our businesses delivered a resilient performance with normalised profit from operations increasing by 7% to R6 494 million. New business API increased by 11% to R21 325 million while retention levels across all businesses were strong.

Normalised headline earnings (NHE), which decreased by 9% to R3 406 million, were impacted by pre-tax mark-to-market foreign currency losses arising from a recovery in the rand during the year. NHE before these exchange rate effects increased by 12%. Headline earnings grew more than nine-fold to R2 986 million as the long-term interest rates stabilised in SA and the UK, which resulted in materially lower economic basis changes than the prior period.

## CAPITAL STRENGTH AND LIQUIDITY

In addition to our resilient operating performance, we maintained a robust capital and liquidity position and followed a disciplined long-term capital plan while navigating the impact of COVID-19. Capital metrics were above set targets and liquid assets across the Group exceeded the minimum regulatory capital requirement. The Group's financial leverage ratio stabilised at 25.7%, and was comfortably within the internally set guidance level of 28% - we expect this to trend down over time.

Due to the future growth prospects of Ping An Health Insurance and its expanding product mix, along with the evolving prudential regulatory requirements in China, the business requires additional capital of approximately R6 billion with Discovery's contribution amounting to R1.5 billion. We remain committed to our investment in Ping An Health Insurance and intend to follow our rights in this regard, given our view of the excellent long-term prospects for private health insurance in China. Ping An Health Insurance has achieved exceptional growth which is expected to continue into the medium and long term, and we believe the business is well-positioned to gain from the continued evolution of health reform in China. We are evaluating the optimal funding mechanism in the context of COVID-19, and will ensure it aligns with the discipline of our capital plan.

## PIVOT TO GROWTH

Alongside the work done to maintain financial strength, there was a considerable focus over the period on pivoting to growth, leveraging the applicability of the Vitality Shared-value Insurance model. COVID-19 accelerated the link between health, wellness, resilience and mortality through the underlying behavioural drivers of risk. As these coalesce with the rising trends of technology adoption and purpose-led business models, supported by the emerging rise of insurtech and health ecosystems, we have a unique opportunity to evolve our business model from where it is

currently to a sophisticated ecosystem comprising of a disruptive Vitality global insurtech platform, and superior institutions which form powerful integrated market composites.

This has been our focus; and allows us to offer multi-dimensional growth prospects, these being 1) Organic growth, 2) Geographic growth and 3) Platform-led growth through the global Vitality insurtech platform and the Group's institutional businesses.

Through our organic growth model, we build substantial New businesses that scale to become Emerging businesses which achieve superior returns on capital and, over time, become Established businesses. The efficacy of this strategy is evidenced by the performance of our businesses by growth phase: our Established businesses remained robust, and Emerging businesses continued to grow rapidly - increasing operating profits by 46% while achieving a return on equity of 14.5%. New businesses are seeing considerable traction: new-to-Bank clients grew by 86%; VitalityInvest new business grew by 75%; and eight new markets were added to the Vitality1 platform.

In terms of geographic growth, we focused on growing two distinct footprints: Discovery in South Africa and globally through Vitality. We have seen considerable growth in our global operations over the years with 28% of our profits for the year under review generated offshore.

Finally, in terms of platform-led growth, we have created a unique behavioural change platform that creates a compelling value proposition for clients, competitive advantage, and real behaviour change while generating significant value. Over the period, the platform earned an income of

R4 billion, impacted over 41 million lives and shared R4.6 billion with clients through the Shared-value Insurance model.

All three avenues offer considerable growth for the Group, and we are confident in our ability to further capitalise on these opportunities.

## Businesses

Combined, our three dimensions of growth manifest as unique composites and partnerships. Over the period, we continued to drive the execution of existing market-specific strategies through our composite model while building brilliant businesses, with the following strategic vision established for each:

- **South Africa:** A disruptive composite model, and the Bank pivoting to growth as the composite-maker within South Africa
- **UK:** Best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey and a successful entry into motor insurance
- **Vitality Group:** World's largest and most sophisticated behavioural platform linked to financial services, with disciplined execution
- **Ping An Health Insurance:** The leading health insurer in China, with over 50 million clients

We made progress across our markets with all individual businesses showing excellence in challenging operating environments. Business performance highlights are included on the next page.

**"IN ADDITION TO OUR RESILIENT OPERATING PERFORMANCE, WE MAINTAINED A ROBUST CAPITAL AND LIQUIDITY POSITION AND FOLLOWED A DISCIPLINED LONG-TERM CAPITAL PLAN WHILE NAVIGATING THE IMPACT OF COVID-19".**



## South Africa

The SA business continued to demonstrate resilience over the period. Excluding the impact of COVID-19 mortality, operating profits grew by 6%, while new business grew strongly, increasing by 11%.

Discovery Health's performance was excellent – total revenue increased by 5% to R8 802 million and normalised operating profit grew by 7% to R3 423 million, demonstrating continued operational efficiency gains. Total new business API increased by 6% to R6 453 million while non-medical scheme retail products grew by 29%. Over the period, the business focused on healthcare system digitisation, quality measurement and broadening access to healthcare, launching several product enhancements in this regard.

Discovery Life experienced outstanding retention and maintained its financial strength, despite the significant impact of COVID-19. Normalised profit reduced by 55% to R1.3 billion due to the material impact of higher retail and group life COVID-19 mortality. The business has paid an estimated R6.2 billion (gross of reinsurance) worth of total claims throughout the pandemic, providing significant support to clients. Notably, Discovery Life recently launched market-first product features recognising the material risk reduction through vaccinations, assisting and rewarding policyholders to get vaccinated.

Discovery Invest experienced strong growth in earnings and delivered excellent investment returns for clients. Operating profit grew by 31% to R1 084 million – 15% of which was a result of once-off items – while total assets under administration increased by 18% to R117 billion. The Vitality Shared-value Insurance model continued to manifest with better-than-expected retention during the period. Further, the business' partnership with BlackRock and Goldman Sachs continued to expand, with offshore sales increasing by 81%.

Discovery Insure continued its growth trajectory, with gross new business API increasing by 18% to

R1 287 million. Operating profit increased 2% year-on-year to R250 million, impacted by lower interest rates and cash backs given to clients due to lower-than-normal driving behaviour as a result of COVID-19 lockdowns. Discovery Insure launched a Pothole Patrol initiative which has repaired more than 10 000 road defects since May 2021. During the year, the business continued to export its technology and capabilities internationally – currently to the UK and Saudi Arabia – with further expansion opportunities in the pipeline.

Lastly, Discovery Bank grew to 362 000 clients and 649 000 accounts, expanding its existing Discovery and non-Discovery client base and achieving 500 average daily new-to-Bank sales. Retail deposits grew strongly to R8.18 billion while a deliberate decision to pursue a prudent credit strategy resulted in moderate advances growth and a reduction in the credit loss ratio to 4.6% (including a COVID-19 overlay). The Bank continued to focus on product innovation and building a differentiated and sophisticated digital platform during the year. This included the roll out of various innovations to enhance the Bank's functionality; the launch of a disruptive payment platform which includes Apple Pay and Discovery Pay; a more valuable Discovery Miles currency; and enhancements to travel through the Vitality Travel platform.

## The UK

The UK business achieved an excellent operating result with normalised operating profit growing strongly to £68.5 million (R1 421 million, up 945%) while total lives covered increased 8% to 1.4 million.

VitalityHealth recorded a robust operating performance driven by continued good retention. Operating profit grew by 9% year-on-year to £46.0 million (up 15% to R953 million) and new business increased by 5% to £65.9 million (increased 10% to R1 367 million). During the year, the business continued to carefully manage the delay of elective healthcare due to the COVID-19 pandemic, including the acceleration of FinRe payments.

VitalityLife recovered strongly, and generated £31.0 million (R644 million) in normalised operating

profit, reversing the loss recorded during the previous financial year. While new business reduced by 14% as a result of lockdowns and the focus on quality business, exceptional retention performance delivered strong earned premiums, up 8% to £311.8 million (up 13% to R6 466 million). The business had implemented various initiatives over the past year, which included right-sizing its cost base, to put it in a strong position going forward.

VitalityInvest continued to gain traction with total funds under management at year-end being £512 million (R10.1 billion). The restructure of VitalityInvest in 2020, positioned it for future growth off a significantly reduced cost base.

In line with the strategy to expand the UK composite model, Vitality UK entered the car insurance market in June 2021 with VitalityCar – a capital-light joint venture with Covéa Insurance, which will provide the regulatory capital and insurance license for the venture. VitalityCar leverages the Shared-value Insurance model, supporting clients to drive safely and to consider the environmental impact of their driving behaviour.

## Vitality Group

Vitality Group profits increased by 38% to US\$27.1 million (R417 million), with fee income growing by 14% to US\$82.4 million (R1.3 billion) and insurance partners' Vitality-integrated premiums by 26% to US\$1.3 billion (R20 billion). During the year, Vitality expanded to 30 markets (including SA and the UK) and membership from insurance partners increased by 33% to 2.4 million, bringing total Vitality membership to 4.4 million.

We continued to see the relevance of our Shared-value Insurance model as it transformed partners through excellent engagement and actuarial economics with material latent value. Despite the onset of COVID-19, Vitality Group launched new partnerships in Brazil, Portugal, Mexico and Saudi Arabia, which included the first international Vitality Drive partnership with Tawuniya. In addition to this, AIA launched Vitality in Indonesia, and

Generali launched in Spain – bringing their total number of markets selling Vitality-integrated insurance to nine and four, respectively.

## Ping An Health Insurance

Ping An Health Insurance's profit from operations – represented by the Group's share of after-tax operating profit less the costs to support the business – increased by 126% to R411 million, supported by positive investment returns. Total written premium grew by 36% to R40.6 billion (RMB17.5 billion) and new business premium by 10% to R15.8 billion (RMB6.8 billion). Ping An Health Insurance focused on the quality of profits and the significant increase in profits was driven by prudent operational expense management and loss ratio controls. The business continued to pursue scale through diversified distribution channels. Further, there was a focus on diversifying products and services, increasingly manifesting digitally with the partnership with Good Doctor – the largest online healthcare services platform – providing an opportunity to unlock the online market.

## Foundation

Underpinning our performance is our strategic foundation which we continued to enhance and strengthen over the period.

Our core purpose and values continued to be foundational to everything that we do and we strengthened our values framework during the period. Most notably, we added our commitment to be a "Force for social good" to our values framework, thereby reinforcing our commitment to be a good employer, partner and corporate citizen as well as our commitment to nation building and protecting the planet.

Discovery people are fundamental to our success and we are committed to ensuring that we find the best person for every role, and liberate the best in them. Longitudinal analyses evaluating the efficacy of our recruitment and promotion talent assessments validated that we are indeed recruiting and promoting the best people; a global benchmark capability study conducted by Bioss found that

Discovery leaders outperformed global capability potential norms and operate at higher levels of work compared to 120 000 leaders. Additionally, our annual Group-wide talent review showed that we made good progress with strengthening the Group's internal talent pipeline. Our employees adapted incredibly well to the demands and challenges of COVID-19 over the past 18 months and as we look ahead, we need to consider what the future of work will look like for Discovery. Accordingly, from January 2022 we will trial a hybrid working model to integrate the best of in-office collaboration with work-from-home flexibility to ensure that we continue to liberate the best in our people.

Finally, we refined our Shared-value Insurance model through the period with a particular focus on enhancing the behaviour change component of our insurance value chain (attraction, pricing, behaviour change and retention) through the development of data-driven intervention models to enable us to predict at-risk individuals and thereby proactively intervene and drive behaviour change through our GateWay platform. We continued to invest in technology during the year to support our global expansion, and the Vitality1 platform – which launched in six markets during the period under review – is now live in 16 countries reaching 1.8 million members. Our platform and capabilities received global recognition with Discovery winning the Gold Core Insurance Transformation award for our AI Quote offering, as well the Silver Global Innovator award at the 2021 Efma-Accenture Innovation in Insurance Awards.

## Being a force for social good

In line with our values and Ambition 2023, we prioritised being a force for social good. In addition to the role we play in influencing our clients' health and financial behaviour through our Shared-value Insurance model, as well as our wide-ranging support of the state-led COVID-19 response in SA, we undertook various initiatives to support SA's healthcare ecosystem. This included our continued investment in the Discovery Foundation which supports the SA government in addressing the critical shortage of medical graduates and specialist skills; as well as our efforts to broaden access to

healthcare to non-Discovery members through our Prepaid Health offering, which allows anyone to buy vouchers and redeem them for high quality primary healthcare services.

Progress was made towards achieving our transformation targets and notably, maintaining our Level 1 B-BBEE contributor status. We continue to focus on improving diversity and inclusion at senior management levels, and have clear targets and development plans in place for our people to achieve this.

In the area of environment, we focused on two main areas namely, minimising our own environmental impact and leveraging our Shared-value Insurance model to encourage healthier environmental behaviour in our clients. We published our Group Climate Change Strategy, which provides a framework for our approach to climate change, from both a risk and opportunity perspective. In particular, we have committed to achieving carbon-neutral operations by 2025\* and to integrating climate-related issues into our investment, procurement and partnership decisions and policies. Further, we have been working on climate-related product offering in order to extend our business model into the climate space, thereby creating the next frontier of shared value that can positively impact people and the environment.

## Looking ahead

We believe that the Group is well-positioned to grow while maintaining financial strength going forward. Discovery Life has provided for the expected future mortality impacts of COVID-19 given the expected retail claims and Group life provisions have been made up to the next policy renewal date to the extent that existing contracts are deemed to be onerous. Our business model has proven to be highly relevant during the COVID-19 pandemic and the trends that are consolidating are likely to accentuate this relevance going forward. We intend to capitalise on these emerging opportunities and our Shared-value Insurance model positions us well to deliver continued growth and operational resilience despite the challenging macro environment.

## Note of thanks

*I want to thank and congratulate Discovery's people for their contribution and resilience in driving our core purpose and business forward. It is a privilege to be part of such a dynamic team. Finally, I want to thank our partners and clients for their support during this complex period – thank you 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".**

\* Scope 1 and 2 emissions.

# OUR STRATEGY

## Unpacking our purpose-driven strategy

Our WHY, HOW and WHAT guide our long-term objectives across four strategic strands, which are scaled through our medium-term ambition statements – an approach that has transformed Discovery into the business it is today.

In the medium term, we continue to focus on achieving Discovery's bold Ambition 2023 by intensifying our focus on three dimensions:

**1** Building brilliant businesses

**2** Strengthening our foundation

**3** Enhancing our financial and social impact

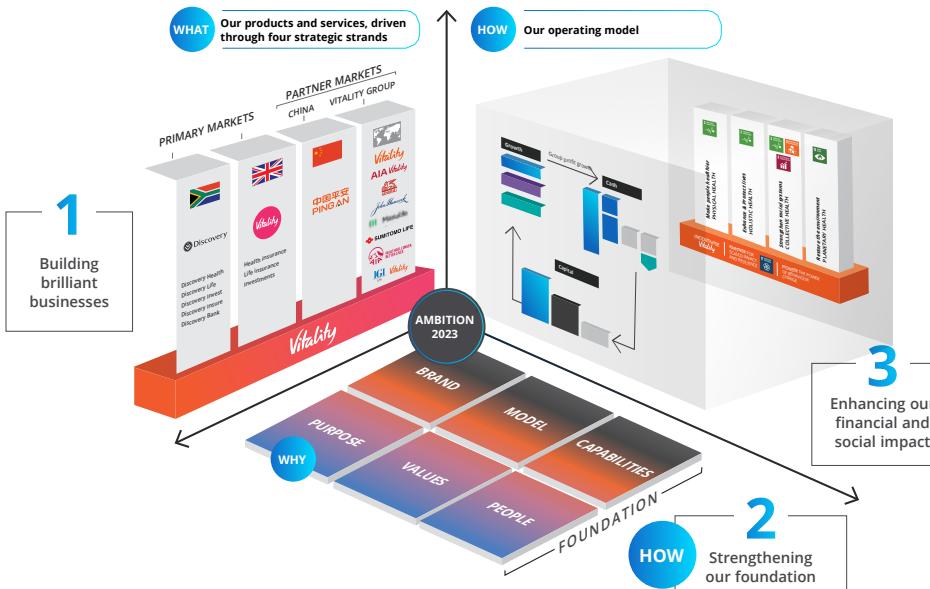
Over the past year, we focused on ensuring the resilience of our business. While our long-term strategic ambitions across the three dimensions remain fundamentally unchanged, three key trends have been accelerated by the COVID-19 pandemic and further informed our strategy:

### NATURE OF RISK – A FOCUS ON HEALTH, WELLNESS AND RESILIENCE

As people adjust to life after lockdowns, they remain focused on controlling their emotional, mental and physical health

45% of the global disease burden could be addressed with capabilities that are scientifically conceivable today<sup>1</sup>

Consumers' adoption of telehealth increased by 46% during 2020



### TECHNOLOGY – ACCELERATED USE OF TECHNOLOGY AND INCREASED DIGITISATION

The great acceleration in the use of technology, digitisation and new ways of working will continue into the future

The first half of 2020 saw an increase in ecommerce equivalent to that of the previous 10 years

Companies are three times likelier than before the pandemic to conduct at least 80% of their client interactions digitally

### SOCIAL RESPONSIBILITY – INCREASED IMPORTANCE OF PURPOSE AND TRUST

It is expected that companies will protect the health and interest of society and the planet

Clients are four times more likely to buy from and recommend a business that has a strong, identifiable purpose

Corporate responses to climate change are likely to provide a reputational advantage among key stakeholders, including employees

<sup>1</sup> McKinsey

Considering these emerging trends, we believe we can achieve 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 extended 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).

WE EXPLAIN OUR WHY IN MORE DETAIL ON PAGE 12, OUR HOW ON PAGE 13, AND OUR WHAT ON PAGE 10.



**Our strategy is driven by our core purpose – to make people healthier and enhance and protect their lives – and, therefore, intrinsically connected to our WHY.**

#### AMBITION 2023 OUR MEDIUM-TERM STRATEGIC FOCUS

Being a leading financial services organisation globally, utilising an insurtech platform through the pioneering Vitality Shared-value Insurance model, positively influencing 100 million lives – with more than 10 million directly insured – and being a powerful force for social good.

*Our ambition is bold but achievable, and will be accomplished by intensifying our focus on three dimensions.*

#### THREE DIMENSIONS

##### HOW WE WILL ACHIEVE THIS

##### OUR LONG-TERM OBJECTIVES

##### OUR SHORT-TERM KEY PERFORMANCE INDICATORS

**1** Building brilliant businesses across four strategic strands

##### SOUTH AFRICA

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

##### UNITED KINGDOM (UK)

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

##### PING AN HEALTH INSURANCE

The leading health insurer in China, with over 50 million clients

##### VITALITY GROUP

World's largest and most sophisticated behavioural platform linked to financial services

**2** Strengthening our foundation

- A powerful, globally recognised brand
- Disruptive Shared-value Insurance model, with the best insurtech platform and capabilities
- Employing the best person for every role, in a diverse and inclusive work environment
- Guided by a strong core purpose and values

**3** Enhancing our financial and social impact

- Achieving quality earnings growth while generating sustainable levels of cash and return on capital, manifesting in enhanced value growth
- Scaling our social and environmental impact
- Achieving the highest ratings across selected environmental, social and governance (ESG) indexes and rating agencies

- Core new business annualised premium income
- Biannual launch of new products
- Actuarial dynamics
- Growth of Discovery Bank
- Expansion of Vitality Group through insurance partners and franchise membership
- Return on equity in Emerging businesses and investment in New businesses

##### BRAND

- Brand measure and market position

##### PEOPLE

- Employee engagement
- B-BBEE scorecard
- Diversity, inclusivity and transformation

##### CAPABILITIES

- Contributions to business and product launches
- Cyber and business continuity management
- Efficiency in service operations

##### FINANCIAL

- Normalised operating profit
- Normalised headline earnings
- Financial leverage ratio
- Liquidity at centre

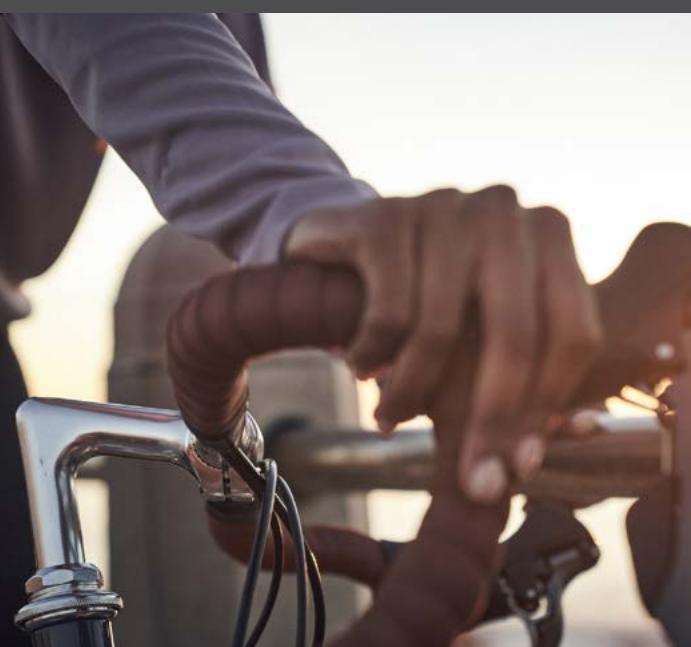
##### SOCIAL

- Number of countries we operate in
- Number of lives we impact globally
- Environmental impact



## How we performed against our strategy

This past year continued to be dominated by the COVID-19 pandemic, with a notable material impact on the Group's financial results due to elevated mortality in South Africa. In navigating these challenges, we continued to deliver a robust operational performance during FY2021. Furthermore, by driving Discovery's financial strength and resilience during the pandemic, we made pleasing progress across the strategic priorities set out by the Board.



### 1 BUILDING BRILLIANT BUSINESSES

We execute our market-specific strategies across our four strategic strands – South Africa, the UK, Ping An Health Insurance and Vitality Group – focusing on disruption, engagement, actuarial dynamics, meeting complex consumer needs and providing exceptional service.

#### During the year, we:

- Continued to invest organically to capture growth potential as new market and global opportunities arise by developing assets within our businesses and investing in New and Emerging businesses.
- Avoided incumbency in our Established businesses through ongoing innovation.
- Implemented initiatives to drive growth within Discovery Bank.
- Scaled the Vitality1 platform to drive the expansion of Vitality Group.
- Integrated One Vitality across the UK composite, driving efficiencies.
- Implemented management actions to strengthen VitalityLife's capital position and lower the cost of liquidity funding.
- Continued to support Ping An Health Insurance by focusing on integration, products and digital servicing capabilities, and distribution.

#### Our performance against KPIs

TOTAL NEW BUSINESS API  
**R21 325 MILLION**  
(FY2020: R19 173 million)



CONTINUED TO LAUNCH NEW PRODUCTS BIANNUALLY

ACTUARIAL DYNAMICS WITHIN EXPECTATIONS

**362 000** Discovery Bank clients  
(FY2020: over 200 000 clients)

INSURANCE AND FRANCHISE PARTNER MEMBERSHIP IN VITALITY GROUP INCREASED BY

**33% TO 2.4 MILLION**  
(FY2020: 1.8 million)

RETURN ON EQUITY (ROE) FROM EMERGING BUSINESSES AT

**14.5%**  
(FY2020: 16.7%)

INVESTMENT IN NEW BUSINESSES AT

**19%**  
of normalised core\* operating profit before SA COVID-19 impacts  
(FY2020: 24%)

\* Established and Emerging

#### Future focus areas

- Driving growth across Established businesses through product innovation and expansion into new markets.
- Pivoting Bank to growth as the composite-maker in South Africa.
- Offering a fully integrated composite business in the UK, providing fit-for-purpose products and a seamless, intuitive client experience, and successfully launching VitalityCar.
- Continuing to develop Vitality Group, extracting more value from insurance partners and global healthcare through Vitality Health International.
- Pursuing opportunities to build a material Vitality Group business in the United States of America (USA).
- Supporting Ping An Health Insurance as it strives to be the leading health insurer in China.
- Strengthening multi-dimensional growth, across organic, geographic and platform-led facets, through the Vitality global insurtech platform and the Group's institutional businesses that sit thereon.

#### MATERIAL THEMES

- Purpose
- Operations
- Model
- COVID-19

#### CAPITALS IMPACTED

- FC
- IC
- MC
- SC

CLICK TO SEE ALL OF OUR CAPITALS



## 2 STRENGTHENING OUR FOUNDATION

**Our foundation – our HOW – is a critical pillar of achieving Ambition 2023.**

Our values guide us as we deliver on our core purpose through our pioneering Shared-value Insurance model that incentivises positive behaviour change. Our performance against our foundational elements of purpose, values and model, is embedded in our strategic targets across our three dimensions. 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.

### Purpose

Our core purpose continues to align with our values.

### Values

- We launched a new values framework.
- Our employees recommitted to the amended values framework.

### Model

- Our Shared-value Insurance model is globally relevant and establishes us as a leader in the category of shared-value insurance.
- We enhanced our products and services to ensure they were fit-for-purpose.

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

### Brand

The Discovery brand continues to be known for its disruption to the local and global financial services sector, and has grown to be recognised globally – driven by our Shared-value Insurance model, Vitality behaviour-change platform and partnerships with leading international insurers. The brand equity we built over the years further supports our growth strategy, including our ability to expand the way we do business and launch new initiatives in global markets.

#### During the year, we:

- Invested in Vitality's brand positioning as the leading behaviour-change platform globally through product innovation, sponsorship properties and research partners.
- Supported the launch of new international partner markets through Vitality Group.
- Invested in brand campaigns to create awareness of all Discovery product verticals, including Discovery's growth.
- Continued implementing our refreshed brand architecture and corporate identity.
- Refined our public relations strategy, social media policies and communication protocols to protect our brand equity, all of which are available on a newly developed centralised asset management system.

**Our performance against KPIs**



#### RANKED 7TH

IN THE BRANDZ TOP 30 MOST VALUABLE BRANDS IN SOUTH AFRICA 2021 AND 1ST IN THE INSURANCE CATEGORY

73% AVERAGE SCORE IN THE ASK AFRICA BRAND HEALTH TRACKER FOR DISCOVERY BUSINESSES IN SOUTH AFRICA (2020: 68%)

DISCOVERY RECEIVED THE GOLD CORE INSURANCE TRANSFORMATION AWARD FOR OUR AI QUOTE OFFERING, AND THE SILVER GLOBAL INNOVATOR AWARD AT THE 2021 EFMA-ACCENTURE INNOVATION IN INSURANCE AWARDS

VITALITYHEALTH WAS THE OVERALL WINNER AT THE 2020 UK CUSTOMER EXPERIENCE AWARDS

WELCOMED KGOTHATSO MONTJANE AND SPRINGBOKS MAKAZOLE MAPIMPI AND LUKHANYO AM AS VITALITY AMBASSADORS

### Future focus areas

- Enhancing our position as the category leader in shared-value insurance.
- Increasing awareness and client loyalty for Discovery Bank to drive scale and our growth.
- Building the Vitality brand globally.
- Driving brand-building and awareness initiatives to support our global expansion.
- Implementing a comprehensive brand measurement tool for the Group to provide a view of the brand performance across our four strategic strands, to be measured year-on-year.

#### MATERIAL THEMES

- Model
- COVID-19
- Operations

#### CAPITALS IMPACTED

- IC
- MC
- SC

CLICK TO SEE ALL OF OUR CAPITALS



## 2 STRENGTHENING OUR FOUNDATION *continued*

### People

Our people are crucial to Discovery's success. We focus on employing the best person for every role and building highly motivated teams that embody the Discovery culture. We attract people focused on action and growth, and pride ourselves on our exceptional performance, leadership, innovation and being a powerful force for good. Furthermore, the Group thrives on diverse perspectives, and we seek to create a diverse and inclusive work environment with an exceptional employee experience consistent across race, gender and disability, where every employee has a voice.

#### During the year, we:

- Further improved our people practices and talent brand, as demonstrated by achieving Top Employer certification for the second consecutive year – with a 6% improvement from FY2020 – and receiving top honours at the South African Graduate Employers Association's 2021 Employer of Choice Awards.
- Continued to support the approximately 10 000 employees working from home, as well as those who opt to work from our offices.
- Continued integrating our core purpose and values into our people practices across the full employee life cycle, from induction to performance management.
- Redesigned and launched an onboarding experience for new hires, leveraging digital and mobile capabilities.
- Enhanced our leadership development curriculum.
- Adapted our approach as the new world of work unfolds, ensuring that our employees future-proof their skills to continue thriving into the future.
- Upgraded learning services and technology infrastructure to support continuous learning and meet the needs of the business.

#### Our performance against KPIs



EMPLOYEE EXPERIENCE SCORE  
**87%**  
(FY2020: 88%)

B-BBEE SCORECARD  
**LEVEL 1**  
(FY2020: Level 1)

GENDER DIVERSITY  
**MEN: 43%**  
**WOMEN: 57%**  
(FY2020: 43% / 57%)

**74%**  
BLACK SOUTH AFRICAN EMPLOYEES  
(FY2020: 73%)

BLACK SENIOR MANAGERS INCREASED TO  
**34.9%**  
in South Africa  
(FY2020: 33.8%)

**43%**  
OF WOMEN IN SENIOR LEADERSHIP POSITIONS  
(FY2020: 40%)

#### Future focus areas

- Understanding, supporting and responding to the holistic wellbeing of our people.
- Facilitating agile working while maintaining the unique Discovery culture.
- Equipping our leaders with the necessary skills and expertise needed to effectively lead in a hybrid working environment.
- Facilitating skills and career development across the Group.
- Using innovative solutions – including technology – to enhance and simplify experience across the employee lifecycle.
- Leveraging data and analytics to manage and retain exceptional talent.
- Amplifying our employer and talent brand, driven by employees who share their experiences of our employee value proposition – thereby bringing our core purpose and values to life.

### Capabilities

Technology is key to the success of our innovative Shared-value Insurance model, creating an integrated experience for our clients across all platforms. We develop most of our solutions in-house, focusing on optimising our systems for the current environment while also preparing the Group for the emerging digital world. We drive business innovation through research and development, and focus on expanding digital tools and technologies like machine learning, artificial intelligence (AI) and the Internet of Things. At the same time, our use of data positions the Group as a global leader in behaviour change linked to insurance. By leveraging our capabilities, we remain at the forefront of digital trends and innovation, enabling us to expand our global footprint.

#### During the year, we:

- Further enabled the rapid and sustainable transition to a hybrid working model.
- Enhanced our data governance and compliance with data privacy requirements.
- Implemented full data anonymity, governed by a Discovery-wide data dictionary and data anonymisation framework.
- Developed and implemented a data privacy programme to ensure Protection of Personal Information Act (POPI Act) readiness by year-end.
- Launched the Discovery vaccine registration website to support client servicing channels.
- Successfully supported Vitality1 and Vitality Drive platforms' expansion into new markets.
- Continued to adopt operational AI capabilities.
- Made considerable progress with next-generation consumer devices, including TytoCare.
- Leveraged insights from data and data science to improve our understanding of clients – as well as the impact of their behaviour on risk – enabling us to design products and services that help them change their behaviour for the better.

#### 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 our current technological environment and preparing for the future.
- Attracting and retaining exceptional talent to develop future-fit technology specialists and leaders.
- Continuing to adopt practices that position technology as a business-focused unit within Discovery.
- Ensuring people in the technology space are geared towards delivering business value that is essential for future success.
- Intuitive technology channels and adopting customer-centric processes to meet the needs of the business, clients, intermediaries and healthcare providers.
- Enhancing the level of personalisation across the insurance value chain using data and data science.

#### MATERIAL THEMES



#### CAPITALS IMPACTED



#### MATERIAL THEMES



#### CAPITALS IMPACTED



CLICK TO SEE ALL OF OUR CAPITALS



## 3 ENHANCING OUR FINANCIAL AND SOCIAL IMPACT

### Financial

In a year characterised by COVID-19, Discovery continued to deliver a robust operational performance with strong actuarial experience, with the exception of a notable material impact on the Group's financial results due to elevated mortality in South Africa. Normalised headline earnings were impacted by the recovery of the rand during the year resulting in mark-to-market foreign currency losses (gains in the prior year). Headline earnings benefitted from materially lower economic basis changes than the prior year. Our capital strength and liquidity remained a key focus, with all metrics above target. Our liquidity buffers remain adequate, each of the Group's businesses are strongly capitalised, and our financial leverage ratio remains less than our targeted 28%.

#### Our performance against KPIs

NORMALISED OPERATING PROFIT  
**R6 494 MILLION**  
(FY2020: R6 069 million)

NORMALISED HEADLINE EARNINGS BEFORE EXCHANGE RATES EFFECTS  
**R3 711 MILLION**  
(FY2020: R3 323 million)



NORMALISED HEADLINE EARNINGS  
**R3 406 MILLION**  
(FY2020: R3 747 million)

FINANCIAL LEVERAGE RATIO  
**25.7%**  
(FY2020: 25.1%)

LIQUIDITY AT CENTRE  
**R2 BILLION**  
(FY2020: R1.9 billion)

#### MATERIAL THEMES

- Model
- COVID-19
- Operations

#### CAPITALS IMPACTED

- |    |    |
|----|----|
| FC | SC |
|----|----|

#### During the year, we:

- Focused on capital strength and liquidity.
- Utilised established and further raised COVID-19 provisions in our Life businesses.
- Retained our stated position during the pandemic not to pay dividends to our providers of capital.
- Managed costs across all businesses, focusing particularly on costs and operating losses in our new initiatives.
- Considered the additional capital contribution required by Ping An Health Insurance and our intention to follow our rights in this regard.

#### Future focus areas

- Capitalising on opportunities driven by trends that emerged from the pandemic.
- Maintaining the Group's financial strength and resilience.
- Achieving quality earnings growth across our four strategic strands.
- Generating sustainable levels of cash and returns on capital.
- Maintaining an acceptable financial leverage ratio and liquidity buffers, all of which remain in range under various claims scenarios and economic stresses.
- Evaluating the optimal funding mechanism that is required to follow our rights for the additional Ping An Health Insurance capital contribution, that is in alignment with our capital plan.

### Social

We aim to be an excellent partner and good corporate citizen, supported by our commitment to nation building and protecting our planet. We made significant progress in articulating our integrated sustainability framework to scale our impact – including identifying the SDGs we believe we can contribute to the most – and developed a roadmap to close the ratings gap on key ESG indices.

#### During the year, we:

- Developed a detailed Group climate change strategy to guide our approach to climate-related risks and opportunities.
- Supported our people, clients, communities and country during the COVID-19 pandemic.
- Established Discovery Health vaccination sites across South Africa.
- Increased our geographic footprint through Vitality Group, impacting additional lives.

#### Future focus areas

- Delivering on our core purpose.
- Together with our insurance partners, pursuing our collective pledge of making 100 million people 20% more active by 2025.
- Developing a green Vitality proposition in South Africa and the UK to incentivise low-carbon behaviours.
- Leveraging resources and capabilities within South Africa to support the acquisition and appropriate distribution of vaccines.
- Closing the ratings gap on key ESG indices.

#### Our performance against KPIs

NUMBER OF COUNTRIES IN WHICH WE OPERATE  
**28**  
(FY2020: 22)

**37 380 TONNES**  
CO<sub>2</sub>e CARBON EMISSIONS  
(FY2020: 54 676 tonnes)

NUMBER OF LIVES WE IMPACT GLOBALLY OVER  
**41.3 MILLION**  
(FY2020: over 31.5 million\*)

**33.76 TONNES**  
TOTAL WEIGHT OF WASTE TO LANDFILL (SOUTH AFRICA)  
(FY2020: 106.29 tonnes)

**78 963 KL**  
TOTAL WATER WITHDRAWN FROM MUNICIPAL WATER SUPPLIES IN SOUTH AFRICA  
(FY2020: 140 598 kl)

#### MATERIAL THEMES

- Purpose
- COVID-19
- Model
- Operations

#### CAPITALS IMPACTED

- |    |    |    |
|----|----|----|
| IC | SC | NC |
|----|----|----|

CLICK TO SEE ALL OF OUR CAPITALS



## Scaling our social and environmental impact

As a global financial services organisation, we recognise that our ability to do business is fundamentally linked to the sustainable wellbeing of the communities in which we operate. Furthermore, our core purpose is aligned with the goal of maintaining an environment that enables and sustains good health. We have been a signatory to the United Nations Global Compact since 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. As part of this, we identified the SDGs most aligned with our business – those we believe we can contribute to the most as we scale our impact as a demonstrable force for good.

Through our Shared-value Insurance model, we play a significant role in influencing our clients' health and financial behaviour – and sharing the value of this behaviour change with them and wider society. We also have an opportunity to become part of the climate-change solution by extending our shared-value approach into this space while also minimising any negative impacts we have on the environment. Since our inception, we 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	HOW	WHAT
OUR CORE PURPOSE SUPPORTS THE ACHIEVEMENT OF THE GLOBAL SDGS	OVERARCHING GOALS	DRIVING OUR TARGETS AND INITIATIVES THROUGH OUR BUSINESSES
	<i>Make people healthier</i> PHYSICAL HEALTH	<ul style="list-style-type: none"> <li>■ 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</li> <li>■ Expand access to quality healthcare through innovative products such as the Discovery Connected Care, KeyCare and Discovery Prepaid Health</li> <li>■ Together with our insurance partners, pursuing our collective pledge of making 100 million people 20% more active by 2025</li> </ul>
	<i>Enhance and protect lives</i> HOLISTIC HEALTH	<ul style="list-style-type: none"> <li>■ Reduce deaths and injuries from road traffic accidents by improving driving behaviour and road safety</li> <li>■ Improve financial health by incentivising clients to manage and withdraw their money wisely</li> </ul>
  	<i>Strengthening social systems</i> COLLECTIVE HEALTH	<ul style="list-style-type: none"> <li>■ Strengthen social healthcare systems by supporting the development, training and retention of the healthcare workforce through the Discovery Foundation and the Discovery Fund</li> <li>■ Support our communities through corporate social investment and public-private partnerships</li> <li>■ 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</li> <li>■ Play a crucial role in nation-building as seen with Discovery's response to COVID-19</li> </ul>
	<i>Restore the environment</i> PLANETARY HEALTH	<p><b>Short to medium term</b></p> <ul style="list-style-type: none"> <li>■ Achieve carbon neutrality by 2025 (scope 1 and 2 emissions)</li> <li>■ Reduce waste to landfill to zero by 2023</li> <li>■ Responsible water consumption and improved efficiencies</li> </ul> <p><b>Long term</b></p> <ul style="list-style-type: none"> <li>■ Achieve net zero by 2050 or earlier</li> </ul>
 	<i>Supporting levers</i>	<ul style="list-style-type: none"> <li>■ Incentivise behaviour change through Vitality</li> <li>■ Partner for scaled impact and resilience</li> <li>■ Pioneer the power of behaviour change</li> </ul>
GOVERNANCE COMMITMENTS		
<p>Our commitment to partner for planetary and social health is underpinned by the following governance commitments:</p> <ul style="list-style-type: none"> <li>■ Assigning responsibilities at Board and Executive level to deliver on our integrated sustainability framework</li> <li>■ Assessing, managing and publicly disclosing ESG risks and opportunities across the Group</li> <li>■ Reviewing our capabilities, organisational structure and remuneration to deliver on our ESG ambitions and goals</li> </ul>		

# OUR RISKS AND OPPORTUNITIES

The Board is 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. We operate within a strong foundation of our core purpose, nine key values (page 14) and a proactive risk culture that is 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.

We have a clearly defined Risk Management Framework within a set risk taxonomy, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of their impact. We apply the three-lines-of-defence model – core to our operating model – to identify and manage material risks. Our risk appetite and limits are set at business entity and Group levels, with clear accountability and reporting requirements. Furthermore, Discovery continuously refines and embeds Discovery's Combined Assurance Model, which addresses our significant strategic, financial, operational and compliance-related risks. The model ensures that all

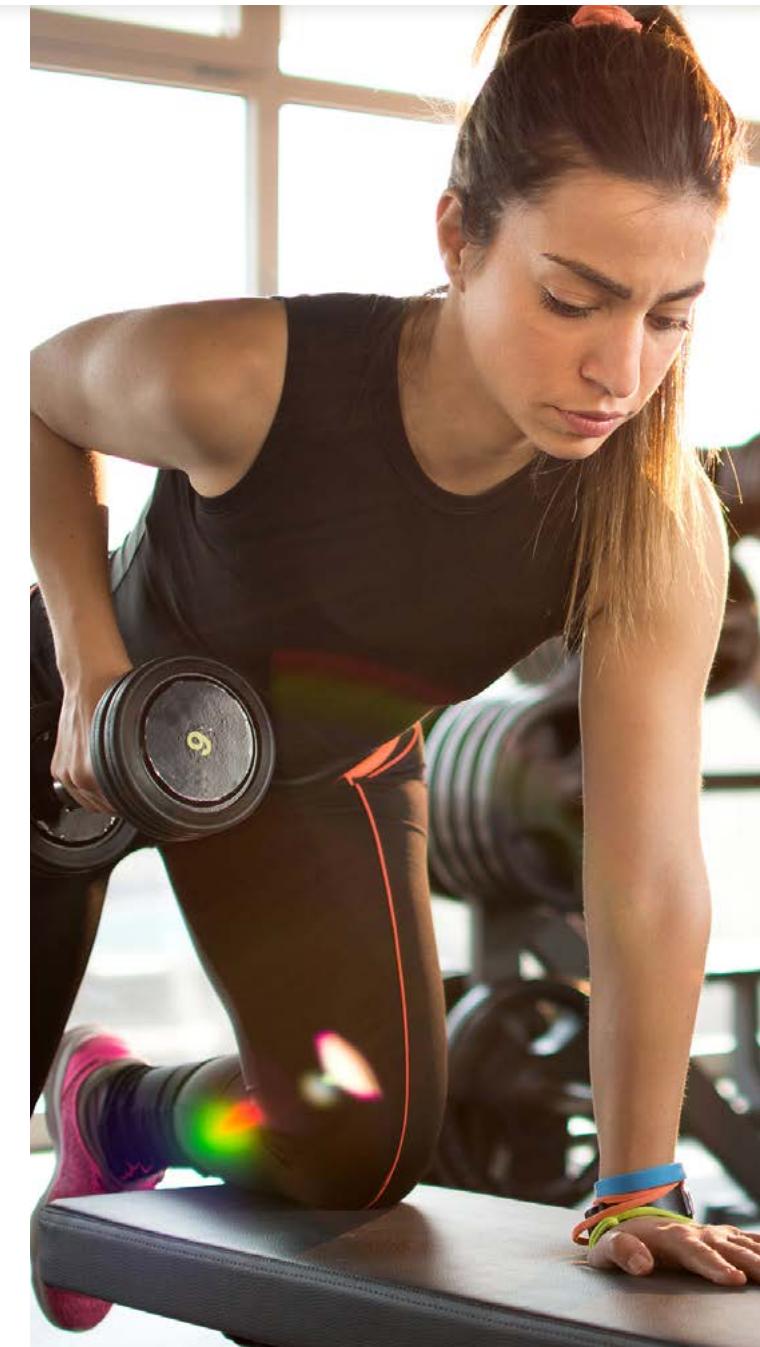


-  INCREASE IN SEVERITY OF RISK
-  RISK SEVERITY UNCHANGED
-  DECREASE IN SEVERITY OF RISK

## Our top risks

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

- 1 ECONOMIC INSTABILITY AND UNCERTAINTY** 
- 2 IMPACT OF THE COVID-19 PANDEMIC** 
- 3 RELEVANCE AND COMPLEXITY OF OUR SHARED-VALUE INSURANCE MODEL** 
- 4 DELIVERY RISK** 
- 5 FINANCIAL RESILIENCE** 
- 6 TECHNOLOGICAL RESILIENCE** 
- 7 HUMAN CAPITAL CAPABILITIES** 
- 8 CYBER RISK** 





## Our risks and opportunities

### 1 ECONOMIC INSTABILITY AND UNCERTAINTY



#### Risk description and impact on our business

The global economy experienced historic levels of instability and uncertainty due to COVID-19, with associated lockdowns leaving many businesses unable to operate as usual. These difficulties continue despite the recent optimism and improvements in the global economic outlook, mainly driven by the roll out of vaccines in developed countries.

In South Africa, the unemployment rate reached a record high, further exacerbating pre-existing socioeconomic inequalities and political instability. Constraints to the domestic supply of energy, lower levels of investment and uncertainty surrounding the roll out of vaccines remain a serious downside risk to domestic growth. Furthermore, the slowdown in foreign capital investment could further reduce the value of the rand and lead to higher interest rates. Because of this, our Established and Emerging businesses – as well as our new initiatives could experience lower new business volumes and higher lapses. This, in turn, could impact our ability to deliver an acceptable return on capital invested and manage ongoing operational expenses. Discovery Bank could also experience lower growth due to tightened lending criteria and reduced spend by clients.

#### Key mitigating actions and opportunities

- Focus on innovation and improving our products, pricing and services to attract and retain clients in low-growth environments.
- Diversify our local and global businesses to reduce concentration risk.
- Develop world-class businesses that can compete regardless of the macroeconomic conditions.
- Identify and pursue further growth opportunities.
- Evaluate the impact of the macro environment on our businesses on an ongoing basis and identify appropriate mitigating actions.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED



#### OUR CAPITALS

### 2 IMPACT OF THE COVID-19 PANDEMIC



#### Risk description and impact on our business

While healthcare systems adjusted well during the initial COVID-19 wave, the resurgence of infections and new variants rapidly increased the number of cases and hospital admissions, placing a notable strain on healthcare systems.

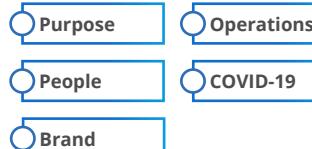
In South Africa, the mass vaccination programme is making good progress but remains vulnerable to the risk of vaccine hesitancy and any further disruptions to vaccination sites. Claims risk under life insurance policies remains a concern due to the increase in the country's COVID-19-related claims, which could continue until herd immunity is reached.

In addition to the economic impact of lockdowns, the longer-term health impacts stemming from COVID-19 remain uncertain. Furthermore, due to the pandemic, many of our clients have not undergone routine screening for illnesses, which could lead to increased morbidity and mortality trends in the longer term.

#### Key mitigating actions and opportunities

- Support and strengthen the healthcare systems and communities in the countries where we operate.
- Drive corporate social responsibility initiatives aligned with our core purpose.
- Support the effective roll out of vaccines in South Africa.
- Monitor COVID-19 statistics closely to predict the impact and extent of the pandemic on our health and life claims experience.
- Ensure we have appropriate reserves, liquidity and reinsurance programmes in place to protect our business and clients.
- Rerate Group Life premium rates, and individual life products' new business rates and policy terms to allow for higher claims.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED



#### OUR CAPITALS



### 3 RELEVANCE AND COMPLEXITY OF OUR SHARED-VALUE INSURANCE MODEL



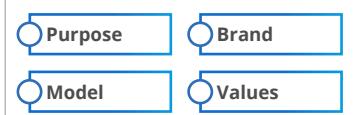
#### Risk description and impact on our business

Discovery's unique business model uses shared value as the basis for meeting client needs and achieving growth, and our products are critical to Discovery's continued success. Products that are not relevant to our clients may result in a loss in market share. Conversely, innovative products that support shared-value creation differentiate our offerings within a highly competitive environment. While products and services must meet complex needs, they should be easy to integrate and simple to use to retain or increase market share.

#### Key mitigating actions and opportunities

- Diversify our local and global businesses to take advantage of adjacencies through our composite strategy.
- Invest in and develop innovative products that align with our core purpose.
- Create both standalone and integrated products that demonstrate measurable shared-value creation.
- Prioritise the principles of treating clients fairly during product design and delivery.
- Intensify focus on our clients and their needs, and ensure a simple and excellent onboarding process, servicing and user experience.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED



#### OUR CAPITALS

### 4 DELIVERY RISK



#### Risk description and impact on our business

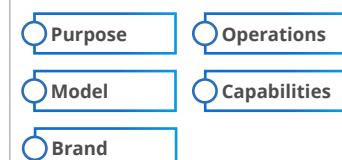
A core element of Discovery's organic growth model is building adjacent shared-value businesses locally and globally, and we invest a material proportion of earnings in new initiatives. Developing new products and businesses and entering new competitive markets requires the development of human capital and business infrastructure, and we must successfully deliver new ventures and gain sufficient traction to deliver the Group's required return on capital.

Notwithstanding the normal risks associated with building new businesses, the current global and local economic growth conditions, as well as the impact of the COVID-19 pandemic, present further headwinds to building, launching and growing Discovery's new initiatives.

#### 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 organic growth 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.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED



#### OUR CAPITALS



## 5 FINANCIAL RESILIENCE

### Risk description and impact on our business

Our organic growth model is key to our strategy, along with prudent capital allocation, solvency and liquidity management. Our clients depend on us to provide them with insurance and assurance, remain financially sound and deliver product benefits as they fall due.

Uncertainty in the global economy, adversely impacted by COVID-19 and further influenced by political and social tensions, could lead to future financial disruptions. These, in turn, could impact our solvency and liquidity buffers and affect our ability to access funding for growth. Our earnings remain exposed to interest rate fluctuations and inflation expectations – 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.

### 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.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED



#### OUR CAPITALS

## 6 TECHNOLOGICAL RESILIENCE

### Risk description and impact on our business

Discovery uses a wealth of data to provide services and develop products that meet the needs of our clients. The responsible collection, use and security of data are paramount to operating ethically and preserving the trust of our clients. The failure to accurately maintain our data could lead to inappropriate decisions and losses as well as the risk of regulatory action.

Furthermore, since technology and innovation are critical to Discovery's businesses, any material instability in our core operating systems and Vitality1 platform could impair our business model through deterioration of timing and quality of services and processing of information.

### Key mitigating actions and opportunities

- Safeguard the data we collect in line with our fiduciary duty and comply with relevant data protection and privacy legislation.
- Protect the integrity of client data by implementing appropriate measures and processes.
- Maintain the stability of our systems to secure the trust of our stakeholder groups.
- Improve and enhance our business continuity and systems performance, which we were able to test in real time as part of our response to COVID-19.
- Protect the personal information of stakeholders by adhering to the Group Privacy Statement.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED



#### OUR CAPITALS



## 7 HUMAN CAPITAL CAPABILITIES

### Risk description and impact on our business

Our people are a strategic enabler for the Group. We face the risk of skill shortages – especially in critical talent segments like technology, data science and actuarial science – and it remains a challenge to retain and grow our talent base to maintain human capital resiliency.

Discovery has a compelling vision for its transformation agenda, and our workforce continues to move towards being demographically representative of the countries where we operate. However, we face the risk that levels of diversity and transformation at senior management levels are not occurring at a satisfactory pace, and of not attracting, developing and retaining black South African candidates at all levels – which could lead to damage to our reputation and impact our rating on the new Financial Sector Codes (FSC) scorecard.

The evolving work environment amid the global pandemic, along with the current challenging macro environment, contributed to health, safety and productivity challenges across our global workforce. The prevailing conditions also increase the threat to our employees' wellbeing which, in turn, impacts the overall resilience of our business.



### 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.
- 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.

#### RELATED MATERIAL THEMES



#### CAPITALS IMPACTED

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OUR CAPITALS

## 8 CYBER RISK

### Risk description and impact on our business

The uncertainty caused by the pandemic, along with changes to the work environment and financial turmoil, increased the activity of cyber-criminals. Cyber risk remains high due to the increased sophistication of cyber-attacks. A cyber-attack 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 cybersecurity 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

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OUR CAPITALS



## 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.

### DIGITAL TRANSFORMATION

**Risk description and impact on our business**  
The exponential rate of technological change – especially disruptive technologies – and the accelerated pace at which it is being adopted 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.
- 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 – this continues to present challenges and risks to our current and future operating model.  
  
Several important regulations over the longer-term horizon have operational, financial, regulatory and reputational impacts due to changes in the way we conduct business. These include the NHI Bill, 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 appraised 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.

### FUTURE PANDEMICS

**Risk description and impact on our business**  
Over the past two years, concerns around the impact of pandemics on global economies, businesses and societies increased substantially. COVID-19 predominantly impacted our life insurance businesses as a result of increased claims, as well as the wider economy in terms of lower sales. Future pandemics could have a more material impact on the healthcare industry. While the healthcare systems in the countries where we operate appear to have withstood the impact of COVID-19, future pandemics could be significantly worse and place healthcare systems under immense pressure.

#### How we are responding

- Monitor any potential pandemic outbreaks at a global level and model future pandemic scenarios in our annual ORSA process.
- Foster collaboration and partnerships between private and public sectors in the fight against pandemics as needed.
- Adjust the strategies developed during COVID-19 where necessary.

### CLIMATE CHANGE

#### Risk description and impact on our business

Climate change is one of the key risks facing business and society today. For insurers, climate change risks can manifest in several ways, including worsening health impacts – particularly for the elderly and those with pre-existing health conditions – failure of health infrastructure; and rapid changes in market preferences, energy policies and financial sector regulations.

For Discovery, climate change could disrupt the demand for our products and services. We could also be exposed to investments that decline in value due to fossil fuel or non-climate friendly activities. In the longer term, climate change could increase acute risks mostly driven by extreme weather events. This could lead to increased motor and property-related claims for the non-life insurers within the Group and, for life insurance businesses, increased claims relating to accidental deaths and injuries. Furthermore, our health businesses could feel the impact through the increased prevalence of cancer, heart disease, strokes, vector-borne diseases and pandemics or epidemics, among others.

#### How we are responding

- Develop products and services which prompt behavioural change among our clients.
- Adhere to the Principles for Responsible Investment.
- Be a 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.
- Partner with or enlisting the services of third parties, where appropriate.



# OUR OPERATING ENVIRONMENT

SEE ALL OF OUR RISKS



The COVID-19 pandemic continues to dominate our operating context after almost two years, with the resultant economic fallout significantly shifting our stakeholders' needs. Driven by the increased relevance of our core purpose, we remained committed to ensuring the ongoing resilience and sustainability of our business against a challenging macroeconomic environment. We continue to identify and respond to material trends relevant to Discovery, which is integrated into our strategic decision-making process.

## 01 THE COVID-19 PANDEMIC

### CONTEXT

The COVID-19 pandemic continued to cause great disruption during FY2021, revealing how the nature of risk, technology and social responsibility have the power to transform global insurance markets. With an acceleration to online services – as well as a new focus on wellness and immunity – businesses are expected to demonstrate shared value as a moral imperative to translate purpose into action.

As at year-end, 181 549 892 COVID-19 cases were recorded worldwide, with 3 938 496 related deaths. South Africa confirmed 1 954 466 cases and 60 264 deaths, and the UK reported a total of 4 775 305 cases and 128 126 related deaths. Vaccine distribution is underway globally to mitigate the severe health, social and economic impacts of the pandemic. At year-end, about 316 965 doses were being administered in the UK per day, and 66% of the population received at least one vaccination shot. In South Africa, 5.1% of the population received at least one vaccination dosage with about 125 970 doses administered per day.\*

RELATED MATERIAL THEMES	
COVID-19	Values
Purpose	Capabilities
Model	People
Operations	Brand



\* Source: World Health Organization and ourworldindata.org

## 02 THE PURPOSE IMPERATIVE

### CONTEXT

The global outbreak of COVID-19 highlighted the importance of purpose and trust, as well as expectations that businesses should drive social change and protect the health and interests of communities and the planet. Now more than ever, stakeholders are holding businesses accountable for taking direct action to positively impact society and contributing to wider value creation.

### HOW WE ARE RESPONDING

At the heart of our business is the drive to deliver on our core purpose. Our unique business model uses shared value as the basis for Discovery's growth, acting as the driving force behind our strategy and representing the structural manifestation of our core purpose. It also 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	
COVID-19	Model
Purpose	Values



## 03 CLIMATE CHANGE

### CONTEXT

While an increasing number of governments are committing to net-zero emissions, there remains a gap between current targets and what is needed to meet the goals of the Paris Agreement. Furthermore, there is growing pressure on companies to integrate climate change into their post-pandemic recovery planning – which could address both health and climate-related challenges, given their interdependencies.

### HOW WE ARE RESPONDING

Our business is inextricably linked to the sustainable wellbeing of our communities, while 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 leverage company assets and innovation to support the global movement towards a low-carbon future.

#### RELATED MATERIAL THEMES



#### RELATED RISKS AND OPPORTUNITIES



#### RELATED UN SDGs



## 04 POLITICAL AND ECONOMIC UNCERTAINTY

### CONTEXT

While the global economy is expected to recover strongly from the impacts of COVID-19, the rebound will be uneven between major economies and developing countries. In South Africa, COVID-19-related restrictions continue to significantly impact businesses and contribute to job losses – the country's formal unemployment rate reached a record high of 32.6%. The challenging environment was further impacted by the July 2021 riots and looting, with damage estimated to have reached R50 billion, while also risking 150 000 jobs.

A robust economic recovery is expected in the UK. While the emergence of new COVID-19 variants remains a downside risk, the economy has adapted to operating under COVID-19-related restrictions and GDP levels are set to increase by 6.6% in CY2021 and 5.4% in CY2022. The unemployment rate remained relatively low, expecting to reach a high of 5.7% by December 2021.\*

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 due to COVID-19.

### HOW WE ARE RESPONDING

We monitor the economic and political situation in all the countries where we operate, engaging with governments and communities to support initiatives to alleviate economic challenges. Our products and benefits continue to address the needs of our clients, and we introduced several new innovations in South Africa focused on affordability and value.

We continue to closely monitor interest rates, implementing several mitigating actions to manage the impact thereof on our South African businesses. During FY2020, we implemented an interest rate hedge structure in the UK to hedge against movements in long-term interest rates. Furthermore, we implemented hedging and asset-liability matching strategies to manage foreign exchange risk 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 34 AND OUR GROUP CHIEF FINANCIAL OFFICER'S REVIEW ON PAGE 55.

#### RELATED MATERIAL THEMES



#### RELATED RISKS AND OPPORTUNITIES



\* Source: KPMG Outlook for the UK Economy (June 2021), Statistics South Africa, The Presidency of South Africa and World Bank

## 05 HUMAN-CENTRED TECHNOLOGY

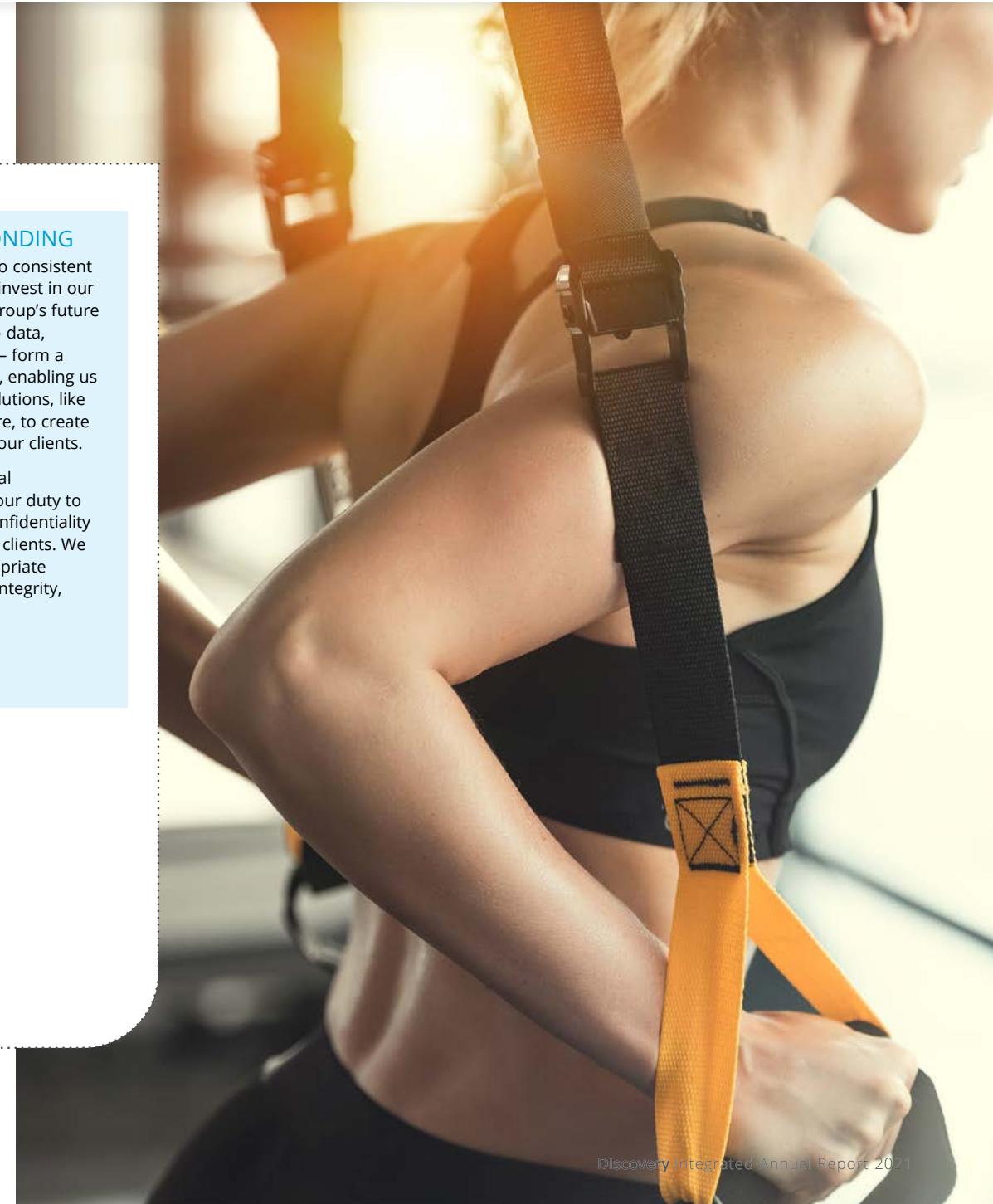
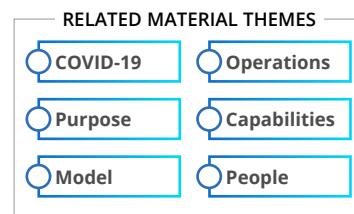
### CONTEXT

The adoption of digitisation and automation continue to increase, as does the need for personalisation and individual control. Furthermore, the outbreak of COVID-19 accelerated the shift to digital and online services, changing the way stakeholders interact with businesses.

Businesses and governments have understood the potential of technology for years, and 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. However, a focus on adopting ethical AI practices must accompany these massive leaps in technological advancements.

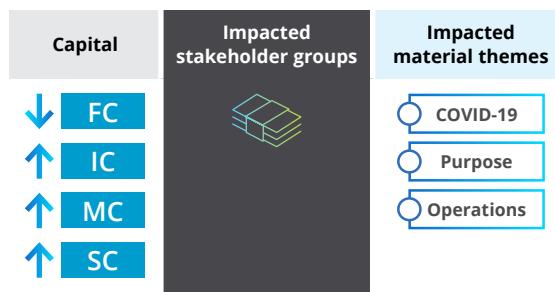
With the rise in digitalisation over recent years, online personal identities are increasingly leveraged through, for example, ecommerce and social media. It is predicted that this could unlock economic value equal to 6% of GDP in emerging countries and 3% in developed countries in 2030\*. However, there are inherent risks in the emerging technology environment, which also increase concerns around data privacy and the protection of personal information.

\*Source: McKinsey

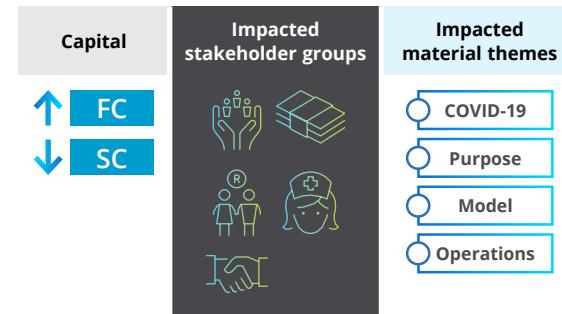


# OUR TRADE-OFFS

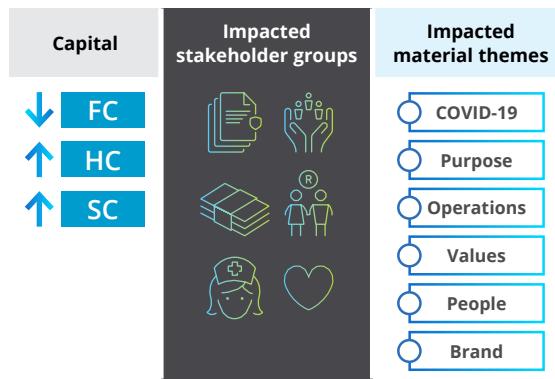
Discovery continued to invest in long-term growth initiatives to ensure the Group's sustainability, foregoing return on equity, operational profit and cash generation in the short term.



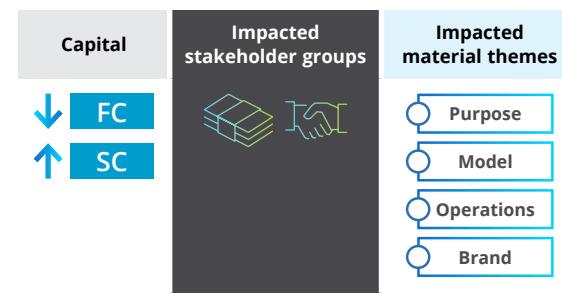
The Group balanced short-term stakeholder expectations with the need to preserve liquidity and invest in long-term growth initiatives key to our organic growth model. Based on this, and considering the current uncertain and potentially volatile economic environment, we made the decision to not declare any dividends for FY2021.



By responsibly responding to the COVID-19 pandemic, we are incurring costs in the short term to protect the health, safety and wellbeing of our people; protect and support our clients; support country efforts in South Africa – thereby building long-term relationships – and maintain the Group's financial resilience and strength.



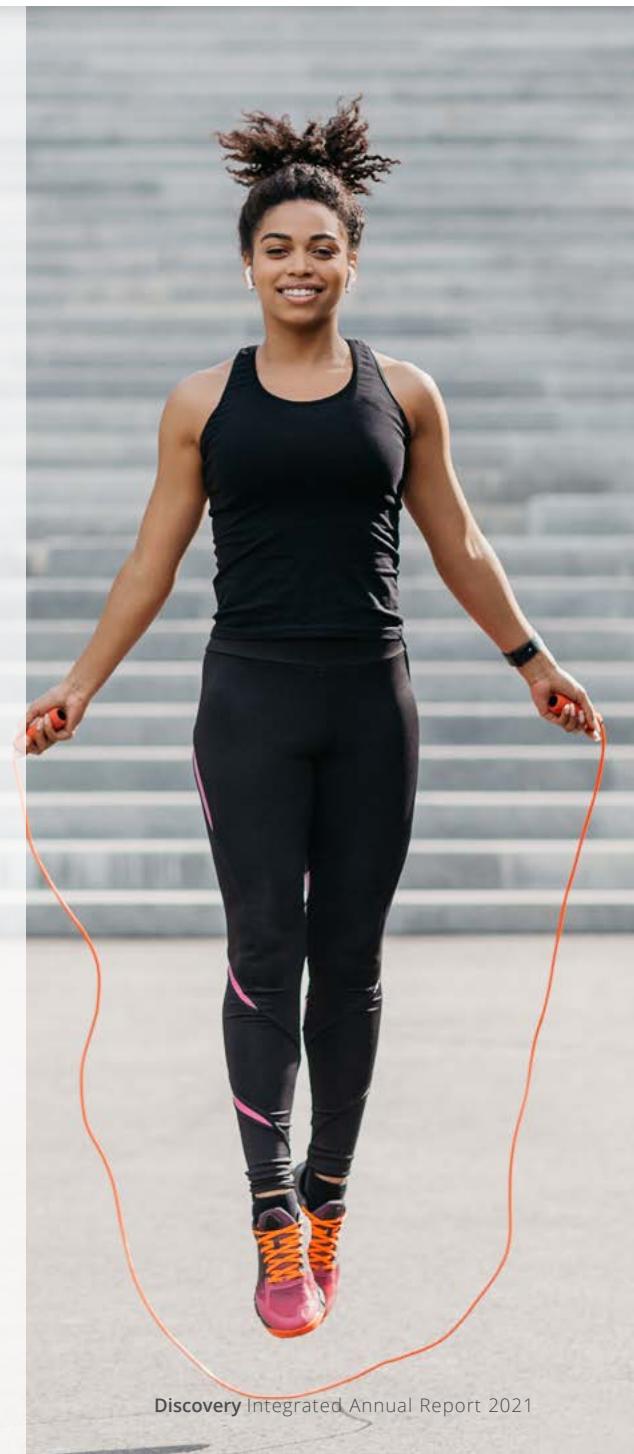
The Group is making an additional capital contribution to Ping An Health Insurance to support continued business growth, weighing up its growth potential against the impact of the contribution on the Group's current and future earnings and cash flow profile.



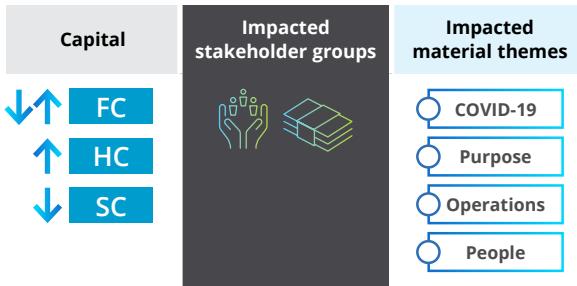
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OUR  
STAKEHOLDERS

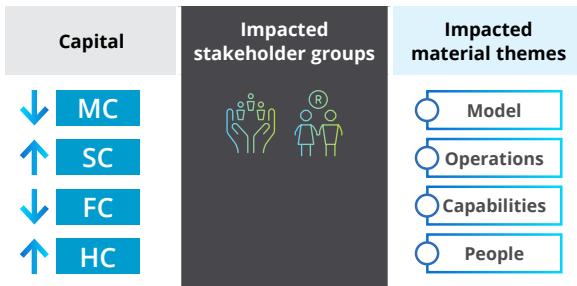
OUR  
CAPITALS



Discovery considered the need to align our pay practices with shareholder expectations and the importance of retaining management-level employees. Accordingly, Discovery approved a discretionary incentive scheme to mitigate emerging retention risks driven by the impact of COVID-19 provisions on variable pay in FY2020. Given the significant negative COVID-19 related mortality impact on FY2021 results, variable pay was once again materially negatively impacted. However, against the background of the strong operating performance in all other respects – and recognising the performance of the leadership team – the Remuneration Committee approved a profit pool pay-out at 90% of target in respect of the short-term management incentive.



We balanced the need for human interaction against the benefits of increasingly deploying leading-edge technologies and digital solutions.

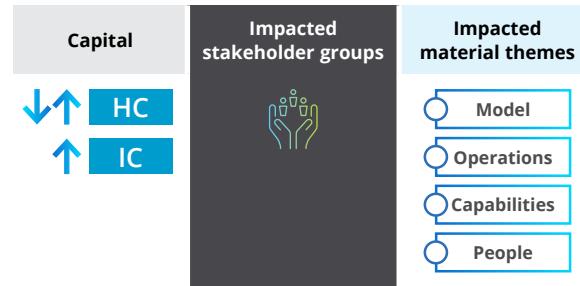


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OUR STAKEHOLDERS

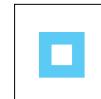
OUR CAPITALS

We considered the need to augment our capabilities – data, technology and innovation – for the emerging digital world while ensuring our employees future-proof their skills and thrive throughout their careers.

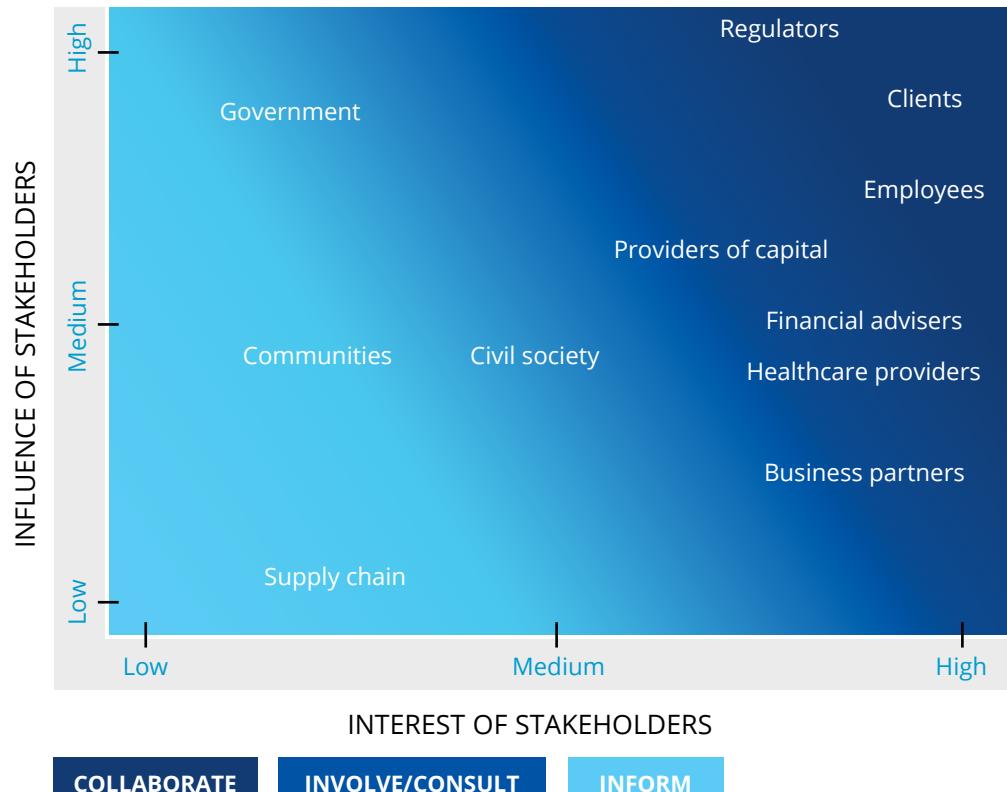


# ENGAGING WITH OUR STAKEHOLDERS

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



Our relationships with key stakeholder groups are critical to creating sustainable value across the Group. Daily, across all business units and internal departments at every level, we engage with stakeholders who have vested interests in what we do and who we are. Accordingly, 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, which 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; we must understand what they need as we continue to deliver on our core purpose through market-leading and innovative products across a spectrum of financial services. Therefore, we conduct regular assessments, using various mechanisms, to ensure that we meet our stakeholders' expectations.*



## GOVERNMENT AND REGULATORS

**Basis of assessment:** Feedback from government and regulators, and meeting our obligations and commitments.

### WHY WE ENGAGE

Our government stakeholders are policymakers, and they guide us through the relevant policies and regulations that impact our business. Our engagements with government also enables us to provide input into policymaking and the development of regulations.

Furthermore, Discovery's businesses have been granted various licences required to offer a service or product in a particular sector. To remain licensed entities, it is critical that we continuously and periodically engage with our regulators. We recognise that to operate within the regulatory remit of our licences, Discovery needs to engage with regulators in a manner that fosters growth and trust.

### HOW WE RESPOND TO 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

### EXPECTATIONS OF STAKEHOLDERS

- Compliance with regulatory and legal requirements
- Payment of taxes, levies and fees
- Protection of consumer, environment, labour and human rights
- Employment equity (EE), Broad-based Black Economic Empowerment (B-BBEE) and transformation (South Africa)
- Adherence to occupational health and safety standards
- Open and transparent client communication
- Act in a manner that does not pose a threat to financial stability

### METHOD 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 FY2021 focus areas

- Our response to the COVID-19 pandemic, including our role in the rolling out of vaccines and supporting the Solidarity Fund
- Council for Medical Schemes' (CMS) Section 59 investigation, as well as participation in industry forums and advisory and review committees

### Related material themes

- [COVID-19](#)
- [Operations](#)
- [People](#)

### QUALITY OF ENGAGEMENT

Good quality  
existing relationship

Relationship exists but there  
is room for improvement

Existing relationship  
is poor

 FOR MORE INFORMATION ON OUR RISKS AND OPPORTUNITIES REFER TO PAGE 34 AND ON OUR MATERIAL THEMES REFER TO PAGE 123.





## EMPLOYEES

- Basis of assessment:** Employee engagement score and employee experience index.

### WHY WE ENGAGE

Our employees are critical to our continued success. Discovery's business relies on constant innovation combined with client-centric service, and our people act as a strategic enabler to ensure we deliver market-leading products and maintain our competitive advantage.

FOR MORE INFORMATION ON OUR PEOPLE,  
REFER TO PAGES 15 AND 31.

### EXPECTATIONS OF STAKEHOLDERS

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

### HOW WE RESPOND TO 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

### METHOD 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 FY2021 focus areas

- Digitising recruitment processes
- Increasing activation and engagement in online learning
- Signature leadership development programmes
- Quality communication to improve employee engagement and connectivity as people work remotely
- Diversity and inclusion
- Values learning programmes

### Related material themes

- |              |         |
|--------------|---------|
| COVID-19     | Purpose |
| Operations   | Values  |
| Capabilities | People  |

## PROVIDERS OF CAPITAL

- Basis of assessment:** Feedback from providers of capital and analyst reports.

### WHY WE ENGAGE

Providers of capital, investors, debt funders, investment analysts and potential investors are a key source of capital for the business and a crucial element for 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

### HOW WE RESPOND TO 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

### METHOD 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
- Analyst reports
- Share price

### Significant FY2021 focus areas

- Participation at virtual investor conferences, roadshows and one-on-one meetings
- Engaging with environmental, social and governance (ESG) ratings agencies and analysts

### Related material themes

- |          |            |
|----------|------------|
| COVID-19 | Purpose    |
| Model    | Operations |



## CLIENTS AND FINANCIAL ADVISERS

### Basis of assessment:

#### WHY WE ENGAGE

We regularly engage with our clients and financial advisers to remain informed on how our products are received in the market. We adapt our products and services to meet the needs of our clients as they evolve.

We also regularly engage with financial advisers to ensure they are supported and equipped with the necessary tools and knowledge to provide excellent service and support to our clients, encouraging client attraction and retention.

#### EXPECTATIONS OF STAKEHOLDERS

- Market-leading and innovative products and services
- Convenience in doing business with Discovery
- Exceptional client service
- Responsible insurance services and solutions
- Value-for-money premiums
- Protection of client rights, health and safety
- Safeguarding of client privacy
- Sales remuneration
- Ease of market rollout

#### HOW WE RESPOND TO CREATE VALUE

- Drive product innovation to meet clients' needs, with a biannual product launch cycle (held virtually this year)
- 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 and financial adviser 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
- Provide ongoing sales and training support to financial advisers

#### METHOD OF ENGAGEMENT

- Written communications, product and service brochures, and benefit update webinars and videos
- Media, social media and advertising campaigns
- Biannual product launches for financial advisers
- Professional development days for financial advisers
- Broker satisfaction surveys
- 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

### Significant FY2021 focus areas

- Compliance with the POPI Act
- Client onboarding and product innovation
- Monitoring claims engagement and client servicing
- Training and support for financial advisers

#### Related material themes

- COVID-19
- Purpose
- Model
- Operations
- Capabilities
- People

## HEALTHCARE PROVIDERS

### Basis of assessment:

#### WHY WE ENGAGE

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

#### 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

#### HOW WE RESPOND TO 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

#### METHOD 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 FY2021 focus areas

- Supporting healthcare providers to manage the effects of COVID-19, including shifting to digital healthcare and remote services
- Hosting podcasts and webinars featuring leading local and international COVID-19 experts to keep healthcare providers updated on local and global developments and best practice
- Providing free access to Vitality Active Rewards and psychosocial, financial and legal support for doctors via HealthyCompany

#### Related material themes

- COVID-19
- Purpose
- Operations
- Capabilities



## BUSINESS PARTNERS, INCLUDING OUR SUPPLY CHAIN

- Basis of assessment:** Biannual experience survey, feedback and supplier evaluation.

### WHY WE ENGAGE

Our business partners – global insurance and reward partners – support the expansion of our Shared-value Insurance model globally and we help them strengthen their value proposition to their clients.

Our engagement with suppliers of goods and services enables and supports our business operations, including partnering to advance our B-BBEE objectives.

### HOW WE RESPOND TO CREATE VALUE

- Expand our Shared-value Insurance model globally, which is positively received in the market, 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 leveraging Vitality's intellectual property
- Invest in the Vitality1 platform to support our global partners
- Provide unique reward partner offerings, contract negotiation and servicing
- 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)

### EXPECTATIONS OF STAKEHOLDERS

- Meeting contractual terms and agreements
- Regular engagement, financial and non-financial support
- Long-term beneficial relationships
- Increased revenues and volume growth
- Preferential procurement as per B-BBEE codes (South Africa)

### METHOD 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

## CIVIL SOCIETY AND COMMUNITIES

- Basis of assessment:** Monitoring and evaluation of programme outcome.

### WHY WE ENGAGE

We engage with broader society and communities to ensure we respond to their developmental needs appropriately which, in turn, safeguards our reputation. We ensure that our actions align with our core purpose and business objectives and that they focus on and address ESG-related risks and opportunities.

### 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

### HOW WE RESPOND TO CREATE VALUE

- Engage with healthcare partners to develop a sustainable healthcare ecosystem
- 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

### METHOD 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 ratings indices

### Significant FY2021 focus areas

- Reporting to the Discovery Fund and Discovery Foundation's trustees, as well as recipients of the Foundation awards, to share our progress against objectives
- Supporting our nation in response to COVID-19
- Collaboration and partnership with local and international organisations
- Supporting community development
- Coordinating employee volunteer initiatives with a renewed focus on virtual and online support

### Significant FY2021 focus areas

- Digital integration of platforms
- Aligning shareholder and partnership interests through Vitality Health International, Vitality Group and the Global Vitality Network

### Related material themes

- |          |              |
|----------|--------------|
| COVID-19 | Purpose      |
| Model    | Operations   |
| Values   | Capabilities |

### Related material themes

- |          |            |
|----------|------------|
| COVID-19 | Purpose    |
| Model    | Operations |
| Values   | Brand      |



# 04

## PERFORMANCE REVIEW

Click the buttons  
to navigate to  
subsections



# OUR RESPONSE TO THE COVID-19 PANDEMIC

Over the past year, we continued to face one of the worst global medical emergencies in over a century. The pandemic emphasised the economic and social significance of our core purpose of making people healthier and enhancing and protecting their lives, which is now more relevant than ever before. **Furthermore, the events of the past year truly demonstrated our potential to impact our clients and broader society positively** as we fulfil our ambition to be a force for social good.

*Our profound core purpose led our response to the pandemic. We prioritised three key areas: protecting the health, safety and wellbeing of our people; protecting and supporting our clients; and supporting country efforts – which were underpinned by a disciplined strategy to maintain financial strength and resilience.*

## Protecting our people

### KEY FOCUS AREAS

- Protecting every employee
- Maintaining connectivity
- Living out our values
- Implementing an employee vaccine mandate
- Designating Discovery offices and sites as vaccination-only zones

## Protecting and supporting our clients

### KEY FOCUS AREAS

- Ensuring business continuity
- Ensuring products are fit-for-purpose
- Keeping people healthy and active

## Supporting our country

### KEY FOCUS AREAS

- Supporting the healthcare system, including the national vaccine programme, COVID-Alert SA app and digital healthcare capabilities

## Maintaining financial strength and resilience

### KEY FOCUS AREAS

- Ensuring strong operating profit, with an appropriate and conservative reserve for COVID-19
- Minimising the impact on liquidity and solvency
- Protecting our capital plan

## COVID-19-RELATED GROUP STATISTICS

OVER  
**14 000**  
CLIENT DEATHS

COVID-19 PREDICTIONS  
FOR 2ND AND 3RD WAVE  
IN SOUTH AFRICA WORSE THAN  
EXPECTED

OVER  
**R3 BILLION**  
GROSS CLAIMS PAID IN FY2021

## SOUTH AFRICAN VACCINATION CAMPAIGN STATISTICS AS AT 2 SEPTEMBER 2021

Global and local data strongly support the safety and efficacy of vaccination against COVID-19, and we continue to be leaders in driving up vaccination rates in South Africa.

### NINE

DISCOVERY VACCINATION SITES ACROSS THE COUNTRY

### 1 000

STAFF DEPLOYED ACROSS DISCOVERY SITES

DISCOVERY HELPED VACCINATE  
**OVER 1.1 MILLION**  
PEOPLE

### R42 MILLION

SPENT IN FY2021 AND A FURTHER R200 MILLION ALLOCATED FOR FY2022

CONTRIBUTED TO  
**5%**

OF TOTAL NATIONAL VACCINATIONS

## RESPONDING FROM A PLACE OF PURPOSE

The global outbreak of COVID-19 caused significant disruption within the countries where we operate, affecting our communities, employees, financial advisers and other stakeholders. The impact of the second and third wave in South Africa was significantly worse than expected, driven by new variants and the delay in vaccine supply.

Despite the difficulties we faced, this past year was also a time of unequalled innovation, pace of delivery and a collective will to overcome the challenges of the pandemic. South Africa's national vaccination programme now has ample supply to achieve its objectives and, collectively, we must do everything possible to overcome vaccine hesitancy and vaccinate at pace and scale. The call to lead bravely and responsibly cannot be ignored, and we are proud of the role we can play to restore our way of life.

### Protecting our people

*We remained committed to prioritising the health, safety and wellbeing of our employees throughout the year. We implemented several protocols to protect our people – including wellbeing support – and ensured they remained connected while being isolated from normal work practices and social interaction. Sadly, we have experienced the tragic loss of 20 of our own employees due to COVID-related deaths.*



Hosted webinars by internal and external experts through, for example, our **DISCOVERY TALKS SERIES**



Phased-in **WORK-FROM-HOME PROTOCOLS**



**APPROVED A MANDATORY VACCINATION POLICY** as part of our moral and social obligation to materially increase vaccine take-up; the policy will come into effect in January 2022

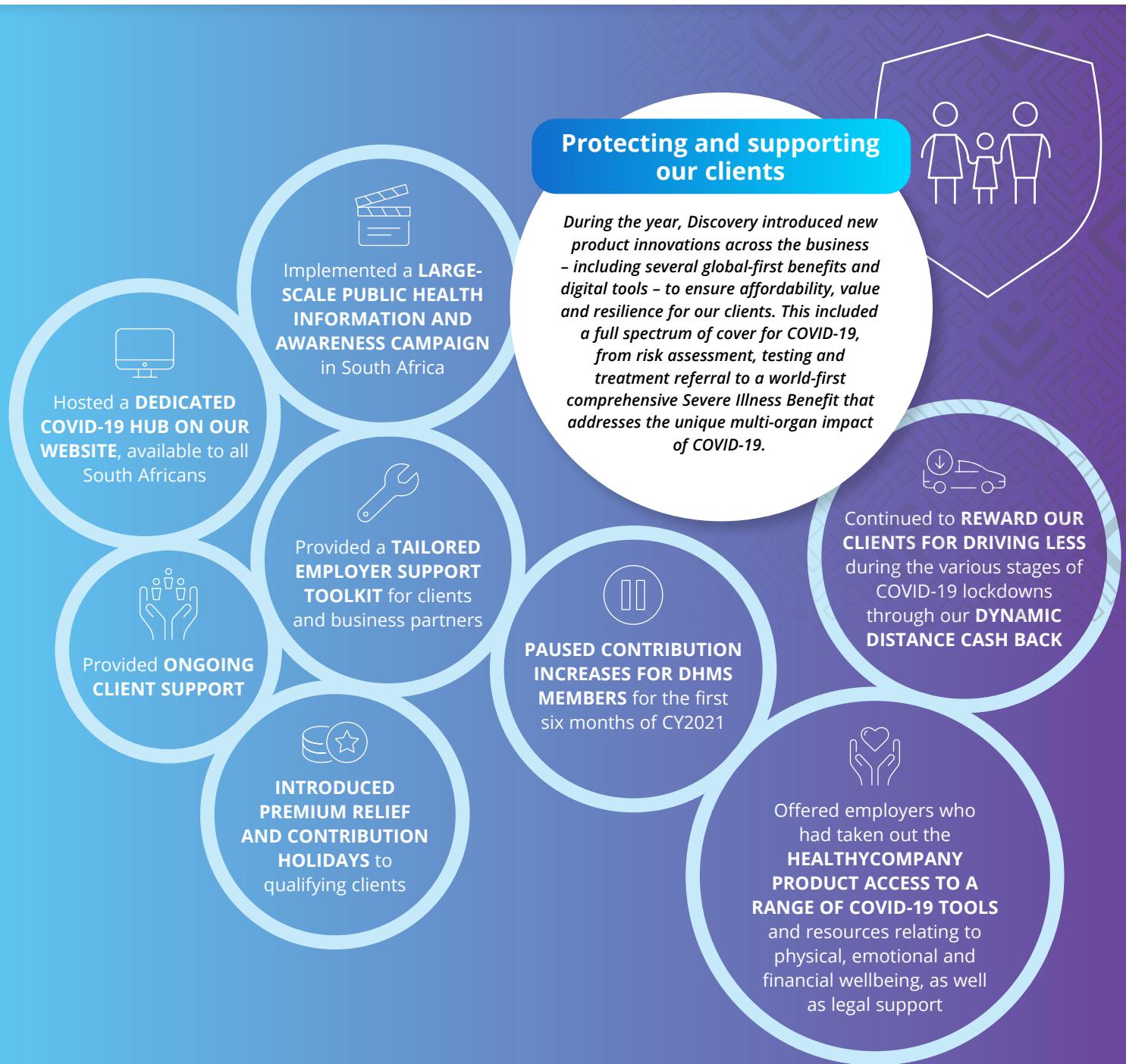


Implemented large-scale, **CONCERTED INFORMATION AND AWARENESS CAMPAIGNS**



Significantly increased focus on frequency and thoroughness of **OFFICE CLEANING**

Our employees continued to have access to **HealthyCompany**, Discovery's employee assistance programme, which provides various levels of support – from prevention and education to episodic or ongoing management – across physical, emotional and financial wellbeing, as well as legal support. We have multi-skilled HealthyCompany Coaches trained to provide support and advice across all four dimensions of wellbeing. The programme also offers personalised support to employees who require testing or are diagnosed with COVID-19, or those struggling to balance personal, family and work commitments or are concerned about their finances. This year, we further extended support to employees working from home and who were victims of gender-based violence.



**Vitality at Home** continued to encourage and empower Vitality members to stay fit, eat healthily and care for their mental wellbeing at home – and be rewarded for doing so.



**DrConnect**, our digital healthcare capability, gave South Africans access to online healthcare consultations and medical advice.

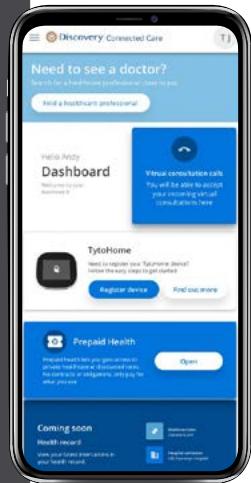
We launched several product enhancements to support our clients. Discovery Health focused on digitising the healthcare system, quality measurement and broadening access to healthcare. Similarly, Discovery Life developed the complementary Multi-organ Benefit to provide protective cover for acute illness with multiple organ involvement – a market-first product in South Africa. Discovery Insure introduced product enhancements tailored to our business clients' adjusted risks, driven by the adoption of work-from-home strategies. In the UK, VitalityHealth offered a cash back benefit to clients hospitalised with COVID-19, and also expanded the broad range of digital healthcare services available to clients.



The Discovery team played a fundamental role in developing **COVID Alert SA**, the Bluetooth-enabled mobile app launched by the National Department of Health (NDoH) in September 2020. The app helps to safeguard the lives of all citizens by supporting the country's digital contact tracing efforts. At 30 June 2021, the app has been downloaded over 2 million times.

The response to the pandemic created several opportunities for public-private partnerships, with Discovery Health working closely with the NDoH, Business for South Africa, Business Leadership South Africa and other stakeholders on many aspects of the country's **national vaccination programme** – including population analytics, research-supported procurement processes, distribution planning and system development. Discovery Health also developed a Discovery Registration Portal, which is fully integrated with the government's Electronic Vaccination Data System. This provides our clients with a unified registration journey on the platform along with various value-added functionalities.

We launched the **Connected Care platform**, an integrated healthcare ecosystem of benefits, services and digital capabilities that offers connected, at-home healthcare to medical scheme members across the care continuum through industry-leading healthcare devices for remote diagnostics and monitoring. One such device is the TytoHome kit, a smart digital device used to do remote physical examinations – the device sends a live feed of specific health measures to doctors for diagnostic purposes. Furthermore, the Connected Care platform enhances healthcare quality and experience by seamlessly aggregating clients, providers and case managers through a patient-centric model on a single digital engagement platform, enabling a digital end-to-end healthcare journey. In this way, our clients can manage their health and wellness at home, with doctors available online to provide virtual care and electronic prescriptions, along with real-time ordering and tracking of medicine.





Deon Viljoen

# GROUP CHIEF FINANCIAL OFFICER'S REVIEW

*The year under review continued to be framed by the COVID-19 pandemic, which had a notable impact on the Group's financial results due to the elevated mortality in South Africa. Nonetheless, the Group delivered a robust underlying operational performance across all its businesses.*



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

The current financial year also saw the start of the COVID-19 vaccine rollout, along with the positive economic response to the effect of early vaccinations in developed markets. Global markets responded with progressive stabilisation of long-term interest rates and currencies, driving a recovery in the rand after it materially weakened in FY2020. Discovery's purpose, Shared-value Insurance model, product relevance, diversified distribution, and client engagement and positioning are key factors that supported our resilience despite the difficult operating context.

## Overview

In South Africa, the COVID-19 pandemic was significantly worse than anticipated at the end of the previous financial year. At that time, Discovery projected that South Africa would experience a severe second wave but, in reality, the experience was much worse than expected – mainly due to the emergence of the Beta variant. In addition, South Africa suffered a substantial third wave driven by the Delta variant. Conversely, while the UK also experienced a severe second wave, it largely avoided any negative

mortality impact during its third wave due to its extraordinarily effective and early vaccine campaign.

Despite the above, the Group proved to be remarkably resilient and recorded 11% new business growth and excellent retention across the business. Normalised operating profits were 7% higher, despite Discovery Life increasing its COVID-19 provision by R2.1 billion and VitalityHealth accelerating the repayment terms of its existing reinsurance programme.

Normalised headline earnings (NHE) decreased by 9% from R3 747 million to R3 406 million, impacted by unrealised mark-to-market foreign currency translation losses arising from the recovery of the rand during FY2021 compared with the translation gain in FY2020 when the rand experienced significant depreciation. Excluding these unrealised mark-to-market foreign currency translation losses, NHE would have increased by 12% to

R3 711 million despite the additional COVID-19 provisions. Finally, headline earnings (HE) grew more than nine-fold – up from R296 million to R2 986 million – driven by the stabilisation of long-term interest rates in South Africa and the UK, resulting in materially lower economic basis changes in comparison with the previous financial year.

Normalised profit from operations increased by

**▲ 7% TO R6 494 MILLION**  
(FY2020: R6 069 million)

Diluted NHE per share decreased by

**▼ 9% TO 512.9 CENTS**  
(FY2020: 566.7 cents)

NHE excluding the impact of foreign exchange losses increased by

**▲ 12% TO R3 711 MILLION**  
(FY2020: R3 323 million)

Diluted HE per share increased by

**▲ 906% TO 449.7CENTS**  
(FY2020: 44.7 cents)

Embedded value (EV) up

**▲ 5% TO R74 645 MILLION**  
(FY2020: R70 834 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 FY2021.

## The impact of COVID-19 on FY2021 results

The financial impact of COVID-19 on the South African life business during the year is significantly worse than expected. At the end of FY2020, Discovery Life established a R2 billion provision for retail claims and lapses based on its modelling at the time, which had a net impact of R1.1 billion on profits after utilisation of discretionary margins in FY2020. During FY2021, this provision proved to be adequate for the retail business' in-period claims, given that the excellent lapse experience mitigated the increased mortality. However, based on the expected mortality claims from the run-off of the third wave into FY2022 – as well as the expected claims that will arise from an anticipated fourth wave – an additional retail provision of R1.8 billion

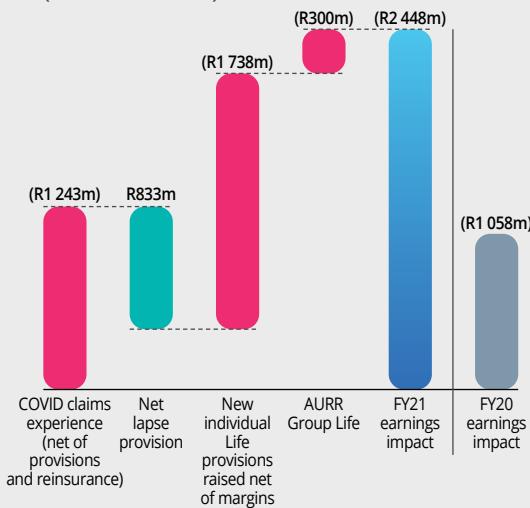
was set up at the end of FY2021. Due to the short-term contract boundaries of the group life business, Discovery Life could not establish a provision under IFRS for future expected group life claims at the end of FY2020. Because of this, the full impact of the high in-period group life COVID-19 claims caused further strain during the current year. At year-end, group life provisions of R300 million were made to the extent, and only to the extent, that existing contracts were deemed onerous for the remainder of the contract boundaries.

Considering the above, the combined impact on Discovery Life's overall operating profit amounted to R2.4 billion for FY2021.

### BALANCE SHEET IMPACT



### INCOME STATEMENT IMPACT (LIFE SEGMENT)



**"THE FINANCIAL IMPACT OF COVID-19 ON THE SOUTH AFRICAN LIFE BUSINESS DURING THE YEAR IS SIGNIFICANTLY WORSE THAN EXPECTED".**

In the UK, VitalityLife's book performed better than expected and, despite a recent spike in the country's number of infections, mortality rates remained particularly low. We raised an additional provision of R53 million to cover the potential effects of a possible fourth wave, resulting in a total VitalityLife provision at 30 June 2021 of R107 million.

For VitalityHealth, a key feature of the UK health market was the continued delay in claims catch-up relating to elective medical procedures driven by the second and third wave of infections. The delayed claims were a function of the NHS initially taking control of private health facilities during the peak of infection and further delays by policy holders in an attempt to avoid these facilities during periods of high infection rates for any elective procedures. These claims are expected to be caught up and may also come at higher costs due to the delays. VitalityHealth modelled the expected catch-up in claims into future periods and is managing the underlying claims experience over time in two ways. Firstly, the business established an additional £14 million unearned premium reserve (UPR) at

year-end to cover delayed claims that are anticipated within the short-term contract boundaries. Most anticipated claims are however expected to transpire over a much longer period and, mostly, well beyond the short-term nature of the insurance contract boundaries. This presented VitalityHealth with an opportunity to accelerate the repayment terms of its existing reinsurance programme in the reporting year, with a net in period cost of £39.7 million (R823 million) which results in better matching the underlying claims experience expected from the catch-up in claims in future years.

Despite initial concerns over the economic effects of reduced growth and affordability constraints arising from the pandemic, lapse experience over the year was exceptional across all business lines and regions.

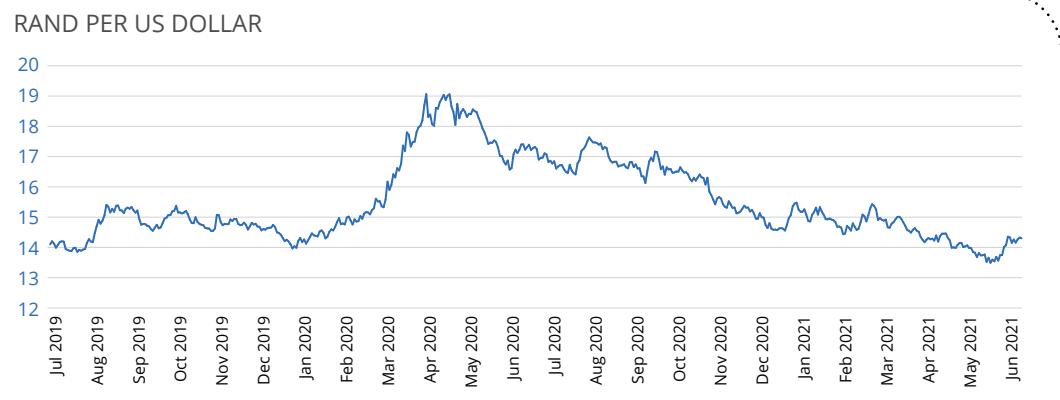
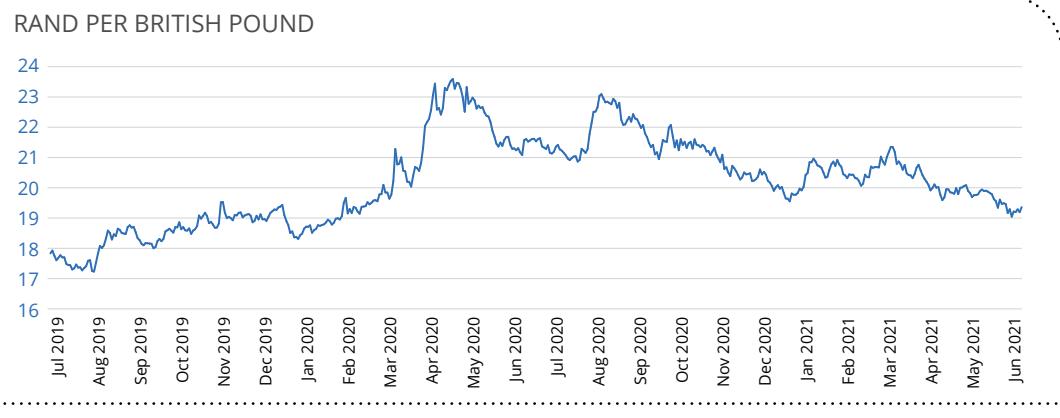
It should also be noted that, although the reserve for COVID-19 claims and lapses is an abnormal provision for future impacts, it is included in the presentation of NHE as it is seen as part of the core operations and will impact future cash flows.

## Investment in new initiatives

The Group continued to invest in new initiatives, most notably Discovery Bank, new initiatives within Vitality Group and VitalityInvest. Investment in New initiatives, as a percentage of Established and Emerging profits (before Discovery Life COVID-19 impacts) was 19% (FY2020: 24%). While spend on new initiatives reduced by 7%, new business levels showed exceptional growth – new business annualised premium income (API) for new initiatives increased by 156%.

## Impact of exchange rate movements over the year

The rand experienced extreme volatility during the last two financial years. We observed a significant weakening towards the end of FY2020, most of which recovered towards the end of December 2020. This created a significant negative impact on FY2021 results, which included the fair value of foreign exchange contracts not designated as hedges (R304 million pre-tax loss against a R263 million pre-tax gain in FY2020), and pre-tax foreign exchange losses of R389 million (R578 million pre-tax gain in FY2020) – the majority of which is attributed to the translation of foreign currency-denominated intercompany loans.



## Impact of economic assumption changes

Global markets continued to experience substantial volatility during the year. In South Africa, volatility in long-term nominal and real interest rates impacted inflation-linked premiums, as well as the valuation rates used to discount future cash flows. Furthermore, the volatile exchange rates impacted our Dollar Life Plans. These emerge as economic assumption changes. As volatility reduces, the negative impact of these economic indicators of R411 million in our current financial year is significantly less than the prior year's R3.6 billion.

In the UK, the interest rate hedge entered into in October 2019 to protect against further reductions in long term interest rates, performed effectively in light of the change in value of the negative reserves due to rising interest rates over the period, particularly during the first quarter of FY2021. Overall, there was a mismatch on the hedge amounting to R108 million. This was due to interest rate volatility requiring more frequent rebalancing of the swaps to manage basis mismatch and indirect impacts resulting from changes to certain non-economic assumptions.

Should the observed reference rates revert, these valuation strains will reverse and, given that there is no bearing on operating performance, Discovery has excluded the effect, net of tax, in the presentation of normalised earnings measures as in the prior year. This is directionally consistent with the treatment in IFRS 17: Insurance Contracts, which allows for changes in economic assumptions to be presented as OCI.

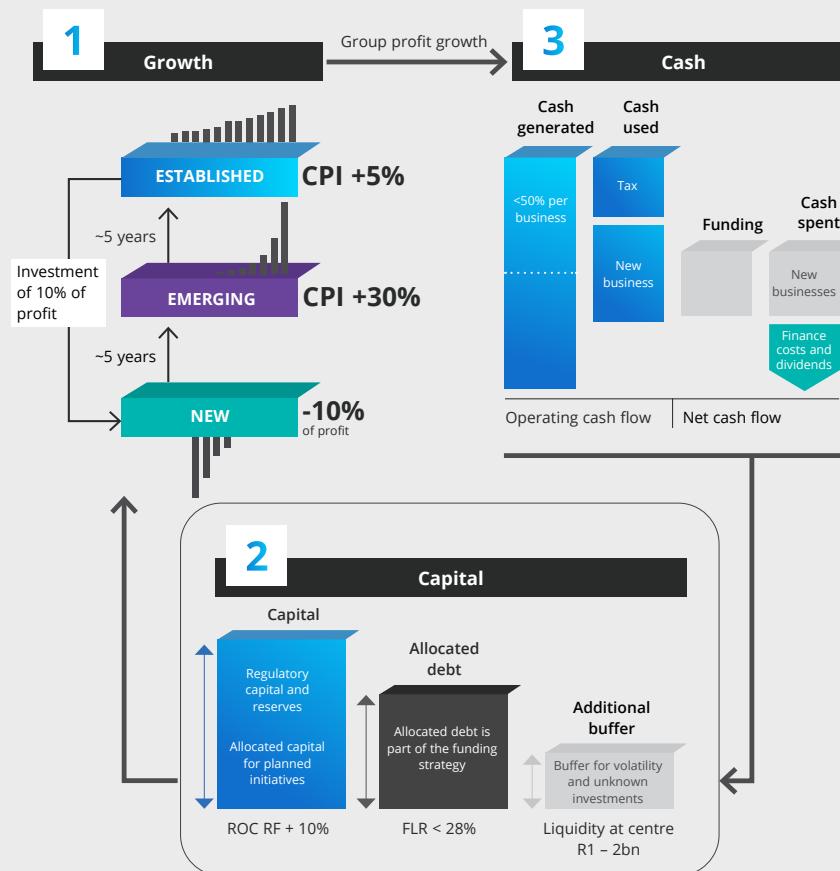
## Dividends

Despite the Group's robust capital position, due to the continued uncertainty and potentially volatile economic environment caused by the COVID-19 pandemic, the Board decided to retain its prior stated position and not declare a final ordinary dividend for FY2021. The reintroduction of dividends will be considered on an ongoing basis.



## Performance of normalised profit from operations against our growth methodology

Given Discovery's unique organic growth strategy and the extent to which we invest in new initiatives, our organic growth model guides our expansion into adjacent geographies and sectors. It also provides our stakeholder groups with a useful framework to interpret our income statement and understand how we manage and govern our various businesses. Furthermore, it frames our growth strategy and forms the basis for financial discipline. The model is continuously being refined but, in essence, remains in line with our organic growth model communicated in previous years.



## 1

### HOW WE PERFORMED AGAINST OUR ORGANIC GROWTH MODEL

Operating profit is normalised – adjusted for once-off, non-trading items or accounting adjustments – to provide a clearer picture of the Group's operating performance. Although the COVID-19 provision is abnormal, it is included in the presentation of normalised operating profit as it is seen to be part of the core operations and will impact future cash flows. The impacts of economic assumption changes on the operating results of the two long-term insurance businesses are adjusted in the presentation of normalised operating profit.



#### Established businesses

*Our Established businesses have a proven track record of being profitable for at least three years, and are cash flow positive before investment in new business.*

Normalised operating profit from our Established businesses reduced by 1% from R7 556 million in FY2020 to R7 488 million in the current year. A robust operating performance was significantly muted by the severe impact of COVID-19 on Discovery Life. In addition, the restructuring of repayment terms of VitalityHealth's existing reinsurance programme to better reflect the overall underlying claims experience of the current financial year and over future financial years, given further delayed elective medical procedures in the UK, had a net in-period cost of £39.7 million (R823 million).



#### Established businesses normalised operating profit down 1% TO R7 488 MILLION



Discovery Health



7%

Experienced continued operational efficiency gains and growth in Discovery Health Medical Scheme lives, and provided significant support to members and society – including the successful roll out of Discovery's mass vaccination programme.



Discovery Life



55%

Remains financially strong despite significant individual and group life COVID-19 claims amounting to R2.4 billion (net of reinsurance) and an additional provision of R2.1 billion. The business delivered positive actuarial variances through an excellent retention experience.



Discovery Invest



31%

Strong earnings growth was driven by recoveries in global and local markets. In addition, 15% of the increase in operating profit is attributable to once-off items. New business growth was curtailed by lower guaranteed plan sales.

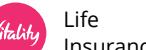


Health Insurance



15%

Excellent performance driven by continued retention and proven relevance of the Shared-value Insurance model. Careful management of the delay of elective healthcare in the COVID-19 environment.



Life Insurance



>100%

A strong recovery driven by right-sizing the cost base and favourable lapse experience. Strengthening of underlying actuarial basis. New business slowed with lockdowns and the focus on writing quality business.



## Emerging businesses

Our Emerging businesses are those businesses that have 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.

Our Emerging business' normalised operating profit increased by 46% to R1 078 million (FY2020: R736 million), exceeding our target of CPI + 30%.



Emerging businesses normalised operating profit up  
**46% TO R1 078 MILLION**



Discovery



Strong new business growth and robust underwriting performance, with earnings impacted by lower investment yields.



**2%**

Increasing integration and traction with existing partners, roll out to new markets and adjacencies, and benefit from hedging of operating expenses incurred in rand.



**Vitality**  
中国平安 \*  
**PINGAN**



**35%**

Focus on profit quality and scale through distribution channels and product diversification, supported by positive investment returns.

\* Equity accounted and South African costs



## New initiatives

Our organic growth model targets substantive investment of approximately 10% of earnings into new initiatives. At present, the investment in new initiatives is temporarily substantially higher than this long-term guidance given the size and stage of development of these initiatives. The most notable of these new initiatives are Discovery Bank, VitalityInvest, and new initiatives within Vitality Group. Other new initiatives include our Umbrella Fund business and Discovery Business Insurance.



Discovery

Discovery Bank

Strong, high-quality client and deposit growth while deliberately pursuing a prudent, quality-focused credit strategy.



Vitality Investments

Strong new business growth driven by continued traction with advisors, as well as a significantly reduced cost base.





*The weighted average exchange rates – which impacted the conversion of earnings from the UK and our Emerging businesses – and the closing rates used for consolidation purposes are shown below:*

Average exchange rates	FY2021	FY2020
Rand/£	<b>20.74</b>	19.75
Rand/US\$	<b>15.42</b>	15.70
Rand/RMB	<b>2.32</b>	2.21

Closing exchange rate	FY2021	FY2020
Rand/£	<b>19.74</b>	21.44
Rand/US\$	<b>14.28</b>	17.41
Rand/RMB	<b>2.21</b>	2.46

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.

Reported profit for the year up  
**3 155% TO R3 157 MILLION**  
(FY2020: R97 million)



### The main items are highlighted in the reconciliation:

R million	FY2021	FY2020	% change	Comments
Normalised profit from operations	<b>6 494</b>	6 069	7%	
Economic assumption adjustments	(519)	(4 830)		Excluded from the presentation of normalised measures, as these assumption adjustments have minimal bearing on operating performance for the year.
Dilution gains from equity-accounted investments	<b>554</b>	3		R537 million relates to a gain on the reduction of Discovery's effective shareholding in Cambridge Mobile Telematics (CMT) from 9.58% to 7.89% on a fully diluted basis following the finalisation of CMT's acquisition of TrueMotion Inc on 16 June 2021.
Deferral fees related to Prudential Book transfer	(187)	(71)		Annual cost of £9 million related to the three-year deferral of the Part VII transfer of VitalityLife's back book written on the Prudential Assurance Company's (Prudential) licence (the agreement was reached in February 2020).
Finance charges, excluding 1 Discovery Place finance lease	(1 291)	(1 218)	6%	
Unrealised (losses)/gains on foreign exchange contracts not designated as a hedge	(304)	263		
Foreign exchange gains	(389)	578		
Other	(151)	(271)		
Profit before tax	<b>4 207</b>	523	704%	
Tax	(987)	(347)		
Profit attributable to preference shareholders	(63)	(81)		
Loss attributable to non-controlling interest	-	2		
<b>Profit attributable to ordinary shareholders</b>	<b>3 157</b>	97	3 155%	

The rand experienced extreme volatility during FY2020 and FY2021. We observed a significant weakening towards the end of the previous financial year, most of which recovered towards the end of December 2020. This created a significant negative impact on the current financial year's results – both on the fair value of foreign exchange contracts not designated as hedges (R304 million) and on foreign exchange losses (R389 million), the majority of which can be attributed to the translation of foreign currency-denominated intercompany loans.

The lower effective tax rate is largely attributable to:

- Deferred tax asset adjustments after the UK tax rates increased to 25%
- 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 a non-deductible interest incurred by the Group.



## Reconciliation between earnings and HE and NHE

R million	June 2021	June 2020	% change	Comments
<b>Profit attributable to ordinary shareholders</b>	<b>3 157</b>	<b>97</b>	<b>3 155%</b>	
Adjusted for:				
- Gain on dilution of equity-accounted investments, net of tax	(414)	(3)		Largely attributable to the dilution of the Group's effective shareholding in CMT.
- Impairment of investment in equity-accounted investments, net of tax	149	-		Relates to AIA Health (approximately 72% of carrying value).
- Loss on derecognition of assets, net of tax	40	149		
- Other	54	53		
<b>HE</b>	<b>2 986</b>	<b>296</b>	<b>909%</b>	
Economic assumption adjustments net of interest rate derivative and net of tax	383	3 584		Interest rate hedge in the UK is highly effective, with slippage costs of R87 million after tax. Volatility in market indicators had a negative impact of R296 million after tax on Discovery Life's profit.
Other	37	(133)		
<b>NHE</b>	<b>3 406</b>	<b>3 747</b>	<b>-9%</b>	

## 2 OUR CAPITAL MANAGEMENT APPROACH

Our capital management framework has three components, which 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/E million	June 2021			June 2020			
	Statutory capital requirements	Cover	Statutory capital requirements	Cover			
Discovery Life	R17 647	1.8 x			R14 835	1.8 x	
Discovery Insure	R1 079	1.8 x			R885	1.8 x	
VitalityHealth	£105.6	R2 084	1.6 x		£102.3	R2 194	1.7 x
VitalityLife	£225.5	R4 451	2.4 x		£228.3	R4 896	2.0 x

### 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 (ROE) for FY2021 was 7.5% (FY2020: 8.2%), driven by the reduction 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 R13.4 billion across the Group and excess liquidity held at the centre of R2 billion (including a revolving credit facility of R750 million) – which was within 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 is 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 25.7% at 30 June 2021 (2020: 25.1%).

## Ping An Health Insurance capital injection to support long-term growth

During FY2021, the Group became aware that due to Ping An Health Insurance's future growth prospects and its expanding product mix, along with the evolving prudential regulatory requirements in China, it requires additional capital of RMB2.6 billion (approximately R6 billion). Discovery's contribution, amounting to approximately R1.5 billion, will be required in the near future.

Discovery is committed to its investment in Ping An Health Insurance. We intend to follow our rights in this regard, aligned with previous capital contributions. Accordingly, the Group is evaluating the optimal funding mechanism in the context of COVID-19, aligned with the discipline of our capital plan. Previously, Discovery funded similar growth opportunities through equity rather than debt. Should we decide to raise equity capital, we expect to follow a similar strategy to that of the final buy-out of the FNB credit card book in 2018, for which we raised a specific quantum, ring-fenced for those purposes, to ensure that the discipline of capital allocation within the capital plan remains intact. The prospects for private healthcare and private health insurance in China provide an excellent long-term opportunity, supported by recent government policies emphasising the development of healthcare and private health insurance.

## 3 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 any possible regulatory constraints. The framework also 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 2021	June 2020
Unit-linked investment and insurance contracts	<b>4 071</b>	2 502
Shareholder cash	<b>15 942</b>	15 407
<b>Closing balance</b>	<b>20 013</b>	<b>17 909</b>

The increase in cash and cash equivalents to R20 013 million at 30 June 2021 (FY2020: R17 909 million) is largely attributable to unit-linked investment and insurance contracts. Shareholder cash balances include collateral of R2 million (FY2020: R1.1 billion), held in respect of derivative contracts, and R6.2 billion (FY2020: R6.2 billion) regarding the deposit back related to the level premium reinsurance treaty for business written on Prudential's license. 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 R1.2 billion (FY2020: R1.1 billion). Including a revolving credit facility of R750 million, this results in the liquidity buffer at the centre of approximately R2 billion.

### Cash management supporting our growth methodology

**NET CASH OUTFLOW R1 259 MILLION**

**CASH GENERATION POSITIVE PRIOR TO COVID-19**

**R13.0bn**

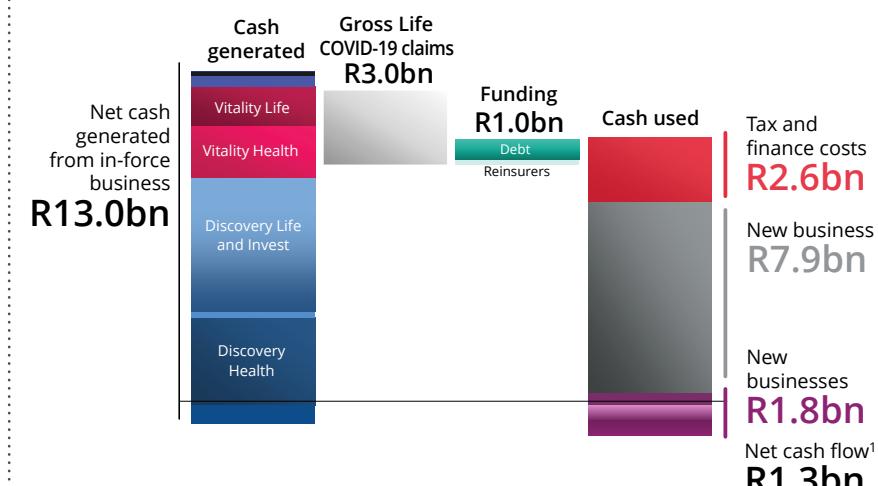
Cash generated from in-force

**R14.3bn**

Cash used net of funding

**(R1.3bn)**

Net cash flow



<sup>1</sup> Movement in shareholder free cash. Shareholder free cash was negatively impacted by COVID-19 claims.



## Understanding our Statement of Financial Position

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

### ASSETS ARISING FROM INSURANCE CONTRACTS

As at 30 June 2021, assets arising from insurance contracts amounted to R50 483 million (FY2020: R48 042 million). Discovery has consistently adopted a policy of setting up assets arising from insurance contracts – often referred to as the negative rand reserve (NRR) – at the point of sale approximately equal to the acquisition costs incurred in writing these long-term policies.

While IFRS 17: *Insurance Contracts* will only be effective for the Group from 1 July 2023, we have already implemented a programme to assist with the transition. In doing this, we particularly focused on:

- Further refining the data flow and data system implications across the Group and implementing IT solutions that will be deployed and utilised as part of Discovery's IFRS 17 solution.

- Understanding and quantifying the key IFRS 17 accounting policy election impacts, considering alternative approaches where appropriate.
- Understanding and, in some cases, further refining the initial results and observations of IFRS 17 across our businesses.
- Remaining at the forefront of IFRS 17 technical developments and deliberations by actively participating in several industry working groups.

We made significant progress in implementing our IFRS 17 transition programme during the year, with the short-term insurance business lines of Discovery Insure, VitalityHealth and Group Life making good progress. In addition, Discovery Life completed initial individual life insurance results on a fully retrospective IFRS 17 basis, with work to refine models and assumptions continuing. Discovery Life is making progress in its work regarding reinsurance contracts and the Discovery Invest portfolio. In the interest of efficiency, VitalityLife is leveraging the work already completed to align the methodologies and models of IFRS 17 across the Discovery Group.

### FINANCIAL ASSETS – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss at 30 June 2021 increased to R130 937 million (FY2020: R102 714 million). This increase is mainly attributable to the growth in assets under administration in Discovery Invest and VitalityInvest which, in turn, was driven by strong recoveries in global and local markets and new business growth. These factors are also reflected in the increase in liabilities arising from insurance contracts to R100 977 million (FY2020: R82 411 million) and in financial liabilities – investment contracts at fair value through profit or loss to R32 291 million (FY2020: R23 012 million).

### OTHER RESERVES

As at 30 June 2021, other reserves reduced from R3 269 million to R1 935 million, largely because of the decrease in the foreign currency translation reserve driven by the strengthening rand against the pound and dollar.

### BORROWINGS AT AMORTISED COST

R million	June 2021	June 2020
Borrowings from banks	15 230	15 456
UK borrowings	3 764	3 498
South African borrowings	11 466	11 958
Lease liabilities	4263	4 380
1 Discovery Place	3 388	3 370
Other lease liabilities	875	1 010
<b>Total borrowings at amortised cost</b>	<b>19 493</b>	<b>19 836</b>

We have a continuous process of managing the maturity profile of our term debt.

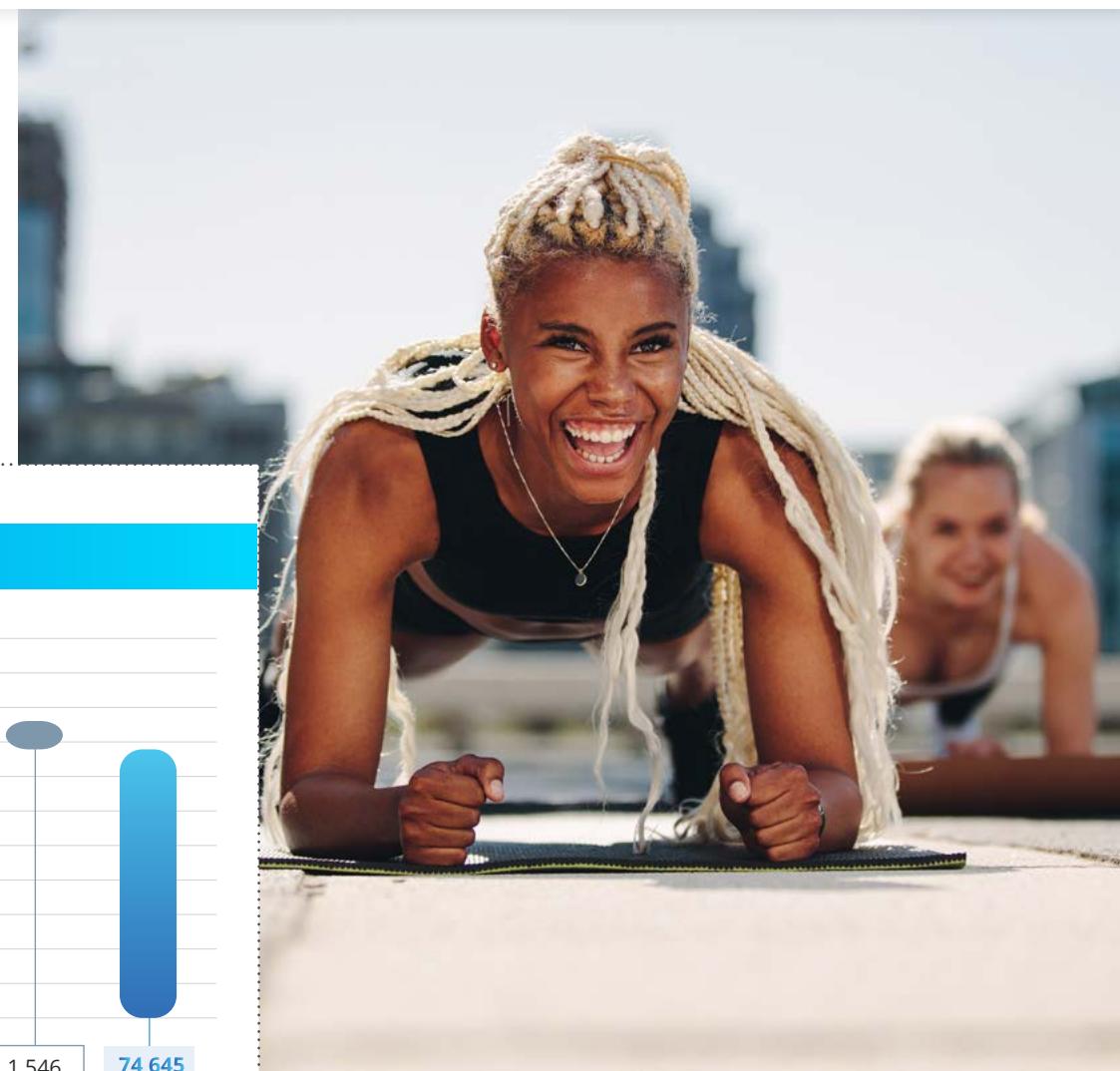
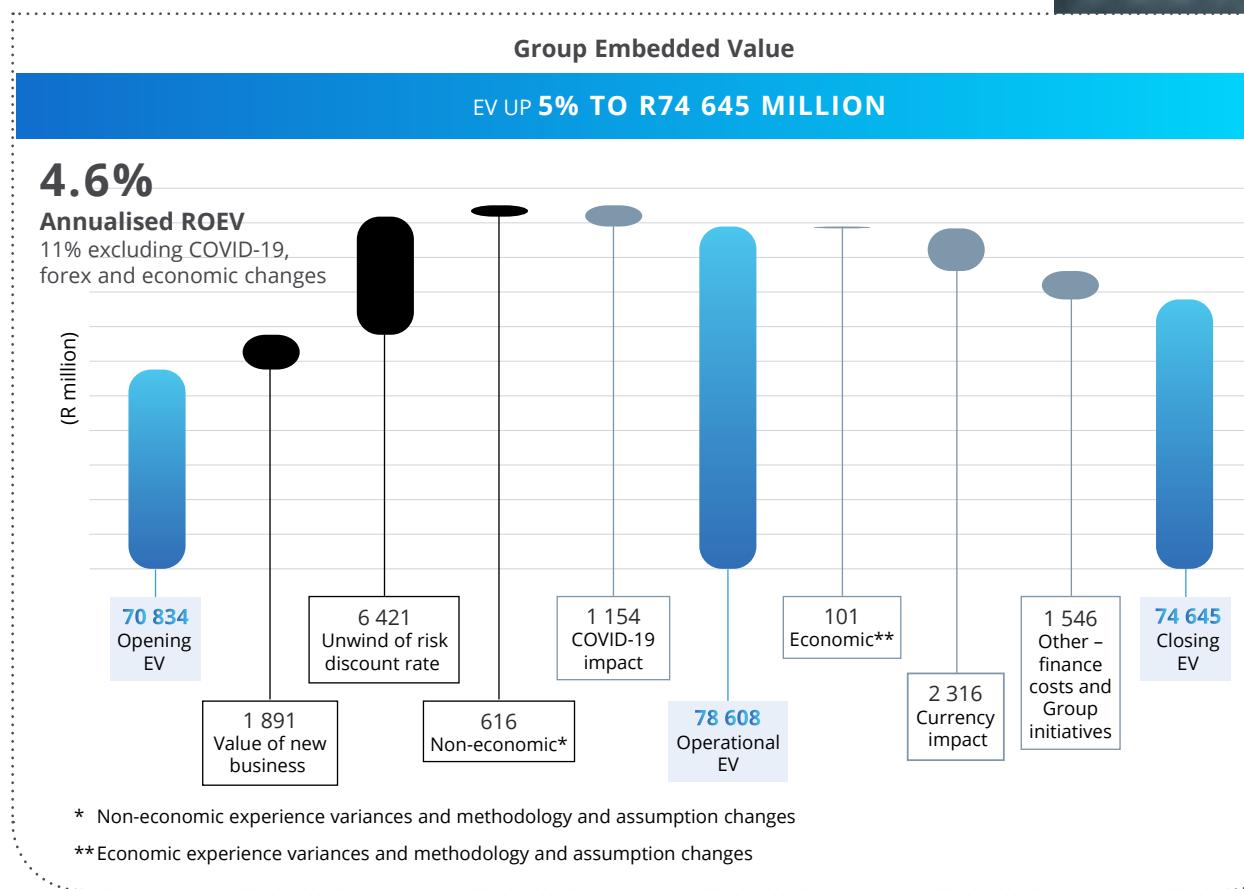
### Discovery Limited's credit rating

Discovery's national scale long-term issuer rating was reaffirmed at A1.za. However, following the downgrade of the South African government's issuer rating from Ba1 to Ba2 on 20 November 2020, Moody's Investors Service downgraded Discovery's global scale long-term issuer rating from Ba2 to Ba3 on 25 November 2020. The rating was reaffirmed on 8 March 2021. Similar to the country's outlook, the credit outlook assigned by Moody's remains negative.

## 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 Group, 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 5% to R74 645 million (FY2020: R70 834 million) and annualised return on opening EV increased to 4.6% (FY2020: 2%).





## Looking Forward

*Over the past year, we continued to face unprecedented complexities given the continued impact of the COVID-19 pandemic. While we were confronted with uncertainty and change, Discovery's Shared-value Insurance model has proven to be highly relevant in addressing the challenges driven by COVID-19 and is continuously increasing in relevance. Given the increasing importance of health, wellness and resilience, we believe the Group is positioned for continued growth in local and global markets despite the challenging macro environment.*

A disciplined long-term capital plan remains a key focus as Discovery continues to follow a highly structured approach to navigating the impact of COVID-19 while ensuring that the Group remains resilient and able to continue to fund its growth initiatives. In this context, we are evaluating the optimal funding mechanism for the Ping An Health Insurance capital injection. The effect of continued interest rate and currency volatility in South Africa is expected to remain a feature of the reported results.

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. Furthermore, our risk management, governance and other processes will continue to play an important role as we launch New businesses and further expand the reach of our Established and Emerging businesses.

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.
- Managing our funding plan in line with the above as well as our debt maturity profile.
- Further implementing our IFRS 17 transition programme.
- Responding to regulatory changes across our insurance businesses.
- Implementing targeted operational and risk management interventions, as well as product changes, to create sustainable and positive experience variances.
- 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.

Given the unique and difficult environment we faced over the past year, I would like to extend my appreciation to the entire Discovery team. Their unwavering support and dedication remain crucial to the Group's success, and their resilience remains inspiring. I truly believe this is a testament to their commitment to living our core purpose.

**DEON VILJOEN**

**"GIVEN THE UNIQUE AND DIFFICULT ENVIRONMENT WE FACED OVER THE PAST YEAR, I WOULD LIKE TO EXTEND MY APPRECIATION TO THE ENTIRE DISCOVERY TEAM".**

## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP

## OUR BUSINESS REVIEWS

# DISCOVERY HEALTH

ESTABLISHED  
BUSINESS

## What sets Discovery Health apart

Discovery Health offers a fully integrated, value-driven healthcare operating system supported by world-class product innovation, sophisticated big data capability and best-in-class service excellence. Vitality is at the heart of our core purpose to make people healthier and enhance and protect their lives, and our shared-value approach enables value-based measurement and reimbursement that drives quality while lowering healthcare costs – ultimately resulting in decreased member contributions.

Lives under management\*  
exceeding

**3.73 MILLION**

(FY2020: 3.67 million)

Normalised operating profit  
increased by

**7% TO R3 423 MILLION**

(FY2020: R3 190 million)

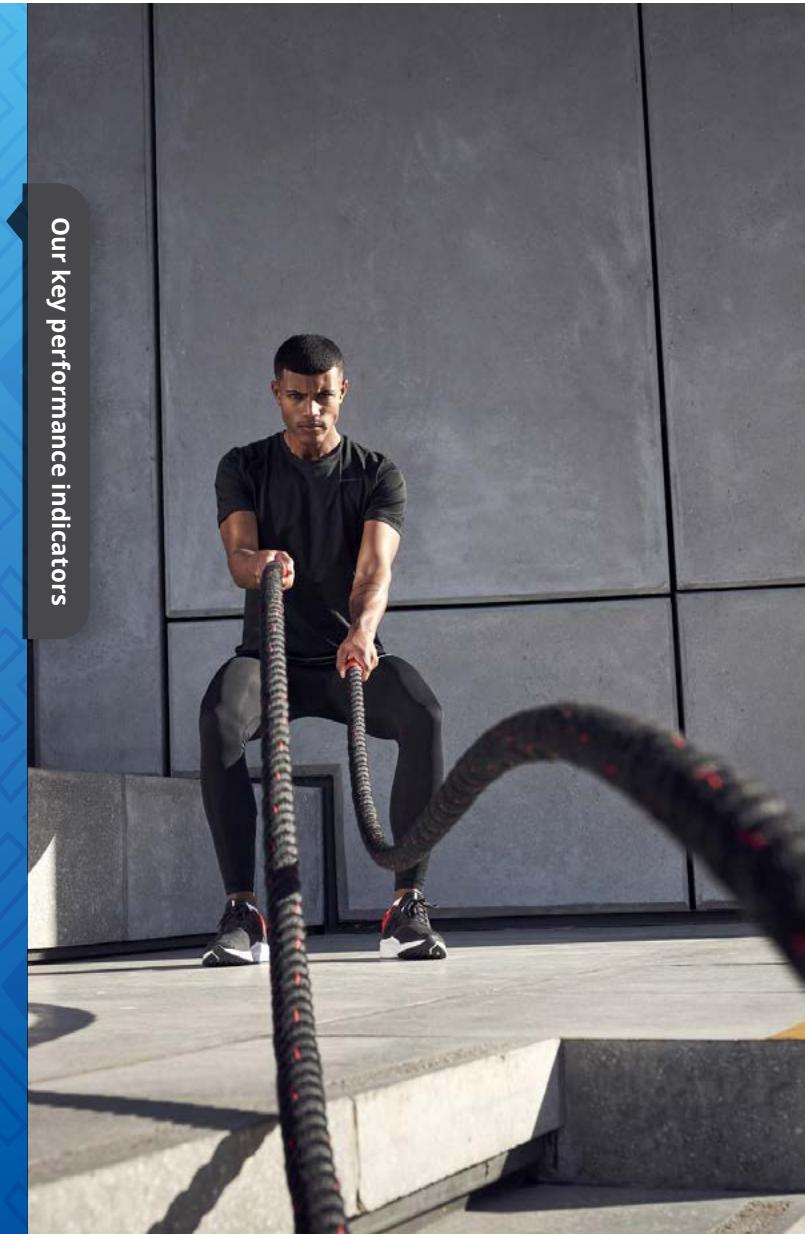
Core new business annualised premium  
income (API) remained flat but robust at

**R6 079 MILLION**

(FY2020: R6 101 million)

\* Includes lives with non-medical  
scheme products.

## Our key performance indicators





## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



## Our performance against strategy

Discovery Health strives to ensure high-quality healthcare at an affordable cost, meeting the full spectrum of healthcare needs of our client medical schemes and their members. In pursuit of this, we focused 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.

During FY2021, Discovery Health delivered a resilient financial performance in a challenging environment characterised by the outbreak of COVID-19 and associated lockdowns, which affected normal economic activity. This past year, data supported the efficacy of our Shared-value Insurance model across industry silos, and we continued to invest in our world-leading digital healthcare platform. As a result,

Shared-value benefits realised through engaged Vitality members whose hospital costs were  
**27%**

lower and their lapse rate  
3.7 times lower than  
non-Vitality members

Discovery Health Medical Scheme (DHMS) was able to achieve a 17.3% contribution differential compared with our eight largest competitors. In addition, DHMS was the first and only open medical scheme to pause contributions increases for its members. Through this innovative strategy – which emerged from sophisticated actuarial analysis – DHMS members paid CY2020 contribution rates for the first six months of CY2021, while all benefit increases and enhancements were effective from 1 January 2021. Cumulatively, this saved members R2.2 billion in lower contributions. DHMS has shown pleasing growth, with a net increase in number of lives since 31 December 2020. This was driven by significantly lower withdrawal levels and new business recovering to pre-COVID-19 levels. Non-medical scheme membership growth surpassed expectations – with overall growth in earnings strongly supported by ongoing cost efficiency – and direct expenses increasing below the consumer price index (CPI) for the period.

Value-based care contracts now account for  
**12.2%**  
of all healthcare professional spend



Total revenue increased by 5% to R8 802 million



Non-medical scheme retail products – Discovery Flexicare, Gap Cover and HealthyCompany – grew rapidly, experiencing revenue growth of 29% and now accounting for over 192 700 lives under administration



Acquired 100% ownership of Liberty Health Administration (Pty) Ltd, which administers the Libcare Medical Scheme (12 350 lives and R374 million in API)



The Connected Care platform went live, seamlessly aggregating members, providers and case managers through a patient-centric model across a digital engagement platform



DHMS introduced Centres for Excellence for colorectal cancer surgery, a Spinal Care Programme and Spinal Surgery Network – guiding members to higher-quality centres for the care of specialised conditions



Operational expenditure remains well under control, driving operating efficiencies at scale



The Section 59 Investigation Panel released an interim report, detailing evidence of unfair racial discrimination during forensic investigations into fraud, waste and billing abuse by the medical scheme industry – while we acknowledge the sensitivity required in addressing these matters, we reject the Panel's findings on deliberate, explicit racial bias and made a detailed submission in this regard with supporting inputs from independent experts and senior counsel.

## Where we are headed

*As we move into FY2022, we anticipate that the decrease in new business – predominantly due to the contraction of existing insured employer groups – will continue, given the ongoing constraints on the South African economy. However, we are exploring additional pipeline opportunities for employer growth. The swing to growth – driven by individual retail customers (5.4% growth in Type II new business) which, in turn, led to positive net growth in DHMS since 31 December 2020 – is favourable and could represent clients' increased recognition of the importance of protection, as well as a move to quality, high-value cover available from DHMS. We expect growth from non-medical scheme, non-traditional markets to continue, including mass market opportunities through Flexicare and Discovery Prepaid Health.*

We will continue to invest responsibly in technology and data analytics to further develop our digital healthcare ecosystem and upgrade our core systems. Several product enhancements are in the pipeline, focusing on healthcare system digitisation, quality measurement and broadening the access to care.

## OUR BUSINESS REVIEWS

# DISCOVERY LIFE



## What sets Discovery Life apart

For over two decades, Discovery Life has focused on market-leading innovation and services, building a comprehensive suite of plans aimed at all client segments and designed to meet their full spectrum of needs. In the highly penetrated South African insurance industry, our dynamic Shared-value Insurance model empowers clients to derive value from actively managing their health and, through our PayBack benefit, rewards them for it.

Value of new business (VNB) including COVID-19 impacts decreased by

**2.4% TO R411 MILLION**

(FY2020: R421 million) and increased by 12.9% to R586 million excluding COVID-19 impacts (FY2020: R519 million)

VNB margin including COVID-19 impacts decreased to

**5.7%**

(FY2020: 5.8%) and increased to 8% excluding COVID-19 impacts (FY2020: 7.1%)

New business annualised premium income (API) decreased by

**1% TO R2 264 MILLION**

(FY2020: R2 286 million)

Normalised operating profit decreased by

**6% TO R3 789 MILLION**

before the impact of COVID-19 (FY2020: R4 029 million) and decreased by 55% to R1 341million after the impact of COVID-19 (FY2020: R2 971 million)

Embedded value increased by

**10% TO R34.8 BILLION**

(Discovery Life and Discovery Invest) (FY2020: R31.8 billion)

Our key performance indicators

Maintained leading new business position, with a market share of

**30%** in the retail-affluent segment



## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



## Our performance against strategy

Discovery Life operated in a complex environment during the year under review. The impact of COVID-19 in South Africa was higher than expected, mostly driven by the significantly more contagious Beta variant during the second COVID-19 wave and the slow vaccination roll out prior to the third wave. Considering this, the business raised a material provision of R2 billion for claims expected to arise from the country's third and potential fourth COVID-19 waves. However, while the significant second and third COVID-19 waves materially impacted many aspects of the business' operations and financial performance, Discovery Life remains well positioned for growth despite the ongoing complex and uncertain environment.

Against a volatile and challenging backdrop, Discovery Life continued to focus on driving profitable new business growth, improving the ease of doing business – primarily through digital innovations like the Virtual Underwriter and artificial intelligence (AI) Quote tool – growing the business' distribution capacity and product innovation.

## R3.3 BILLION

provided to clients through  
shared-value benefits in FY2021  
– including PayBack, Cash  
Conversions and Premium Savings



Total gross claims of  
**R11.9 BILLION**

were paid during the year,  
of which R3 billion related  
to COVID-19



Discovery Life remains committed to the country's vaccination strategy and embarked on a series of initiatives to encourage vaccination take-up among its clients – this included the launch of market-first product features recognising the material reduction in risks for clients by being vaccinated; the business also assisted policyholders to get their vaccine and rewarded them accordingly



Significant increase in COVID-19-related claims given the severe second and third waves, resulting in an additional provision of R2.1 billion



New business decreased by 1% – partially due to lower automatic contribution increases over the period, consistent with a lower CPI



The strengthening rand against dollar negatively impacted headline earnings



Introduced Vitality Coach, a new mobile-led service that guides clients to Vitality engagement and maximise rewards



Discovery Life International launched the new Dollar Life Plan, providing a full range of authentic offshore risk protection solutions denominated in US dollars



Expanded our capabilities in providing comprehensive and specialised fiduciary services through Discovery Wills and Trust Services, Discovery Estate Preserver, Virtual Underwriting

## Where we are headed

*Strategically, Discovery Life will focus strongly on driving vaccinations among our employees and policyholders to mitigate the impact of COVID-19. We will also focus on driving new business through product initiatives and the ease of doing business, improving new business margins, restoring profitability by avoiding negative variances and improving the business' capital position.*

## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP

## OUR BUSINESS REVIEWS

# DISCOVERY INVEST



## What sets Discovery Invest apart

Through our shared-value model for investments, 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. Our clients improve their investment behaviours as a result of these shared-value benefits and, accordingly, receive higher income in retirement, pay lower fees and are less likely to react negatively to market downturns. Therefore, Discovery Invest's unique shared-value approach – supported by strong asset management partnerships – assists clients to secure their retirement or achieve other shorter or medium-term goals.

Assets under administration increased by

**18% TO R117 BILLION\***  
(FY2020: R99 billion)

New business annualised premium income (API) increased by

**3% TO R2 737 MILLION\***  
(FY2020: R2 667 million)

Linked funds placed in Discovery funds increased to

**79.6%**  
(FY2020: 78.3%)

Assets under management increased by

**21% TO R76 BILLION**  
(FY2020: R63 billion)

Normalised operating profit increased by

**31% TO R1 084 MILLION\***  
(FY2020: R830 million)

Our key performance indicators



\* Excludes the Discovery Invest Umbrella Fund business



## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



### Our performance against strategy

Discovery Invest continues to be a significant taker of net retail flows in South Africa on a quarterly basis, and performed excellently over the last year, despite the challenges of the COVID-19 pandemic and volatile financial markets. Our clients remained invested during the year with withdrawals significantly below expectation, and total assets under administration reaching a historic high of R117 billion. Furthermore, since the launch of our revamped offshore offering in July 2020, offshore new business increased by 81% on the back of powerful partnerships with BlackRock and Goldman Sachs, while our local-linked business increased by 7%. Furthermore, the Discovery Global Megatrends Fund, also in partnership with Goldman Sachs, saw significant traction since April 2021 and continues to grow – representing a successful entry into the thematic investment market.

In addition to our cost-effective platform and top-performing funds, we provide further value to our clients – since inception, we have paid and accrued more than

## R13 BILLION

in shared-value benefits, including more than R1.88 billion  
in fees discounted

#### Clients exhibited

## 11% LOWER DRAWDOWNS,

up to 20% lower lapse rates and two times more ad hoc contributions to their investment savings in comparison with the pre-launch experience in June 2015, when our new model, addressing the issues inherent to retirement planning, was introduced



The value of new business (VNB) increased by 97% from R174 million to R342 million – this was mostly driven by updated economic assumptions, lower initial cost per policy, and an increase in the average case size



Over 18 000 contribution holidays on recurring contribution products were taken up since the pandemic began; 77% of policyholders who took up contribution holidays have resumed paying premiums, with the remainder becoming paid up



Discovery Invest's unit trusts remained resilient during FY2021, with net flows among the highest in the industry



Operating profit increased by R254 million, or 31% during FY2021; 15% of this was due to non-recurring items, being FY2020 lapse provisions not utilised and a R60 million gain from bonds backing the Guaranteed Inflation Linked Fund – without these once-off items, operating profit increased by 16% as a result of improved revenue from strong growth in assets under administration and robust market performance reflected in Discovery funds, which translated to greater top-line growth; this was further supported by the success of Discovery Invest International, new product offerings and greater operational efficiency



Clients who rotated out of fixed interest investments into equity and asset allocation funds after the crash in March 2020 received robust returns over the period



Sales of our Guaranteed Growth plan reduced by 24%, in line with weaker yields on offer and the significant reduction of the tax asset used to support gross rates over the last decade; all other product lines increased significantly



Launched the Discovery Global Megatrends Fund, which provides clients with unique exposure to four fundamental trends – technological advancement, new-age consumers, environmental sustainability and the future of healthcare



Our Umbrella Fund business experienced new business gains as a result of business development, including investment in our distribution strategy



Continued to augment our digital capabilities and initiatives as an enabler for growth through enhanced client experience and operational efficiencies

### Where we are headed

*The COVID-19 pandemic has transformed the way business is done with a new emphasis on digital technology. Multiple factors are coming together to form a constructive outlook for both emerging and developed markets in the year ahead. Against this backdrop, Discovery Invest will continue to focus on product innovation and distribution. Furthermore, several initiatives are underway to unlock new opportunities and improve the business' digital offering to create impactful client experiences and simplify user and operational processes.*

We also remain focused on expanding our market-leading partnerships with world class asset managers enabling our clients to benefit from global investment opportunities.

SA COMPOSITE

UK COMPOSITE

VITALITY GROUP

## OUR BUSINESS REVIEWS

# DISCOVERY INSURE

EMERGING  
BUSINESS

## What sets Discovery Insure apart

Since its launch a decade ago, Discovery Insure has disrupted the short-term insurance market with innovative products across car, home and business insurance, compelling incentives and state-of-the-art technology – all of which are underpinned by our Shared-value Insurance model. At the centre of our approach is Vitality Drive, our incentive-based behaviour programme that rewards clients for driving well and, in doing so, prevented numerous accidents, deaths and injuries – making a material difference to the health and safety of our clients and broader society.

Gross written premium earned increased by  
**15% TO R4 205 MILLION  
(EXCLUDING COMMERCIAL)**  
(FY2020: R3 666 million)

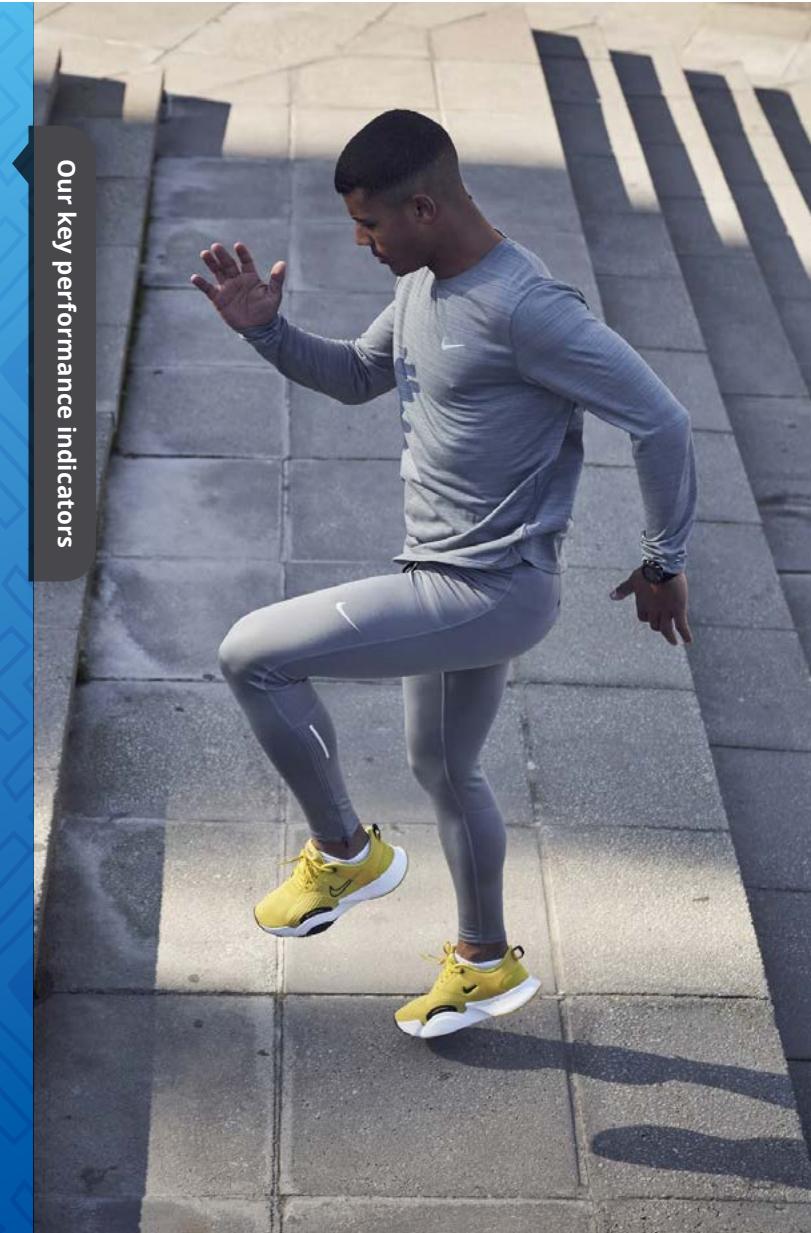
Gross new business annualised premium income (API) (excluding VAT) increased by  
**18% TO R1 287 MILLION  
(EXCLUDING COMMERCIAL)**  
(FY2020: R1 089 million)

**6%**  
Operating margin, favourable and within budget and trending towards our long-term target  
(FY2020: 6%)\*

Normalised operating profit increased by  
**2% TO R250 MILLION  
(EXCLUDING COMMERCIAL)**  
(FY2020: R246 million)

\* Personal Lines only

Our key performance indicators



## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



## Our performance against strategy

Discovery Insure – South Africa's first telematics-based vehicle insurer – has a simple but essential purpose: to create a nation of great drivers. As the fastest-growing short-term insurer in South Africa, Discovery Insure covers over R396 billion in assets and has collected over 14 billion kilometres of driving data – enabling uniquely sophisticated data analysis that leads to continuous product innovation. We continue to see evidence of the efficacy of our Shared-value Insurance model. This, along with the quality of our client base, led to Discovery Insure experiencing its lowest lapse rates since inception; 2% lower than the previous year.

Through the Vitality Drive programme, we paid over  
**R1 BILLION**  
in rewards to clients for good driving\*

The fatality rate of Discovery Insure clients is

**40% LOWER**

than South Africa's overall road fatality rate,  
and we continue to have zero deaths\*  
among our Gold and Diamond status drivers

\* to date, since inception



Discovery Business Insurance experienced significant growth over the year, along with a 29% annual increase in broker support and a 115% increase in gross premium income



Made significant progress in digitising the customer journey by improving our digital capabilities through artificial intelligence (AI) – this included Vitality Drive's redesign, our AI Quote capability, ongoing development of the online claims and digital assessment capability, and the development of online sales



Loss ratios were higher than FY2020 due to normalisation in driving patterns, which lead to a relative increase in motor claims during the year. However, loss ratios are still lower in comparison with FY2019 due to ongoing improvement in policy duration and efficient claims management



Driven by our telematics data, our clients continued to receive Dynamic Distance cash back for driving less during the various stages of lockdown; clients that did not reduce their driving were rewarded for good driving through cash back on fuel



Introduced the Discovery Driving Academy, added another layer of protection to the Crowd Search Sensor, and enhanced our child car seat discounts



Created bespoke insurance solutions with cover and benefits tailored to business clients to help them better manage their risks



In line with our strategic objective to extend our model into our international markets, Discovery Insure successfully extended to two international markets – the UK (VitalityCar) and Saudi Arabia (Tawuniya Drive)



Launched Pothole Patrol, a joint initiative with Dialdirect and the City of Johannesburg, through which we use our extensive telematics data asset to identify potholes to be fixed



Launched DriveView to enable in-cabin vehicle monitoring



Opened two new drive centres, to increase engagement and offer a one-stop experience for clients



Launched the Discovery Insure Vehicle Warranty – which continued to receive great interest and support from advisors and clients, along with good conversion rates from all channels

## Where we are headed

*As we strive to create a nation of great drivers, our products and feature enhancements will continue to provide extensive and relevant cover and benefits for our clients and their families. Furthermore, we will continue providing relevant solutions to our clients and driving new sales growth through our commercial business. We remain committed to making a positive impact on society, with several initiatives underway to positively influence the number of road fatalities in South Africa. Looking ahead, we will continue to drive our strategy of increasing our scale in terms of market share and profitability.*

Discovery Insure continues to drive innovation, relying on data analytics and consumer and market insights to provide the best value proposition to our clients. We remain focused on creating a client-centric and engaging mobile experience by enhancing existing functionality while developing new capabilities – several of which are planned for FY2022. Furthermore, our model is proving replicable in global markets, with Discovery Insure playing a pivotal role in advancing the Group's composite strategy through the expansion of Vitality Drive beyond South Africa. During FY2022, we expect to extend the unique driver behaviour programme to more markets.

Guided by our Group Climate Change Strategy, we are in the process of quantifying the impact of climate change risk on Discovery Insure via different climate change scenarios, including an increase in claims submitted by clients. We will continue to refine these scenarios over time to reflect our evolving understanding and developments in best practice.

## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP

## OUR BUSINESS REVIEWS

# DISCOVERY BANK



## What sets Discovery Bank apart

Discovery Bank is revolutionising banking, combining innovative technology and leading digital capabilities with the Group's understanding of risk and behaviour change to create a new category of banking centred on shared value. This unique approach is driven by Vitality Money, which measures how well clients manage their money – the better they do, the higher their Vitality Money status and the greater the value they receive, all through a shared-value stack of unprecedented and personalised rewards. Among these is Discovery Miles, a powerful rewards currency more valuable than cash, offering clients discounts between 5% and 20%, when spent within our vast network of online and retail partners.

Furthermore, Discovery Bank's differentiated digital banking platform delivers a streamlined end-to-end customer journey, offering seamless and quick onboarding and immediate transaction capability, the ability to make payments with Apple Pay or Samsung Pay; account management features like SmartVault and SmartSearch; 24/7/365 assistance with Live Assist; our integrated Shared-Value rewards stack; and state-of-the-art security features.

 **649 000 ACCOUNTS**  
(FY2020: Over 357 000 accounts)

 Retail deposits of  
**R8.2 BILLION**  
(FY2020: R2.4 billion)

Total credit facilities of  
 **R9.5 BILLION AVAILABLE, OF WHICH R3.8 BILLION IS BEING UTILISED**  
(FY2020: R5.4 billion/R2 billion)

Credit loss ratio of  
**4.6%**  
**(INCLUDING COVID-19 OVERLAY)**  
**or 3.96%**  
**(EXCLUDING COVID-19 OVERLAY)**  
(FY2020: 3.42%/1.91%)

**362 000**  
clients

(FY2020: over 200 000 clients)





## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



## Our performance against strategy

Discovery Bank strives to be South Africa's preferred fully digital retail bank and, pleasingly, our deposit growth is best in class after two years of operation. We also want to be the leader in shared-value banking, providing world-class banking solutions that improve our clients' financial health and positively impact society. To get there, we focus on four strategic areas – accelerating growth; leveraging our composite model; offering differentiated, market-leading products; and providing unparalleled service and operational excellence – which enabled us to significantly enhance our value proposition over the past year.

Discovery Bank is a key priority for the Group and the South African composite, and made pleasing progress against its strategy and key growth metrics. However, financial results were negatively impacted by non-performing loans, a conservative approach to credit advances and increased funding costs due to the strategic decision to increase liquidity during the year. New clients and accounts continued to grow steadily during the year, with efforts focused on new-to-bank clients following the migration of the FNB joint venture loan book. This was further supported by a sustained marketing presence and increased traction within the direct channel. To date, over 900 advisers have been accredited, representing around 70% of the total tied agency force.

Retail advances increased by R1.8 billion, primarily driven by the migration of the DiscoveryCard Platinum client portfolio. New-to-bank advances remained flat, reflecting decreased consumer spending due to COVID-19, as well as a prudent lending approach. Notably, however, 51% of Bank clients have their largest credit card balances with Discovery Bank. Deposits were the fastest-growing in the market over the past year, increasing by almost R6 billion to R8.2 billion. This reflects our competitive interest rates and increased trust among our clients.

On average, clients earned more than

**409 MILLION**

Discovery Miles every month, spending over 2.1 billion miles at Discovery Bank partners

The utilisation of transaction capabilities grew steadily – electronic fund transfers and real-time clearing transaction volumes

more than doubled during the year, reaching R627 million and R413 million respectively



### Ongoing commitment to service excellence:

- Discovery Bank services were available 24/7/365 across our mobile app, telebanking capability, website and social media platforms, with 99% systems availability
- Live Assist – launched in May 2021 – offers remote assistance to our clients through the Discovery Bank app and has a client-based research score of 4.88
- Service levels continued to improve, with over 85% of our clients rating our services 5 out of 5
- Social media servicing hours were extended, with over 90% of queries received via our social media platforms responded to within 30 minutes



SmartSearch offered clients an easy search function across accounts



Introduced enhanced travel benefits, including Priority Fast Track at OR Tambo and Cape Town International Airports



Launched Friend Referral Rewards, a first-of-its-kind referral programme among South African banks and financial institutions



Apple Pay was taken up by over 36 000 clients; approximately 5% of total Bank daily spend is done through the platform, and 18% of all transactions made by clients that have activated Apple Pay, are done using Apple Pay



Introduced smart features to support an intuitive client experience, including South Africa's first virtual credit card and Discovery Pay



Enhanced the artificial intelligence (AI)-powered Vitality Money programme

## Where we are headed

*Our value drivers – client growth, deposits, advances and product mix – are trending in the right direction and, given our differentiated foundational assets and the completion of the migration, Discovery Bank is well positioned for future growth. Furthermore, several initiatives are underway to drive growth in new business by gaining traction in the intermediated distribution channel, leveraging rich data insights and investing in marketing to achieve our medium-term target of 500 000 to 600 000 clients.*

Looking ahead, we will focus on generating good-quality growth in advances by combining new product propositions, operational enhancements and targeted initiatives at low-risk clients within the Group's existing base. With a deposit-to-loan ratio exceeding 200%, we are well positioned to grow our advances book to high-quality clients with favourable risk profiles. In addition, we will continue to grow deposits by ensuring competitive interest rates in comparison with the broader market.

We will continue offering differentiated and superior products, focusing on a full product suite proposition and digital sophistication. Furthermore, we aim to maintain and build on our strong service levels and operations to deliver excellent and streamlined customer experiences, along with enhanced operational efficiencies.

## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP

## OUR BUSINESS REVIEWS

# VITALITY HEALTH



## What sets VitalityHealth apart

VitalityHealth encourages healthy living and rewards people for doing so – an essential element of our Shared-value Insurance model. By driving engagement through the Vitality programme, we empower our members to take control of their wellness and develop long-term, sustainable healthy habits – which is good for them, good for us and good for society. Data science is at the core of our strategy, and we continue to apply sophisticated machine learning to improve our business and personalise our interactions with clients.

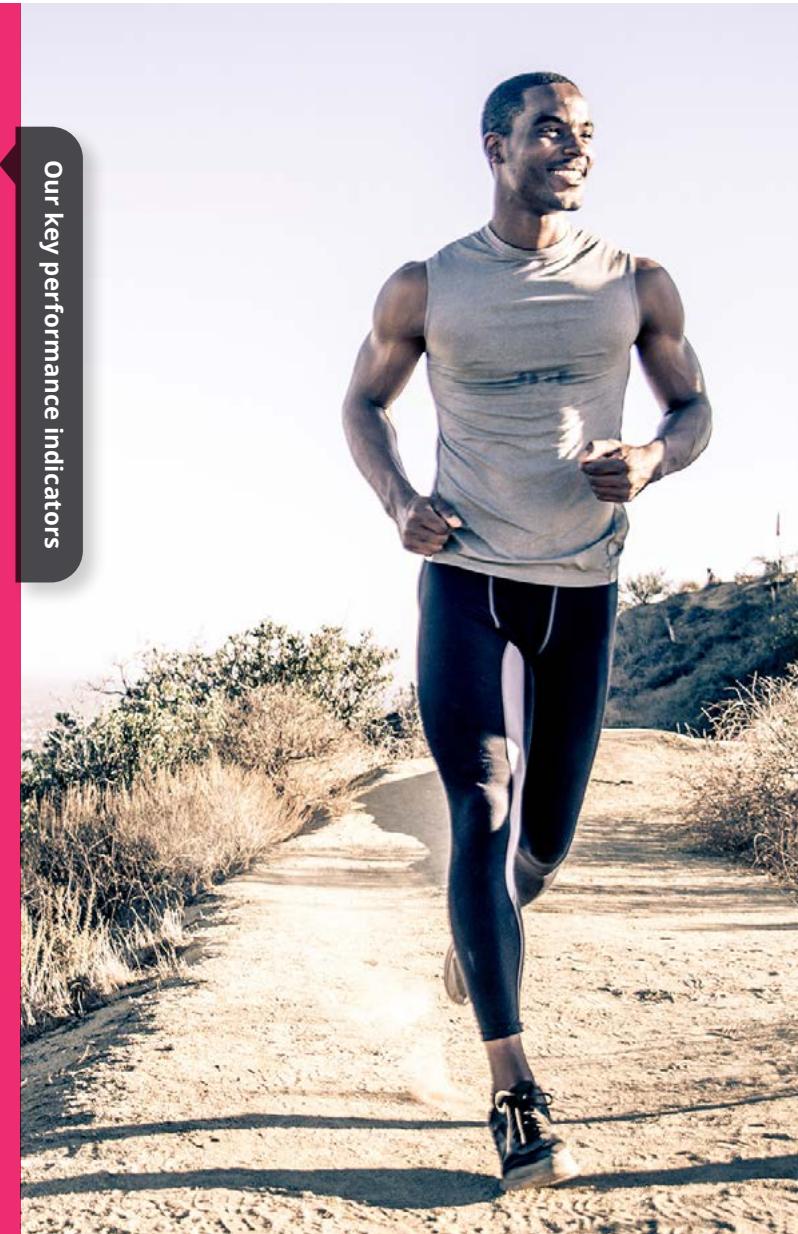
Return on capital of  
**12.1%**  
(FY2020: 12.3%)

Earned premiums increased by  
**4% TO £515.6 MILLION  
(R10 694 MILLION)**  
before the additional unearned premium reserve  
(FY2020: £497 million/R9 813 million)

New business annualised premium income (API) increased by  
**5% TO £65.9 MILLION  
(R1 367 MILLION)**  
(FY2020: £62.7 million/R1 238 million)

Normalised operating profit increased by  
**9% TO £46 MILLION  
(R953 MILLION)**  
(FY2020: £42 million/R830 million)

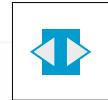
Our key performance indicators



## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



### Our performance against strategy

During the year, VitalityHealth proved to be resilient against the impact of COVID-19. The business continued to deliver a strong performance across key metrics, driven by continued retention and the proven relevance of the Group's Shared-value Insurance model. In a highly competitive sales environment, normalised operating profit increased by 9% while the business' sales performance also improved; sales in the profitable individual segment grew strongly, with individual direct-to-consumer sales – a good barometer of the demand for Private Medical Insurance (PMI) – increasing by 11% year on year.

The delay in claims due to the COVID-19 pandemic, along with the postponement of elective health treatments, affected VitalityHealth's claims experience during the year. The assumed claims catch-up did not emerge as we originally anticipated, having only started towards the end of FY2021. In light of this, VitalityHealth recognised an unearned premium reserve adjustment at year end of £14.2 million, and accelerated repayment terms of its reinsurance programme (£39.7 million).



Cash generation was robust; after new business acquisition costs and investment in developing the business, VitalityHealth generated a £56.2 million (R1 165 million) cash surplus



Strong sales and retention performance increased total insured lives to 723 000 – a 6% increase over 12 months



Direct-to-business strategy progressed extremely well, with positive growth towards the end of FY2021 largely due to the continued success of our digital marketing activities and increased conversion rates



Utilisation of digital care accelerated, with the number of Vitality GP appointments doubling to 7 000 per month



Constituted the Premier Consultant Panel – powered by data science and validated externally – to facilitate access to high-quality, efficient and cost-effective care pathways through a digital customer journey, CareHub



Vitality at Work Enterprise - a standalone Vitality offering focusing on wellness in the workplace - enrolled 30 416 new members

### Where we are headed

*The healthcare landscape continues to evolve faster than ever before, with the COVID-19 pandemic acting as a catalyst for the rapid adoption of digital healthcare services. In addition, the way our clients expect to receive care has changed and, to ensure we continue addressing these changing needs, we will focus on enhancing our products and delivering a fully integrated, digital healthcare experience through our Member Care Hub, which went live in August 2021, as well as our quality care pathways through our Premier Consultant Network. Our clients will be able to access self-service tools and seamlessly engage with us through both digital and telephonic means.*

SA COMPOSITE

UK COMPOSITE

VITALITY GROUP

## OUR BUSINESS REVIEWS

# VITALITY LIFE

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.

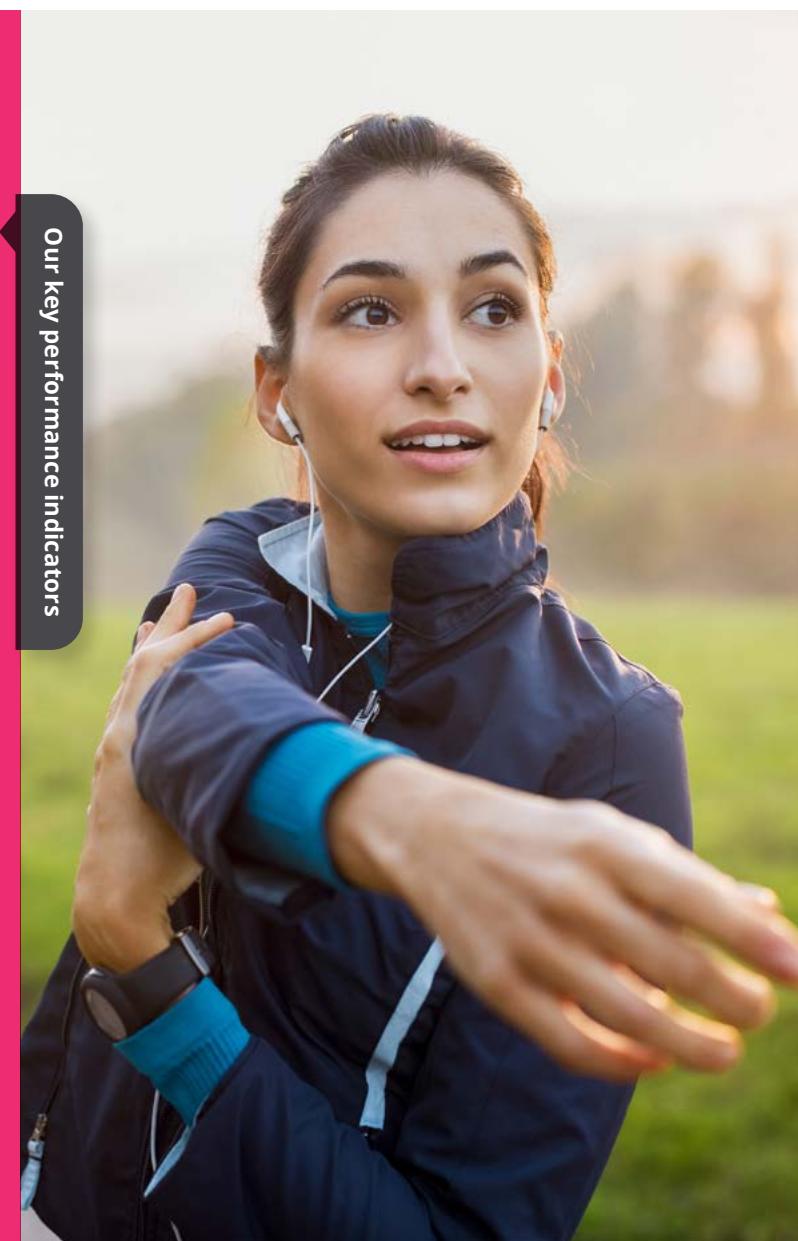
Normalised operating profit increased by 325% to  
**£31 MILLION (R644 MILLION)**  
(FY2020: -£13.8 million/R272 million)

Annualised new business margin increased to  
**4.1%**  
(FY2020: 3.2%)

New business from Severe Illness Cover product increased to  
**30%**, while optimised new business decreased slightly to  
**64.1%**  
(FY2020: 29.6%/64.3%)

New business decreased by 14% to  
**£55 MILLION (R1 141 MILLION)**  
(FY2020: £63.6 million/R1 257 million)

Our key performance indicators





## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



## Our performance against strategy

Various strategies during the year were aimed at protecting the business and positioning the UK composite for success. This included the implementation of a range of management actions to strengthen VitalityLife's capital position, lower the cost of liquidity funding and reduce its need for funding from the Discovery Group. This enabled the business to return to robust profitability, placing it in a strong position to achieve future growth. Furthermore, the hedge structure implemented during the previous financial year successfully negated the impact of interest rate movements during FY2021.



Total sales decreased – mainly due to the slowdown in face-to-face adviser business, the termination of relationships with several low-quality brokers, and removing two-year commission terms in line with our evolving distribution quality management strategy



A strong retention performance resulted in an 8% growth in earned premiums year on year, which amounted to £311.8 million (R6 466 million)



Lives covered increased by 10% and in-force policies by 7% year on year, exceeding 680 000 and 515 000 respectively



Management expenses decreased by 6% to £4.5 million (R93 million), driven by cost efficiencies emerging from the One Vitality integration across the UK composite



VitalityLife focused on improving retention and addressing negative lapse experience variances – several management actions were implemented, including consolidating VitalityLife's retention capabilities at a Vitality UK Group level. This, in combination with the positive impact of COVID-19 on retention, manifested as a marked reduction in lapse rates



The first phase of VitalityLife's simplified product proposition went live in October 2020, and the first phase of its more flexible pricing framework was rolled out to facilitate the targeting of more profitable advisers



VitalityLife is developing a Distribution Quality Framework to enable the business to assess and manage the quality of business written by brokers

## Where we are headed

*VitalityLife benefited from the execution of the turnaround plan during FY2021, and we expect that the management actions put in place to right-size the business will continue to positively impact performance into the new financial year.*

*Looking ahead, VitalityLife will continue to drive sales, manage retention and create operational efficiencies in a challenging environment, while also strategically focusing on the quality of new business.*

## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP

## OUR BUSINESS REVIEWS

# VITALITY INVEST



NEW BUSINESS

## What sets VitalityInvest apart

With the launch of VitalityInvest, we leveraged our Shared-value Insurance model to pivot away from a purely transactional investment platform. Instead, our shared-value approach combines leading-edge technology with wellness incentives to encourage and incentivise positive behavioural change. Ultimately, through this approach, clients can reduce their fees and boost investment returns.

New business annual premium equivalent (APE) increased by

**75% TO £36 MILLION  
(R741 MILLION)**

(FY2020: £20.5 million/R404 million)

Total funds under management increased by

**154% TO £512 MILLION  
(R10.1 BILLION)**

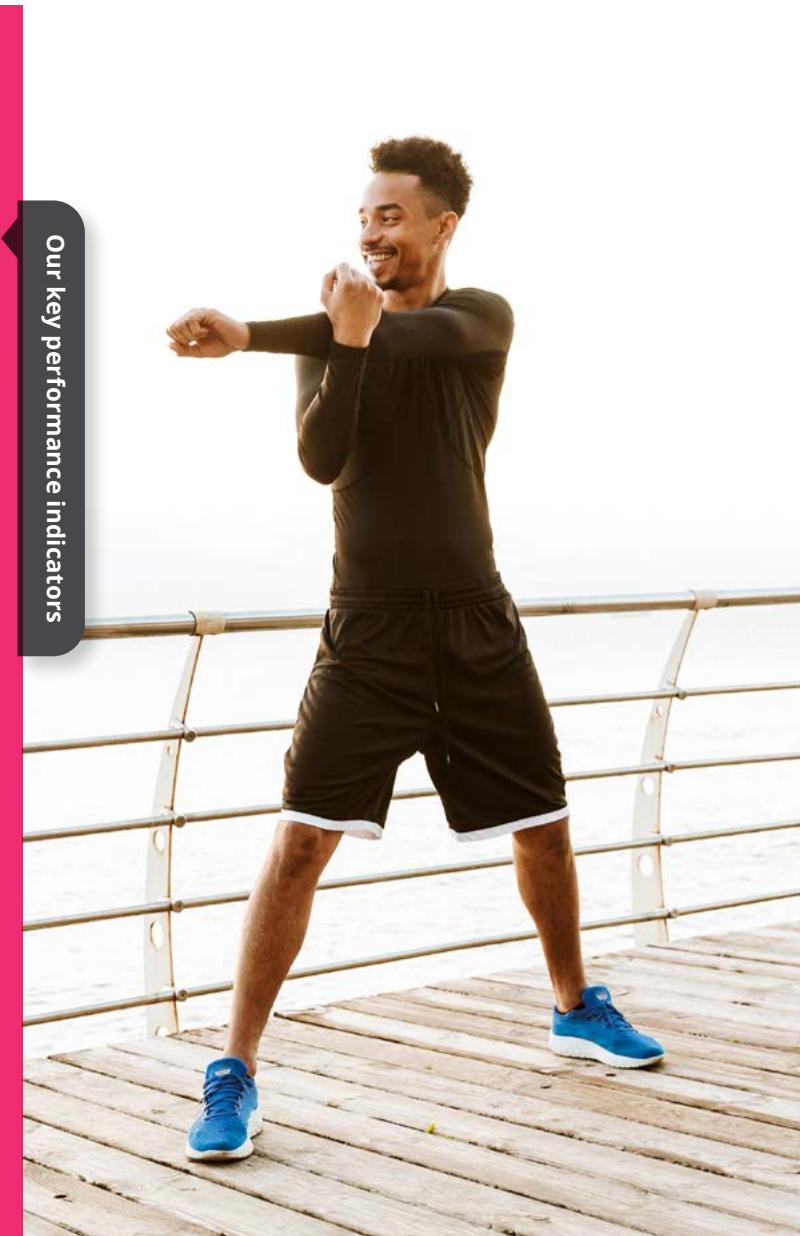
(FY2020: £202 million/R4 331 million)

Net inflows increased by

**68% TO £323 MILLION  
(R6 699 MILLION)**

(FY2020: £192m/R3 792 million)

Our key performance indicators





## SA COMPOSITE

## UK COMPOSITE

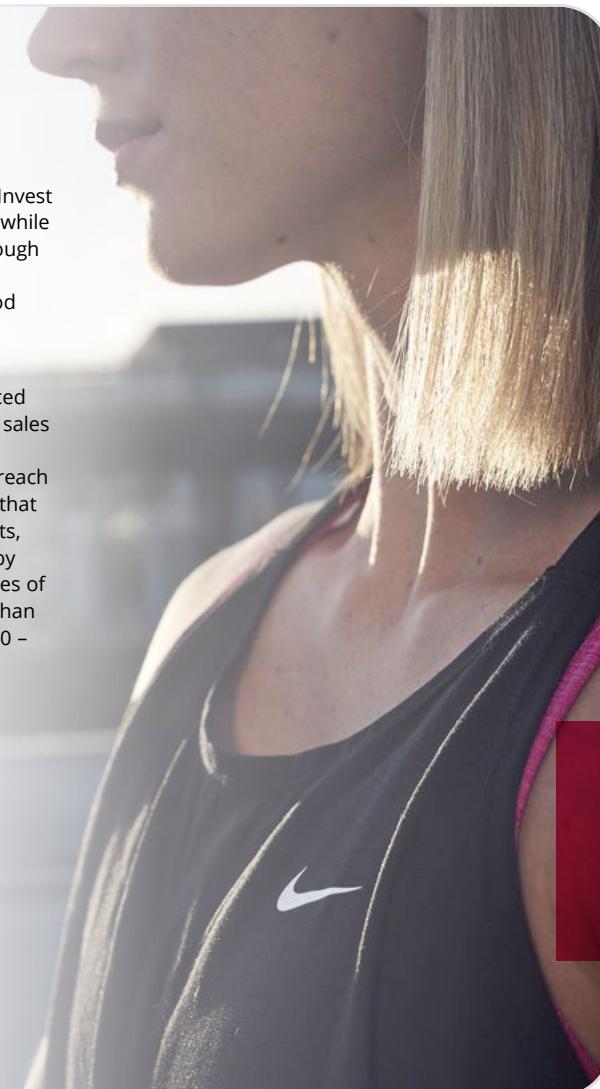
## VITALITY GROUP



## Our performance against strategy

Towards the end of FY2020, VitalityInvest focused on driving cost efficiencies while continuing to grow distribution through Vitality franchises. Pleasingly, VitalityInvest had its strongest period since inception.

Building on its unique product proposition, VitalityInvest experienced robust growth and achieved strong sales performance during the year. The business expanded its distribution reach by introducing a range of products that appeal to a wider spectrum of clients, and new business flows increased by 68% to £323 million. Operating losses of £7.1 million are significantly lower than the £18.2 million recorded in FY2020 – primarily due to cost efficiencies.



Average number of supporting independent financial advisers (IFA) firms continued to increase, widening VitalityInvest's broker footprint



Total funds under management more than doubled from FY2020, exceeding £500 million – an important milestone



Partnered with three of the world's leading investment managers to build ready-made investment solutions, offering over 20 Vitality funds that cater for different risk profiles, objectives and investment styles



Launched the ESG-focused EnVIRO fund range – a ready-made investment solution that integrates ESG considerations to make it easier for clients to invest in a more sustainable future



VIRO fund range – comprising the vast majority of funds under management – has a three-year track record, further supporting the business' credibility and enabling it to gain traction in the market

## Where we are headed

*The restructuring of VitalityInvest, which took place over the course of 2020, has positioned it well for future growth off a significantly reduced cost base. The business has a clear roadmap in place and, given the traction in performance during FY2021, VitalityInvest will continue to focus on driving new business through the franchise channel in the immediate future and enhancing the ease of doing business.*

SA COMPOSITE

UK COMPOSITE

VITALITY GROUP

## OUR BUSINESS REVIEWS

# VITALITY GROUP



EMERGING BUSINESS

## What sets Vitality Group apart

Vitality Group strives to be the world's largest and most sophisticated behavioural platform linked to financial services. The business spans multiple markets and reward 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 deployed Discovery's Shared-value Insurance model to 28 markets, beyond SA and the UK.

Integrated annualised premium income (API) by insurance partners increased by

 **26% TO US\$1.3 BILLION (R19.9 BILLION)**

(FY2020: US\$1 billion/R16.1 billion)

Profit increased by

 **38% TO US\$27.1 MILLION (R417 MILLION)**

(FY2020: US\$19.6 million/R308 million)

Revenue\* increased by

 **14% TO US\$82.4 MILLION (R1.3 BILLION)**

(FY2020: US\$72.3 million/R1.1 billion)

Insurance and franchise partner membership increased by

 **33% TO 2.4 MILLION (FY2020: 1.8 MILLION),**

with approximately 52 000 new activations monthly

Our key performance indicators (excluding Ping An Health Insurance)

Over  
**1.3 MILLION**  
active clients engaged  
on the Vitality1 platform

(FY2020: Over 1.5 million active clients\*\*)

\* Excluding revenue from service fees and rewards income.

\*\* Includes clients on freemium programme terminated during FY2020.

## SA COMPOSITE

## UK COMPOSITE

## VITALITY GROUP



## Our performance against strategy

Together with our insurance partners, we pledged to make 100 million people 20% more active by 2025. With this commitment at our core, the business continued to pursue growth during the year. This is enabled by Vitality1 – a cloud-based, feature-rich platform we built to support our diverse and growing set of global partnerships and programmes. The platform is already servicing 16 countries and will continue to drive the expansion of Vitality Group.

Vitality Active Rewards has made Vitality members at least  
**34%**  
more active

Vitality launched in  
six new markets during FY2021

The Vitality1 platform supports multiple market programmes on the same infrastructure, allowing for better performance and decreased costs of shared services.

The platform also serves as the central platform for continual product enhancements, allowing new features to be made readily available to all markets at a lower localisation cost.

### INSURANCE PARTNER MARKETS

- ✓ Several partners awarded Vitality points to members for COVID-19 vaccinations
- ✓ Vitality Group implemented the next iteration of Vitality Active Rewards to extend the number of healthy behaviours on the Vitality programme and increase personalisation
- ✓ The business is developing Gateway, a capability that will enable Vitality1 clients to augment third-party health and wellness apps to their Vitality programme
- ✓ Sumitomo Life Vitality surpassed 700 000 members, successfully introduced a standalone Vitality product, launched a Healthy Food partnership with Japan's largest supermarket chain, and integrated Pokémon GO with its Vitality product

### VITALITY HEALTH INTERNATIONAL

- Revenue growth from Vitality USA was impacted by COVID-19 restrictions, which adversely impacted sales and reward redemption; however, membership increased by 21% year on year after 106 new employer clients were added during FY2021
- ✓ Vitality USA developed Gateway Flex – a curated marketplace of leading health and wellness services for Vitality members – to enable employers to personalise health experiences and meet the diverse and rapidly changing needs of employees; Gateway Flex went live in July 2021

- ✓ Existing Generali markets showed improved sales trajectories and engagement since moving onto Vitality1
- ✗ Sales growth in AIA markets were adversely impacted by COVID-19; however, the recovery has been positive
- ✓ AIA launched an enhanced nutrition feature on its Vitality app, enabling clients to track their daily food intake and received an AI-calculated score and feedback on their meal choices
- ✓ Growth in North America remained strong, with increased election rates for Vitality-integrated products increasing Manulife's sales by 26% and John Hancock's sales by 21%
- ✓ Vitality Group's partnership with Hannover Re to expand to new markets grew steadily – nine markets have been signed, of which eight are live; and we are set to launch in Israel during FY2022

- ✗ AIA Health had a challenging performance, and sales were lower than expected – we continue to drive sales through new distribution channels, improve margins by enhancing product benefits and explore opportunities to reduce operating costs
- ✓ Quantum Health – a joint venture between Discovery and Quantum that provides advanced health data analytics to the private and public sector – performed exceptionally well during the year due to increased demand driven by COVID-19

### Where we are headed

Through its insurance markets, Vitality Group aims to create and own the category of Shared-value Insurance globally and deliver digital and product excellence in collaboration with its partners. By rolling out Weekly Lifestyle Goals and Gateway, we plan on building an ecosystem to increase our competitive advantage and, through Vitality, create tangible value for our partners' clients. We will also continue transforming our partners' businesses and explore opportunities for growth across the insurance value chain.

Vitality Health International's 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, providing intellectual property (IP) solutions and offering consulting services. In doing this, we can globalise the Group's IP by creating profitable businesses in attractive markets, supported by the experience we have gained from our existing businesses.

Through Vitality1, Vitality Group 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. Looking ahead, the business will initiate the multiyear migration of its North America business – John Hancock, Manulife and Vitality USA – to this platform.

## OUR BUSINESS REVIEWS

# PING AN HEALTH INSURANCE



## 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 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, Ping An Health Insurance is becoming a leading health insurer in China, positioned to capture emerging opportunities in private health insurance.

Ping An Health Insurance revenue (written premium) increased by

**36% TO R40.6 BILLION  
(RMB17.5 BILLION)**

(FY2020: R29.8 billion/RMB13.4 billion)\*

Discovery's operating profit from Ping An Health Insurance (after tax) increased by

**126% TO R411 MILLION  
(115% INCREASE TO  
RMB177.2 MILLION)**

(FY2020: R182 million/RMB82.4 million)

Number of lives insured increased by

**44% TO 30.6 MILLION**

(FY2020: 21.3 million)\*\*

Ping An Health Insurance earned premium increased by

**32% TO R30.6 BILLION  
(RMB13.2 BILLION)**

(FY2020: R23.2 billion/ RMB10.4 billion)

10% increase in new business premium to

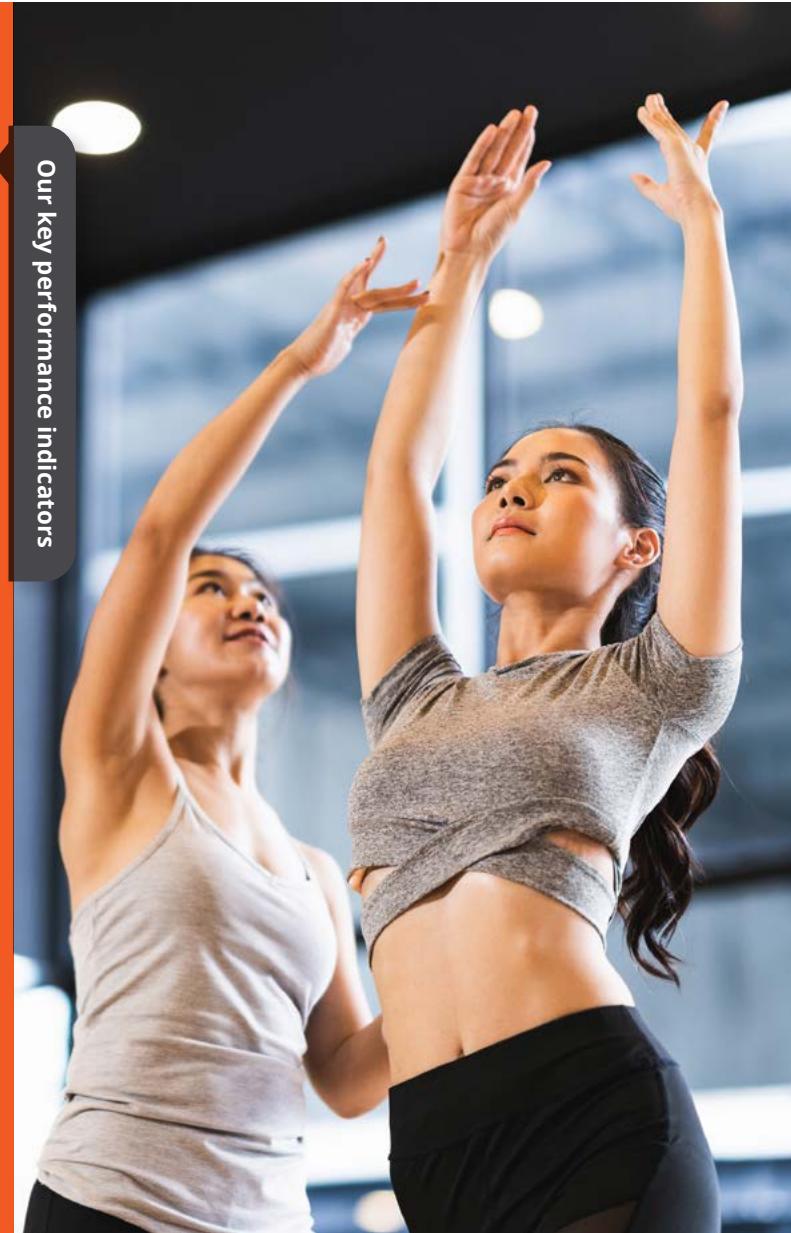
**R15.8 BILLION  
(RMB6.8 BILLION)**

(FY2020: R14.3 billion/RMB6.5 billion)

\* 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.

\*\* During the year, Ping An Group accelerated the roll out of its healthcare ecosystem strategy, merging the Ping An Health Insurance app into the Ping An Healthcare app (previously known as Ping An Good Doctor). As a result, we revised how we measure the number of lives impacted to ensure the figure is not overstated. Accordingly, our FY2020 comparative was restated to provide a more accurate year-on-year comparison.

Our key performance indicators





## SA COMPOSITE

## UK COMPOSITE

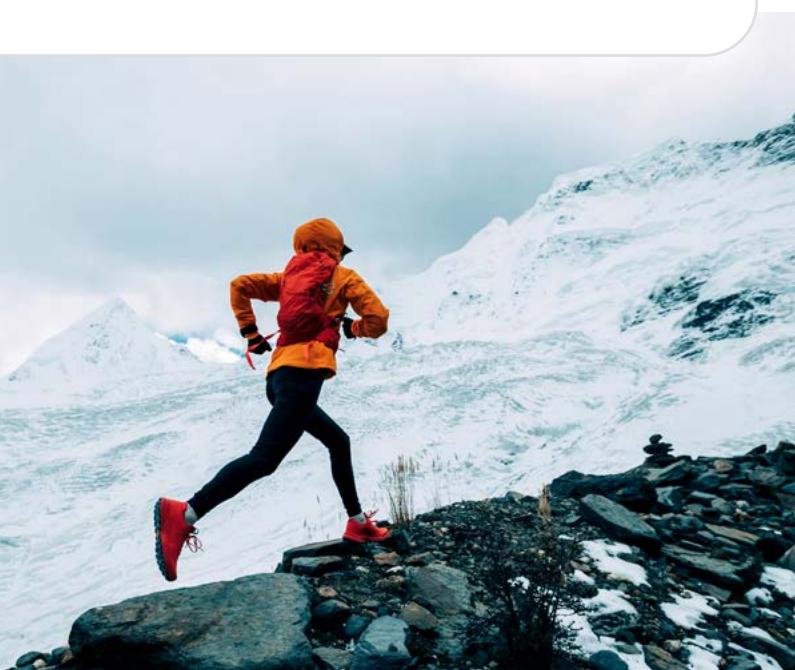
## VITALITY GROUP



## Our performance against strategy

We continued to support Ping An Health Insurance by focusing on three key areas during the year: integrating the business into the Ping An Group healthcare ecosystem; enhancing products and digital servicing capabilities; and expanding the business' distribution to access different parts of the market.

Our investment in Ping An Health Insurance has achieved significant scale and profitability. In a fast-growing but competitive and complex market, the business experienced material growth during the year by broadening its sales channels and expanding its offline distribution footprint. Revenue was driven by ongoing demand for the eShengBao product as a result of increased awareness around the need for health insurance post-COVID-19, and continued improvements in persistency.



- Successfully opened three new branches – one at provincial level and two at city level – to further expand the business' offline distribution network
- Ping An Group accelerated the roll out of its healthcare ecosystem strategy, merging the Ping An Health Insurance app into the Ping An Healthcare app (previously known as Ping An Good Doctor). The new Ping An Healthcare app serves as the ecosystem's consumer-facing digital platform and, with access to over 380 million online users, is the largest online healthcare services platform in China
- Launched an industry-first, 20-year premium-adjustable medical reimbursement product with dynamic behaviour-based pricing – through substantial promotion and distribution, the new product accounted for over 20% of new business premium during the second half of FY2021
- Launched top-up cover, high-end healthcare services and family packages bundled with eShengBao, which included medication benefits and delivery, insurance coverage for virtual doctor consultations, and regional private dental benefits
- Ping An Health Insurance is diversifying sales channels by building a direct online agency force on the SuiSheinYi platform, enabling any online user to qualify and register as an agent to sell Ping An Health Insurance products – the platform achieved rapid growth, with a 102% increase in registered agents during the second half of FY2021

## Where we are headed

*Ping An Health Insurance's current focus is to scale the business and ensure its long-term sustainability by diversifying products and developing world-class health insurance capabilities and distribution channels. China's healthcare market is expanding rapidly, with considerable growth expected in the online healthcare market. Ping An Group's healthcare ecosystem aims to build efficient access to online and offline healthcare services, providing the business with a competitive advantage, including over the major internet companies. Led by the new Ping An Healthcare app, Ping An Health Insurance will leverage the ecosystem's network, services and channel assets to build capabilities and products that provide superior value to clients. To sustain these levels of new business growth, and to comply with a regulatory change, Ping An Health Insurance will require a capital contribution during FY2022.*

Ping An Health Insurance will also focus on strengthening its distribution relationships with Ping An Group subsidiaries and partnering with major third-party platforms – extending the roll out of its four-tiered omni-distribution strategy to grow new business through agents, companies, customers and government entities.

Going forward, Ping An Health Insurance will design integrated user-centric digital operations to support China's increasing online customer base. Ping An Health Insurance also aims to create distinctive customer healthcare journeys to manage and optimise the quality of care. These services will be delivered to clients through a range of products, focused on upgrading, customising and enhancing the eShengBao flagship product. Ping An Health Insurance's existing wellness capabilities are also being consolidated into a single health and wellness platform, called Ping An Le Jian Kang – to promote healthy behaviours and reduce healthcare costs by leveraging Vitality's global experience.



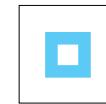
## CORPORATE GOVERNANCE OVERVIEW

Click the buttons  
to navigate to  
subsections



# ENSURING GOOD GOVERNANCE

We see governance as 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.



We believe that good governance 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™. To enable the delivery of our core purpose, the Board endeavours to preserve the Group's unique entrepreneurial spirit – with strong emphasis on innovation – while entrenching the principles of good governance and ethical leadership throughout the organisation.

King IV™ forms the cornerstone of our approach to governance and, as such, 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 contained in King IV™ are entrenched in our governance and risk-management structures, policies and procedures. This informs the way we do business, and forms 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 established a dedicated Ethics Office. The Board, assisted by the Social and Ethics Committee, mandates and oversees the Ethics Office which, in turn, manages and implements the Ethics Management Strategy and Plan throughout the Group. Furthermore, as a Group function, the Ethics Office supports the Board, executives, management and employees in cultivating and strengthening an ethical culture within the organisation.

Employees are required to annually confirm their understanding of the Group's ethical standards on an internal learning platform, thereby ensuring that a values-based culture is maintained throughout the Group. Employees are also encouraged to report any unethical behaviour directly to the Ethics Office or to use the anonymous whistleblowing hotline. The Ethics Office oversees investigations that relate to reported unethical conduct, and reports material breaches and trends to the Social and Ethics Committee. Employees and contractors can now also anonymously report matters of concern in real time through the independently managed EthicsDefender application.



## DELIVERING GOOD PERFORMANCE

The Board appreciates that Discovery's core purpose, strategy, Shared-value Insurance model, performance, sustainable development, and risks and opportunities are inextricably linked. These elements are crucial to creating value for our stakeholders.

The Board reviews at least annually with executive management, as well as the heads of control functions, the Group's strategy and proposals for any acquisitions, investments, disposals, products or services, while considering the associated risks. The Board approves the strategy, key performance measures and targets of all executives, and oversees the implementation of the strategy plans. The Risk and Compliance Committee assists the Board with the governance of the operational and legislative risks, and monitors implementation.

On appointment, all Directors participate in a formal and comprehensive induction programme. Director training – covering financial, actuarial, economic and industry-related matters – is conducted to refresh Directors' skills and knowledge. Furthermore, Directors are required to attend professional development training and briefings to keep abreast of legal and regulatory risks, developments and changes that could impact the environment in which the Group and its subsidiaries operate.

The Board and executive management also perform an annual assessment of the Group's strategy, business model, performance and sustainable development as it applies to the core purpose. Regular reports are provided to the Board on the sustainability of Discovery's business and its impact on the environment, communities and other stakeholders.

The Board assesses and evaluates its own performance annually, as well as that of its Chairperson, the Board committees and the individual committee members. The performance of Non-executive Directors is assessed annually by the Chairperson, based on each Director's contribution to the matters before the Board. The performance of Executive Directors is assessed annually by the Group Chief Executive, based on agreed performance targets. The Nominations Committee oversees the annual performance assessment of the Board, Board committees and individual Non-executive Directors, and makes recommendations to the Board based on the results of these assessments.



## ENSURING EFFECTIVE CONTROL

The Board of Directors is the focal point and custodian of corporate governance within Discovery. To this end, the Board ensures that corporate governance and good practice are inherent in the fulfilment of its responsibilities.

The Board Charter sets out the roles and responsibilities of the Board. The Board holds its Directors accountable for their integrity, competence, responsibility, fairness and transparency. Our Charter is reviewed annually to ensure that it is aligned with the principles and practices recommended by King IV™, in addition to other regulatory and legislative requirements.

Delegation of authority to management is clearly defined to ensure effective exercise of authority and responsibilities. The Board reviewed and approved a revised Delegation of Authority Framework during FY2021, which details the powers delegated to each Board committee and clearly indicates the matters reserved for consideration by the Board and the Group Chief Executive. The role of the Chairperson of the Board and the Group Chief Executive are independent and not held by the same person, as clearly defined in the Board Charter, to ensure that no individual has unrestricted decision-making power. Our Company Secretary is responsible for ensuring that sound governance procedures are followed and maintained. Thys Botha served as Company Secretary until his retirement on 30 November 2020, after which Nobuhle Mbongo was appointed to this role, with effect from 1 December 2021.

The Board is ultimately responsible for the appointment of new Directors, and the Board Charter provides a formal, transparent process in the evaluation, nomination, election and appointment of Board members. When the Board identifies the need to appoint a Director, these appointments are made with the assistance of the Nominations Committee, a constituted committee set up to assist with the search for and vetting of potential Directors. Once suitable candidates are identified, the Nominations Committee shares the details and skills of these individuals with the Board. Board members collectively deliberate on these recommendations before putting names forward. Thereafter, Directors are appointed through formal, transparent processes by ordinary resolution at a shareholder meeting or the AGM.

## ENSURING EFFECTIVE CONTROL *continued*

Non-executive Directors are appointed for a period not exceeding three years and are subject to re-election on a rotational basis. The reappointment of Non-executive Directors is not automatic, and depends on the knowledge and skills required by the Board, the Director's suitability and the diversity targets determined by the Board.

Directors are required to disclose if they have a direct or indirect interest in any matter for consideration by the Board. The disclosure is recorded in a register by the Company Secretary. Moreover, Board members are required to declare any conflicts of interest and recuse themselves from any such discussions during Board or committee meetings.

The Group reviews its remuneration philosophy annually to ensure that its employees and the Board are remunerated fairly, responsibly and transparently. The remuneration philosophy is aligned with Discovery's strategy and linked to individual performance through appropriate objectives that are reviewed by the Remuneration Committee. Biannual assessments are conducted and reviewed against the strategy and business plan.

The governance of technology and information has been delegated to the Group Risk and Compliance Committee, supported by the Chief Information Officer (CIO) and CIO Forum, which is responsible for ensuring that the Group implements appropriate system security, data integrity and business continuity processes. Technology is governed by our Discovery IT Governance Charter, which guides the structure and mandate of technology within Discovery, and aligns with the requirements of the Board committees, King IV™, assurance providers and regulators. An independent external party audits our security policies, systems and processes at least every two years.

Discovery has adopted and implemented a Combined Assurance Model throughout the Group that complies with King IV™ principles and is designed to address the business' significant strategic, sustainability, financial, operational and compliance-related risks. Accordingly, the Group established four key control functions – being the Internal Audit function, Compliance function, Actuarial function and Risk Management function – that operate independently of one another to support the Combined Assurance Model. To further strengthen the Board's governance, Discovery adopted the three lines of defence governance model, which clearly separates business management from governance and control structures. This ensures that all persons within Discovery are aware of the risk management system.



## MAINTAINING LEGITIMACY

Balancing the best interests of the company and the interests and expectations of stakeholders is paramount to the Board. The Board has delegated the responsibility of ensuring that the Group is a responsible corporate citizen to the Social and Ethics Committee. Discovery aims to build a sustainable business that benefits future generations by delivering on our core purpose.

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 as a standing agenda item. Our Stakeholder Engagement Framework sets out Discovery's strategic approach to stakeholder engagement, and includes key principles that guide our engagement approach, steps for conduct and a matrix to guide levels of engagement. Furthermore, the framework is aligned with the applicable principles of King IV™, and supports the Group's businesses and internal departments to identify, assess, manage and evaluate stakeholder engagement activities.

*The Board engages directly and indirectly with stakeholders as needed. During the year, the Board met with the Prudential Authority as part of its supervisory approach. Going forward, it is expected that this will be an annual engagement. The Board engages with our providers of capital during the Group's AGM, and meets with them throughout the year on an ad hoc basis. Our Board also responds to queries from providers of capital, asset managers and ESG analysts on Discovery's approach and response to climate change. We conduct regular assessments, using various mechanisms, to evaluate the quality of the relationships with our stakeholders at Group and business unit level. The Board is satisfied that the bases of our assessments provide an holistic and accurate view of these relationships.*

We closely monitor climate change developments, including best practice initiatives among global financial institutions, with the aim of embedding these principles across our primary markets. To this end, we support the objectives of the UN SDGs, and have also set out to adopt and implement the recommendations of the TCFD. Our Board, through our Social and Ethics Committee, oversees our Climate Change Strategy, analyses the climate context and challenges and review the Group's performance against climate-related and general sustainability matters on a regular basis. The Social and Ethics Committee Chairperson reports to the Board every quarter. The Risk and Compliance Committee monitors the main climate-related risks and opportunities, and provides recommendations on mitigation plans to manage the identified risks. Our Audit Committee reviews and approves public disclosures through external reporting.

The Board recognises that Responsible Investment requires the recognition, evaluation and incorporation of material ESG issues into investment analysis and decision-making processes, as well as integrating ESG opportunities and issues through active ownership policies and practices. The Group is a signatory to the Principles for Responsible Investment (PRI). Furthermore, the Board approved a Group Responsible Investment Policy in September 2020 that 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 committed to complying with all statutory tax obligations of the regions in which we operate. Tax responsibility ultimately resides with our Board, who holds the Group CFO responsible for ensuring compliance with Discovery's Group Tax Policy. Our Audit Committee is tasked with overseeing the Group's Tax function. Discovery is also committed to sustainable procurement practices, and is undertaking a supplier mapping exercise and policy review to ensure we maximise ESG considerations during our procurement processes.

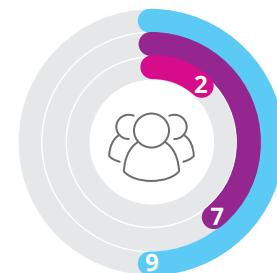
# OUR LEADERSHIP

The Discovery Board is committed to leading the Group responsibly, ethically and with integrity – ensuring that it operates in the best interest of the business and all its stakeholders.

As at 30 June 2021, our Board comprised 17 Directors – 10 Non-executive and seven Executive, with our Chairperson as an Independent Non-executive Director.

Subsequently, we appointed an additional Independent Non-executive Director to the Board to further enhance its independence, experience and skills. Our Directors have diverse knowledge of the industry in which Discovery operates, as well as the requisite technical and academic qualifications, skills and experience necessary given the complexity of the Group's businesses in our South African, United Kingdom (UK) and partner markets. While our Executive Directors consider the best interests of all our stakeholders, they also act as representatives of our subsidiaries. Given Discovery's diverse operations, we believe this enhances discussion and, ultimately, enables more informed decision-making.

The governance structure of the Group is strengthened by the Board and Management Committees that support the Board in the performance of its



DIRECTOR MIX  
as at 7 October 2021

- Independent Non-executive Directors
- Executive Directors
- Non-executive Directors

responsibilities. The Board has oversight of the Board committees, Group Executive Committee, Management Board committees and Constituted Boards. Vitality UK, Vitality Group, Discovery Life, Discovery Invest, Discovery Insure and Discovery Bank all have Board and governance structures that operate independently from the Group. Focus is placed on ensuring the strength of our Management and Constituted Boards to entrench strong governance throughout the Group. The Board is satisfied with the composition of these structures.

## Board diversity

We believe that Board diversity encourages constructive debate among Directors and ensures that the Board considers all stakeholders in decision-making. The Board periodically considers its composition in terms of its knowledge, skills, experience, diversity and independence mix to discharge its roles and responsibilities objectively and effectively.

Discovery is committed to promoting diversity at Board level – including business and industry knowledge, skills and experience, age, gender, race and culture – recognising that diversity of thought makes prudent business sense. Our approach is set out in our Board Diversity Policy, which is informed by corporate governance best practice and meets regulatory compliance. The policy also sets out Discovery's voluntary minimum short and long-term targets in terms of race and gender representation at Board level. The requirements of this Board Diversity Policy, along with the voluntary minimum targets, are considered by the Nominations Committee when identifying and recommending suitable candidates for appointment to the Board.

On 30 June 2020, we set voluntary minimum targets to achieve 35% black and 25% female Board representation within three years, and 40% black and 30% female Board representation within five years. While the Nominations Committee was tasked with identifying suitable candidates to improve the gender and racial composition of our Board, it also focused on strengthening the Board's actuarial, data and technological knowledge capabilities. We made progress against these focus areas – during FY2021, we appointed an Independent Non-executive Director to enhance the Board's actuarial expertise and capabilities, and appointed an independent technology adviser to the Risk and Compliance Committee to further focus on the governance of technology and information. Subsequent to year-end, we appointed another Independent Non-Executive Director to the Board. Considering these changes, on 7 October 2021 our Board comprised 28% female Directors (FY2020: 18%), while the representation of black Directors increased to 33% (FY2020: 29%). The Nominations Committee will continue to review the Board's composition annually and make recommendations on the appointment of new Directors and any actions that could be taken to meet the Group's voluntary minimum targets.

## Board diversity statistics

as at 7 October 2021:



44%  
44%  
12%

### AGE OF DIRECTORS

- 55 or younger
- 56 to 65
- 65 or older



72%  
28%

### GENDER DIVERSITY

- Male
- Female



33%  
67%

### RACIAL DIVERSITY

- Black
- White

## Board tenure

The composition and succession planning of the Board is reviewed regularly and, where necessary, remedial actions are undertaken. The members of the Board are evaluated to ensure an appropriate balance of knowledge, skills, experience, diversity and independence to perform their duties.

For Directors who have served longer than nine years, the Board has assessed each Director and is satisfied that the length of service does not adversely affect their independence or decision-making capabilities. The Board is comfortable that these Directors continue to be independent in character, behaviour, judgement and contribution towards Board decision-making, notwithstanding tenure.

While the Board is comfortable with the independence of the Directors, the Board is also aware that stakeholders require committed focus on increasing independence through the review of and potential addition of new members. The Board continues to review its composition and is committed to appointing new Directors in a mindful and considered manner to protect stakeholder value and deliver robust governance and leadership. 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.





# OUR BOARD

In terms of its Charter, the Board formally meets four times a year to discuss and review a formal schedule of matters. At these meetings, the Directors discuss the development of the Group's short, medium and long-term strategies, and engage with executive management about implementation of these strategies.

The Board also has the authority to convene additional meetings as and when required. During the year, the Board convened one additional meeting, held in April 2021, to ensure it met at least every three months. The Board has conducted meetings virtually since March 2020.

*Since Discovery's inception, we have been committed to ongoing innovation across our various businesses and markets. We consistently invest in cutting-edge technologies, digital innovation, data science and artificial intelligence capabilities and systems to enable future growth. Innovation is driven at the highest level by our Board and, over the years, we have built a global brand that is recognised for its positive disruption and intellectual leadership.*

## BOARD MEETING ATTENDANCE DURING FY2021

Board member	ATTENDANCE
<b>Non-executive directors</b>	
M Tucker# (Chairperson)	5/5
HL Bosman	5/5
Dr B Brink#	5/5
SE De Bruyn#	5/5
R Farber	5/5
F Khanyile#	5/5
D Macready#	5/5
Dr TV Maphai#	5/5
HP Mayers*	1/1
M Schreuder**	2/2
SV Zilwa#	4/5
<b>Executive directors</b>	
A Gore	5/5
HD Kallner	5/5
NS Koopowitz	5/5
Dr A Ntsaluba	5/5
A Pollard	5/5
B Swartzberg	5/5
D Viljoen	5/5

# Independent

\* HP Mayers retired as Board member and member of the Actuarial Committee with effect from 26 November 2020.

\*\* M Schreuder was appointed as Board member and member of the Audit Committee, Risk and Compliance Committee, and Actuarial Committee with effect from 19 February 2021.

## Key focus areas of our Board during FY2021

### The Group's response to COVID-19

The COVID-19 pandemic continued to disrupt the markets in which we operate during FY2021, and significantly affected our communities, employees, financial advisers and other stakeholders. The pandemic emphasised the economic and social significance of our core purpose, and our Board spent significant time considering Discovery's response to COVID-19 to ensure we protected the health, safety and wellbeing of our people; protected and supported our clients; and supported country efforts in South Africa while maintaining financial strength and resilience. The Board also monitored Discovery's role in South Africa's national vaccination programme, as well as the execution of the Group's COVID-19 vaccine strategy – which includes the establishment of vaccination sites across the country.

### Ensuring the business is positioned for growth

Over the past year, the Board continued to focus on ensuring Discovery's financial strength and resilience during the pandemic, and consistently monitored the impact of COVID-19 on the execution and delivery of the Group's strategy. Three key trends emerged during the pandemic – the increased focus on health, wellness and resilience; the accelerated use of technology and increased digitisation; and the increased importance of purpose and trust. During its annual strategy session, the Board reviewed the Group's strategy – keeping in mind the impact of these three trends on our medium and long-term objectives – and is satisfied that Discovery's long-term strategy remains fundamentally unchanged and that the Group is well positioned to pursue its growth ambitions. Furthermore, the Board is satisfied that Discovery has the necessary resource allocation plans in place to address the socioeconomic challenges and achieve the Group's long-term strategic objectives.



## Key focus areas of our Board during FY2021 *continued*

### Considering the Ping An Health Insurance capital contribution

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 nature of the business is changing, and Ping An Health Insurance is transitioning from relying heavily on a single product and channel into a sustainable, large-scale health insurer. Ping An Health Insurance required a capital contribution due to updated solvency rules – referred to as China Risk Oriented Solvency System (C-ROSS) Phase II, scheduled to be implemented with effect from 1 January 2022 – and to support solvency levels amid continued business growth. During the year, the Board considered capital contributions made to date, further contributions required, Ping An Health Insurance's business risks and the implications of the capital contribution on the Group. The transaction will be finalised in FY2022.

### Ensuring leading remuneration practices

The Board continues to consider Discovery's remuneration policies and practices to ensure that they are fair, responsible and transparent. We endeavour to align our Remuneration Policy with the interests of our shareholders and other important stakeholder objectives, while also providing a competitive value proposition for high-performing employees.

During the year, the Board considered the implementation of a simplified, market-competitive Single Incentive Plan (SIP) as a simpler approach to executive remuneration, where the quantum and drivers of variable pay are clear and easy to understand for both our shareholders and employees. In addition, improved disclosure of the actual performance against targets, as well as the remuneration of our Directors, will provide enhanced transparency and governance.

### Strengthening the internal talent pipeline

Discovery's ability to accurately identify and develop the best talent has become a critical competitive factor. The Board continued to monitor the improvement in the overall quality of the Group's internal talent pipeline to ensure good succession coverage for critical roles in our executive management team. While a number of steps were taken to improve the Group's diversity profile, the Board acknowledges that there are opportunities for improvements, including transforming and developing our senior management team.

### Overseeing compliance with the Mandatory Audit Firm Rotation rules

During the year, the Board (guided by the recommendations of the Audit Committee) continued to oversee Discovery's compliance with the Mandatory Audit Firm Rotation (MAFR) rules issued by the Independent Regulatory Board for Auditors in South Africa (IRBA), as well as the anticipated regulations of the Prudential Authority of the South African Reserve Bank (Prudential Authority) requiring significant insurance groups to have joint external auditors. As part of this, the Board considered costs, the transition period and handover from our current external auditor, the independence of prospective external auditors and their global reach, the timing of International Financial Reporting Standards (IFRS) 17 adoption and balancing the rules of various international jurisdictions.

PwC was the Group's sole external auditors for FY2021. For FY2022 and FY2023, Discovery intends to appoint KPMG to act as joint auditors with PwC, after which PwC's appointment will be terminated in accordance with the MAFR rules. We intend to appoint Deloitte & Touche (Deloitte) as joint auditors with KPMG for FY2024. The respective appointments of KPMG and Deloitte will be recommended to shareholders at the appropriate AGMs. Furthermore, the appointments of the audit firms and lead audit partners are subject to approval from the Prudential Authority.

### Strengthening the Group's approach to climate change

We are committed to reducing our environmental footprint by responsibly managing and consuming energy, water and waste while exploring alternative long-term solutions. During the year, the Board approved a Group Climate Change Strategy to better account for present and future climate-related risks and opportunities. The strategy supports global and national imperatives, aligns with the recommendations of the TCFD and provides guidance on governance and strategy-related matters, risk management, metrics and targets. Our management team is responsible for delivering on Discovery's Climate Change Strategy with oversight from the Board, and our performance will be disclosed annually in our Integrated Annual Report and Sustainability Report.

### Our Board's key focus areas during FY2022

During FY2022, our Board will oversee, among others, the following matters in their capacity as Discovery's highest governing body:

- Discovery's ongoing response to COVID-19.
- The Group's continued financial strength and resilience given the volatile socioeconomic environment.
- The delivery of the Group's Climate Change Strategy, including performance against climate-related goals.
- Gaining traction with Discovery Bank.
- Pursuing areas of potential scale.
- Finalising the Ping An Health Insurance capital contribution.

# OUR BOARD COMMITTEES

Discovery's Board of Directors acknowledges its responsibility to effectively discharge its duties, ensuring that the delegation of powers within our governance and business structures promotes independent judgement.

The Board is ultimately responsible and accountable for the governance, performance and strategy of the Group, as well as delivering value for our providers of capital while balancing the needs of other stakeholders. To this end, the Board has delegated some of its responsibilities to appropriately constituted Board committees. Six Board committees have been established in line with the requirements of the Companies Act and King IV™ to assist the Board in the fulfilment of its responsibilities. A clear balance of power ensures that no individual, directly or indirectly, has undue decision-making powers.

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 judgment. 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.



## AUDIT COMMITTEE

### PURPOSE

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.

**The Audit Committee met six times during the year and comprised the following members as at 30 June 2021:**

Name	Board status	Appointment to committee	Number of meetings attended*
D Macready (Chairperson)	Independent Non-executive Director	February 2020	6/6
SE De Bruyn	Independent Non-executive Director	November 2005	6/6
M Schreuder	Independent Non-executive Director	February 2021	2/2
SV Zilwa	Independent Non-executive Director	August 2003	5/6

\* In addition to the regular meetings above, the Audit Committee held six meetings during the year to discuss MAFR and other topics, as well as an annual meeting with the Prudential Authority. The attendance of these meetings is not included in the table above.

## REMUNERATION COMMITTEE

### PURPOSE

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.

**The Remuneration Committee met four times during the year and comprised the following members as at 30 June 2021:**

Name	Board status	Appointment to committee	Number of meetings attended
SE De Bruyn (Chairperson)	Independent Non-executive Director	August 2016	4/4
HL Bosman	Non-executive Director	July 2014	4/4
F Khanyile	Independent Non-executive Director	November 2019	4/4



## RISK AND COMPLIANCE COMMITTEE

### PURPOSE

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 fraud management are in place, as well as processes and controls that manage business continuity and disaster recovery within the Group.

**The Risk and Compliance Committee met six times during the year and comprised the following members as at 30 June 2021:**

Name	Board status	Appointment to committee	Number of meetings attended*
M Schreuder* <b>(Chairperson)</b>	Independent Non-executive Director	February 2021	2/2
HL Bosman*	Non-executive Director	April 2015	6/6
Dr B Brink	Independent Non-executive Director	April 2015	6/6
R Farber	Non-executive Director	April 2015	6/6
J Ferreira	Chief Compliance Officer (Group)	June 2019	6/6
HD Kallner	Executive Director	December 2015	6/6
D Macready	Independent Non-executive Director	February 2020	6/6
A Rayner	Chief Risk Officer and Chief Actuary (Group)	April 2015	6/6
D Viljoen	Executive Director and Group CFO	May 2017	6/6
D Wilcocks	Chief Information Officer (Group)	August 2018	6/6
SV Zilwa	Independent Non-executive Director	April 2015	5/6

\* HL Bosman resigned as Chairperson with effect from 21 April 2021, but remains a member of the committee. M Schreuder was appointed as Chairperson with effect from 21 April 2021.

## ACTUARIAL COMMITTEE

### PURPOSE

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.

**The Actuarial Committee met seven times during the year, and comprised the following members as at 30 June 2021:**

Name	Board status	Number of meetings attended <sup>1</sup>
P Tripe (Chairperson)	Independent expert actuary	7/7
R Farber	Non-executive Director	6/7
HD Kallner	Executive Director	7/7 <sup>#</sup>
R Lee	Independent expert actuary	7/7
D Macready	Independent Non-executive Director	7/7
HP Mayers*	Non-executive Director	2/4
KS Rabson	Group Executive	7/7 <sup>#</sup>
A Rayner	Chief Risk Officer and Chief Actuary (Group)	7/7
M Schreuder**	Independent Non-executive Director	1/1
R van Reenen	Group Executive	2/2
D Viljoen	Executive Director and Group CFO	7/7
R Williams	Independent expert actuary	7/7

1 Two additional meetings were convened during the year to discuss specific topics.  
The attendance of these meetings is not included in the table above.

\* HP Mayers retired as Board member and member of the Actuarial Committee with effect from 26 November 2020.

\*\* M Schreuder was appointed with effect from 19 February 2021.

# Attended in person or by proxy.



## SOCIAL AND ETHICS COMMITTEE

### PURPOSE

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.

**The Social and Ethics Committee met five times during the year and comprised the following members as at 30 June 2021:**

Name	Board status	Appointment to committee	Number of meetings attended*
SV Zilwa (Chairperson)	Independent Non-executive Director	May 2018	5/5
Dr B Brink	Independent Non-executive Director	May 2018	5/5
HD Kallner	Executive Director	May 2018	5/5
F Khanyile	Independent Non-executive Director	May 2018	5/5
D Viljoen	Executive Director and Group CFO	May 2018	5/5

\* The Social and Ethics Committee held two additional meetings during the year to discuss specific topics. The attendance of these meetings is not included in the table above.

## NOMINATIONS COMMITTEE

### PURPOSE

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.

**The Nominations Committee met two times during the year and comprised the following members as at 30 June 2021:**

Name	Board status	Appointment to committee	Number of meetings attended
M Tucker (Chairperson)	Independent Non-executive Director	November 2019	2/2
HL Bosman	Non-executive Director	November 2019	2/2
A Gore	Executive Director and Group Chief Executive	November 2019	2/2
F Khanyile	Independent Non-executive Director	February 2020	2/2
Dr TV Maphai	Independent Non-executive Director	February 2020	2/2

## TREATING CUSTOMERS FAIRLY SUBCOMMITTEE

### PURPOSE

The Treating Customers Fairly Subcommittee is tasked with assisting the Risk and Compliance Committee in ensuring the fair treatment of customers by the Group. The Treating Customers Fairly Subcommittee functions as the independent governance forum overseeing the Treating Customers Fairly Framework, ensuring that an appropriate culture encouraging the fair treatment of customers is established and that management implements suitable processes to ensure that customers are treated fairly by Discovery. In addition, the Treating Customers Fairly Subcommittee assists the Social and Ethics Committee from time to time to discharge its obligations for the fair treatment of customers.

**The Treating Customers Fairly Subcommittee (a subcommittee of the Risk and Compliance Committee) met four times during the year and comprised the following members as at 30 June 2021:**

Name	Board status	Appointment to committee	Number of meetings attended
J Awbrey (Chairperson)	Independent Non-executive Director (Discovery Life and Discovery Insure)	January 2017	4/4
Dr B Brink	Independent Non-executive Director (Group)	January 2017	3/4
J Ferreira	Chief Compliance Officer (Group)	November 2018	4/4
A Rayner	Chief Risk Officer and Chief Actuary (Group)	January 2017	4/4
S Zilwa	Independent Non-executive Director (Group)	January 2017	3/4



# 06

## REMUNERATION REPORT

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# REMUNERATION REPORT

## Report by the Remuneration Committee Chairperson

On behalf of the Remuneration Committee (RemCo), I am pleased to present our FY2021 Remuneration Report.

We have structured our Remuneration Report as follows:

### PART 1

#### BACKGROUND STATEMENT

*Discovery's RemCo and executive team continue to acknowledge the ongoing potential financial impacts of COVID-19 on our employees, their families and broader society. During FY2021, our approach to remuneration was informed by several elements, including the remuneration decisions made during FY2020, our performance during the financial year and the impact of the pandemic on performance outcomes.*

In FY2020, COVID-19 provisions substantially impacted the Group's results and consequently, variable remuneration. Although the outbreak of COVID-19 was an unusual and uncontrollable event, at the time, RemCo decided not to adjust for these impacts on variable remuneration outcomes, as alignment with the experience of shareholders was considered appropriate given the circumstances. As a result, the FY2020 profit pool was zero, and the Executive Directors' long-term incentive plan (LTIP) payouts amounted to only around 30% of the awarded value across all vesting tranches in issue.

Given the inherent difficulties in predicting the full impact of the pandemic when the original COVID-19 provisions were established at the end of FY2020, Discovery Life has had to raise additional provisions at 30 June 2021 after considering the severity of the third wave in South Africa and concerns around the likelihood of a potential fourth wave. Had it been possible to accurately determine the full impact of the COVID-19 pandemic in South Africa at the end of the previous financial year, the full provision would have been recognised then and FY2021 would largely have been unaffected by any additional provisions and, instead, only reflect the Group's robust operating performance. It should also be noted that if full visibility of the long-term impact of COVID-19 were known in the previous financial year, such additional provisions would not have had any further impact on variable remuneration in that year as the minimum hurdles were not achieved for the measures affected. In RemCo's view, allowing these dynamics to also impact the current year's performance outcomes without due consideration would not be appropriate.

**In light of the above and following research, consultation and robust debate, RemCo applied its discretion as follows:**

- In determining the profit pool component of the current financial year's short-term variable remuneration, the impact of the additional COVID-19 provisions made at year-end that relate to future periods were partly adjusted, resulting in a profit pool limited to 90% of target.
- RemCo also recognised that a substantial component of the LTIP that was, theoretically, already earned over a number of years, was lost due to the impact of COVID-19 provisions for tranches that vested in September 2020. Furthermore, the impact of the previous adjustment in the first vesting period from two to three years (following discussions with shareholders) was not compensated for at the time. This, combined with the impact of the COVID-19 provisions now resulted in substantial loss in the scheme's retention value. Therefore, RemCo decided on an additional award of the LTIP to partly compensate for the loss in long-term retention value, for the tranches that were vesting in September 2020. Furthermore, this additional award is also subject to various vesting conditions, including limiting the benefit to the original allocation.
- When measuring the performance conditions for the LTIP of the tranches vesting in September 2021, the further impact of COVID-19 provisions, as in the prior year, was not adjusted. For Executive Directors, vesting of LTIP awards is 100% performance based. Given the dynamics explained above effectively reoccurring, but also considering the full impact of COVID-19 provisions that impacted the prior year's vesting, it was decided to extend the term of the tranches due to vest in September 2021 by one year. RemCo is of the opinion that not recognising this dynamic in an otherwise robust performance year across the Group would result in an unfair outcome.

The impact, our response and outcomes of these decisions are summarised on the next page.



## PART 1 *continued*

### Summary of remuneration decisions ADJUSTMENTS TO SALARIES

During FY2021, it was decided to award inflation-linked salary increases to our employees, management teams and Executive Directors given that, in the previous year, our employees received below inflation-linked salary increases; while our Executive Directors' salaries were not increased at all.

### SHORT-TERM INCENTIVES

Our short-term incentives (STIs) recognise our management teams' responsibilities and contributions to Discovery's success. Senior managers' incentives are based on business performance and linked to Group normalised operating profit (profit pool portion). For our Executive Directors (participate at 100% of cost to company), STIs comprise 50% individual performance (individual incentive) and 50% group profit performance (profit pool) – except for NS Koopowitz (Vitality UK's CEO), whose on-target percentage split is two-thirds individual incentive and one-third profit pool (he participates in this scheme at 60% of cost to company). As explained earlier in this statement, we did not achieve the normalised operating profit hurdle during FY2021 given the ongoing effects of the pandemic and the additional COVID-19 provisions raised at 30 June 2021. To allow for the substantial impact of the pandemic and to recognise the extraordinary contribution of our people in a challenging and complex environment, we approved the payment of a reduced on-target profit pool of 90%, given the

additional COVID-19 provisions which significantly reduced normalised profits, despite a robust operating performance.

Apart from our Executive Directors, our management-level employees' incentives are also weighted to individual performance targets (individual management incentive portion). We believe this structure enables appropriate remuneration outcomes for each role.

### LONG-TERM INCENTIVES

Performance conditions for long-term incentives (LTIs) are measured on a compound basis over the vesting period of awards. Similar to STIs (and the prior year), the vesting outcomes of our primary LTIP were significantly affected by additional COVID-19 provisions in Discovery Life, with vesting tranches paying out around 30% of the performance-based portions of the awards across issued tranches. Given that Executive Directors' awards are 100% performance based, it was decided to extend the term of their vesting tranches by one year. We believe this aligns with shareholder expectations, as the performance conditions remain unchanged, apart from the longer measurement period.

To address the difficulty of forecasting three years in advance when the future is increasingly uncertain, as well as a fairly complex STI scheme, and to improve the alignment with shareholder and stakeholder requirements, RemCo is proposing combining Discovery's current STI and LTI schemes into a Single Incentive Plan (SIP).

### Shareholder engagement and feedback

As part of our annual work plan, we engage with our shareholders ahead of the Annual General Meeting (AGM). Below we outline specific issues raised during these engagements, along with RemCo's responses.

LTI performance conditions are overly weighted towards operating profit without considering capital allocation measures or specific investment targets.

#### OUR RESPONSE

RemCo is proposing a SIP to replace our current STIs and LTIs by combining these into a single incentive, underpinned by a comprehensive balanced scorecard. Guided by the importance of aligning performance and remuneration outcomes, RemCo devoted significant time and energy to identify a range of performance and remuneration outcomes that ensure Executive Directors remain incentivised to deliver long-term value for shareholders.

Disclosure of performance against specific targets, benchmarking comparator groups and outcomes of metrics and targets could be improved.

#### OUR RESPONSE

During the year we appointed remuneration specialists from Bowmans to conduct a benchmarking exercise against our peers operating in the financial services industry. The comparator group included Momentum Metropolitan Holdings Ltd, Old Mutual Ltd, Sanlam Ltd, Liberty Holdings Ltd, ABSA Group Ltd, Standard Bank Group Ltd, FirstRand Ltd, Nedbank Group Ltd and Capitec Bank Holdings Ltd. Based on the outcomes of the exercise, RemCo recommended an above-inflation adjustment to the Group Chief Financial Officer's (CFO) remuneration. No other adjustments to Directors' remuneration were recommended apart from the annual inflationary increase. Individual measures and targets for Executive Directors include commercially sensitive information. The measures are also aligned with the Group's strategic trajectory over a given performance period. We are committed to improving disclosure, where possible, to demonstrate the link between remuneration, performance conditions and the Group's strategy.

Perception that a discretionary retention scheme indicates difficulties with retention of our key employees or, that the current scheme may be flawed.

#### OUR RESPONSE

In October 2020, RemCo approved a discretionary retention scheme to mitigate emerging retention risks – mainly driven by the impact of COVID-19 and the resultant economic slowdown – on STI and LTI performance outcomes (refer to discretionary retention scheme later in this report). In reaching this decision, RemCo also considered the significant impact of changes in the vesting period in 2019 from a two to five-year arrangement to a three to five-year arrangement, which was not specifically compensated for at the time. The discretionary retention scheme consisted of an upfront cash component of 25% – repayable in full should participating employees terminate their employment before 30 September 2023 – and a once-off allocation of equity-settled ordinary share awards. The share award vests over three years on 30 September 2023, and is subject to compound performance conditions currently aligned with the Group's organic growth strategy, capped at 100%.

Given the challenging operating environment, RemCo is proposing that a SIP be implemented to ensure a simple and consistent application of incentives across all business units – which also aligns with shareholder interests and other important stakeholder objectives. It will replace the current short-term incentive plan (STIP) and LTIP, combining them into a single scheme of a cash award (STIP) and a deferred award (LTIP). The SIP will also provide a competitive value proposition for loyal, high-performing employees. Performance criteria of the SIP are agile and customised to drive the required business outcomes and performance on an annual review basis, compounded over three years.



## PART 1 *continued*

### Policy and implementation advisory votes

Following the engagements with our shareholders, supporting advisory votes on our Remuneration Policy and Implementation Report – which are based on the proportion of shareholders represented at our most recent AGM – improved from the prior period. This progress is indicated in the table below:

	Advisory votes in favour (%)			Dissenting advisory votes (%)		
	FY2020	FY2019	FY2018	FY2020	FY2019	FY2018
Remuneration Policy	<b>86.6</b>	85.8	84.5	<b>13.4</b>	14.2	15.5
Implementation	<b>86.4</b>	84.2	68.4	<b>13.6</b>	15.9	31.6
Non-executive Director fees	<b>99.3</b>	85.8	89.6	<b>0.7</b>	14.2	10.4

We will present our Remuneration Policy and Implementation Report (part 2 and part 3 of this Remuneration Report) for two separate, non-binding votes at our AGM on 24 November 2021. If 25% or more of shareholders vote against either the Remuneration Policy or Implementation Report, or both, Discovery will include a note in its Stock Exchange News Service (SENS) announcement for the AGM. If there are any dissenting shareholders, they will be invited to engage with the Group. The method of shareholder engagement will be decided by our RemCo, and could include:

- Emails and teleconferences
- Investor roadshows (where feasible)
- One-on-one meetings with shareholders
- Combined meeting of shareholders (where deemed appropriate)

The results of the next shareholder engagement, as well as our RemCo's response, will be published in our FY2022 Remuneration Report.

### Remuneration governance

RemCo 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. In addition to the ongoing engagement with the remuneration specialists, the committee met four times during the year and comprised the following members as at 30 June 2021:

	August 2020	September 2020	October 2020	June 2021
SE De Bruyn (Chairperson)	✓	✓	✓	✓
HL Bosman	✓	✓	✓	✓
F Khanyile	✓	✓	✓	✓

Our RemCo members have the relevant skills, expertise and experience to effectively perform their duties. They are also members of other key committees to monitor risk trends across the Group. Representatives of our executive management team, along with an independent remuneration expert, attend RemCo meetings by invitation. Executive Directors do not participate in discussions about or vote on their own remuneration.

In addition to advice from our retained independent remuneration expert, RemCo considered the following input during the year:

- PwC REMChannel on salary and incentive benchmarking
- Vasdex Associates on the adoption of good remuneration governance practices
- Bowmans on the adoption of SIP, remuneration benchmarking for Executive Directors, remuneration trends, fair and responsible pay analysis, and other remuneration-related matters

RemCo is satisfied that this input is credible, independent and objective.

Our UK subsidiaries (Vitality UK) are directly regulated and effectively supervised. Discovery Holdings Europe Limited's RemCo, chaired by Sir Andrew Foster – senior Non-executive Director of various UK subsidiaries – oversees remuneration for these subsidiaries. Similarly, Discovery Bank has a Directors Affairs Committee, chaired by Mrs Nolitha Fakude, an Independent Non-executive Director of Discovery Bank. Our Group RemCo oversees the activities of these committees.

We continue to ensure that our remuneration philosophy aligns with our business strategy and shareholder expectations while delivering competitive and fair outcomes for our employees. Our RemCo and executive team challenge themselves to apply creativity and innovation to our human resources and remuneration practices without breaching risk tolerances, governance and our shareholder compact.

### Planned focus areas in FY2022

- Ensuring our remuneration structures remain suitable and competitive to attract and retain the best talent across our markets.
- Overseeing the implementation of the SIP.
- Standardising LTI allocations by linking them to base pay.
- Ensuring a strategy to recover the retention position for key talent is in place, following a decrease in share price during the second half of the year, as well as the impact on the LTIP vesting conditions.
- Reviewing the use of the Black Economic Empowerment Share Scheme to attract and retain talent.
- Driving a culture of ownership and increased alignment with shareholders.
- Developing and disclosing metrics that monitor fair and responsible pay, as well as any pay disparities based on gender or race.
- Reviewing environmental, social and governance (ESG)-related targets linked to remuneration practices.

We remain comfortable that the application of our Remuneration Policy over the past year aligned with its stated objectives, but invite our shareholders to engage with us on our policy and the implementation thereof. We appreciate your input during the year to align our policy with the interests of all our stakeholders.

**SONJA DE BRUYN**  
**RemCo Chairperson**

## PART 2

### REMUNERATION POLICY

#### Remuneration philosophy

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. By bringing out the best in our people, we achieve our ambition of being global leaders in transforming financial services. We are committed to providing total remuneration packages that ensure we are able to:

Attract, retain and motivate **high-calibre employees**

**Encourage performance** and appropriately **reward employees** who meet and exceed business objectives

Align the financial **wellbeing of employees** with the economic interests of shareholders

Provide an environment that encourages **innovative thinking and extraordinary performance**

Bring **consistency, transparency and equity** to pay principles that encourage trust and employee engagement

Foster Discovery's **owner-manager culture**

We balance a flexible approach to differences in individual performance, value and contribution with a consistent framework to ensure fair and responsible pay.

#### Remuneration principles

- To succeed, we must have the right people in the right positions and offer **competitive** pay packages.
- **Pay for performance** is at the heart of our remuneration philosophy. We encourage employees to set and achieve ambitious goals with the Group's objectives in mind – we recognise and reward exceptional performance.
- **We believe in pay that is right and fair.** We conduct regular internal and external salary surveys to ensure fairness and consistency across the Group.
- We recognise that **remuneration is not the only attraction and retention element** for employees, but will be cause for concern if it is not fair and equitable across the Group.
- We are **non-discriminatory** in our remuneration policies and practices since they are not based on race, gender, age, religion, marital status, or ethnic or social background.
- Our guaranteed remuneration is based on **total cost to company** (CTC).
- Our **SIP** encourages, recognises and rewards performance in terms of flexible objectives, and measurements and creates a sense of ownership designed to encourage an entrepreneurial mindset and retain talent.
- Our Remuneration Policy **empowers managers** to make educated and defensible pay decisions.
- Our remuneration policies and practices are governed by **RemCo**, supported by our **Internal RemCo** – an executive management body – with delegated responsibilities for remuneration governance.

#### Fair and responsible pay

RemCo remains committed to ensuring that Discovery's remuneration is externally competitive and, internally, fair and free of any prejudice. Management processes – including job grading, annual salary benchmarking and annual income differential analysis (taking into account gender differentials) – ensure that remuneration is primarily market-related and equitable.

We use independent advisers to ensure we pay employees competitively. Salary benchmarking against other financial services companies is conducted at least annually to ensure we remain updated on changes in the market. These assessments consider factors such as company size – including revenue, profit and number of employees – and skills availability.

To ensure that pay is administered responsibly, RemCo is assisted by Internal RemCo. Internal RemCo does not engage in the remuneration of Directors, and complies with the same standards as RemCo and reports to RemCo at every meeting. Executive Directors' remuneration awards are approved by RemCo. Our RemCo ensures that performance-linked pay is directly attributed to management's efforts and, in reviewing incentive structures, strives to avoid remunerating for a "rising tide" effect. When reviewing proposals for new or amended incentive schemes, RemCo ensures a fair outcome and that potential incentive payouts are capped to avoid management benefiting from windfall gains.

RemCo is in the process of reviewing the vertical pay gap between our highest and lowest paid employees as part of our approach to fair and responsible remuneration. There is substantial debate underway on how best to measure this differential, with organisations such as Business Unity South Africa, the National Economic Development and Labour Council, the King Remuneration Subcommittee and the IoDSA researching and consulting on this matter. We are monitoring the Palma Remuneration Ratio – the total on-target remuneration of the top 10% highest paid employees, divided by the average total on-target remuneration of the lowest 40% – but await the conclusion of the current processes underway to identify the ratio applicable for statutory reporting before disclosing our performance externally to ensure comparability and consistency.



## PART 2 *continued*

### Remuneration structure

Our total rewards approach encompasses financial and non-financial elements which are summarised below:

TOTAL REWARDS			
	Guaranteed pay	Variable pay	Non-financial
Description	<b>CTC</b> <ul style="list-style-type: none"> <li>■ Basic salary</li> <li>■ Compulsory benefits (medical aid, provident fund, pension fund and group life cover) and optional benefits (gap cover)</li> </ul>	<b>Monthly performance-based salary</b> <ul style="list-style-type: none"> <li>■ Productivity and sales-based performance pay for operations and sales areas</li> </ul>	<b>SIP</b> <ul style="list-style-type: none"> <li>■ Group, business unit and/or individual performance-based pay*</li> </ul>
Objective	<ul style="list-style-type: none"> <li>■ Attract and retain talent with competitive base pay and life-stage relevant benefits</li> </ul>	<ul style="list-style-type: none"> <li>■ Align individual performance to company goals and continuously drive improvement</li> </ul>	<ul style="list-style-type: none"> <li>■ Reward delivery of key financial and non-financial objectives consistent with Discovery's strategy</li> <li>■ Align Executive Directors' remuneration with shareholder expectations</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>■ All</li> </ul>	<ul style="list-style-type: none"> <li>■ Generally, employees up to team leader level, as well as some management and executive-level employees in sales environments</li> </ul>	<ul style="list-style-type: none"> <li>■ Management (above Deputy General Managers) and Executive-level employees</li> </ul>

\* For employees below Deputy General Manager level, as well as employees who do not participate in monthly incentives, we have quarterly, biannual or annual STI schemes in place that are measured against agreed targets. We also have legacy LTIPs and business unit-specific LTI schemes.



### GUARANTEED MONTHLY SALARY

Our approach to **total CTC** provides employees with flexibility and choice in compulsory benefits, ensuring that employees at different life stages, with different lifestyle needs, can select a remuneration structure and benefits that best meet their needs. Permanent non-sales employees – irrespective of level – receive a guaranteed component of remuneration, comprising a basic salary and compulsory benefits. Employees can vary the cash portion (within limits), enrol in a suitable medical aid plan and vary risk cover and retirement contributions.

Compulsory contribution to the pension fund is set at 5% of an employee's salary, while they choose:

- Suitable Discovery Health Medical Scheme plans (membership is compulsory for employees unless an employee is a dependant on a spouse's medical scheme) – employees below a certain salary threshold can enrol in Flexicare
- Provident fund contributions ranging from 7.5% to 22.5% of guaranteed package or base pay
- Provident fund portfolio structure

Employees who work in sales environments typically receive variable monthly remuneration linked directly to sales productivity and targets. We use the expected monthly salary – or deemed salary – as the basis for calculating benefits.

## PART 2 *continued*

We target the market median guaranteed pay level for each role. However, guaranteed pay can include:

- above the median to attract and retain top talent, particularly in scarce and critical skills areas; or
- below the median, in rare instances, for people who display high potential but are new to the role and need to grow into the position

Due to the uniqueness of many of Discovery's roles, we use market data to inform remuneration decisions – but not exclusively – as we do not differentiate pay on arbitrary grounds. We ensure that our employment processes do not create unfair pay differentials.

Performance is primarily rewarded through incentive structures and not increases in salary. However, we review all salaries annually between April and June as an opportunity to implement market-related adjustments, with increases effective from 1 July. This excludes new hires, who may not be eligible for salary increases, or only eligible for a prorated adjustment. RemCo determines the overall percentage increase, considering benchmarks to understand market trends – particularly for scarce and critical skills – changes to the national cost of living, as well as business performance and affordability. Typically, an employee should be employed for a minimum of three months to be part of the salary review process, and an increase may be prorated for length of service and tenure.

**Interim increases may be awarded during the year at the discretion of senior management and under the following circumstances:**

- Successful internal recruitment into a higher-paying role
- Achieving a higher qualification for certain skills
- Promotion
- Alignment due to benchmarking

### PERFORMANCE-BASED PAY

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.

#### Monthly performance-based pay

In many operational areas where performance is highly measurable, monthly pay comprises a guaranteed monthly salary and performance-based pay (on par), which may apply from staff to Deputy General Manager level.

### STI SCHEMES

#### Employee incentive schemes

At staff and team leader levels, STI schemes encourage and reward participating employees for delivery against agreed-upon stretch targets at individual, team or business unit level. Business units' incentive schemes are based on specific priorities and, accordingly, payout percentages, pay periods and calculations vary. The sales team participates in production-related incentives relevant to their roles. To receive STI rewards, an employee must be employed for at least three months and still be employed at the time of payment. The targets and final payout amounts are determined within scheme guidelines by either management or RemCo, depending on the STI level. Final approval remains RemCo's discretion.

#### Management incentive schemes

At Manager and Divisional Manager levels, employees participate in a biannual management incentive scheme (15% – 30% of the total CTC), measuring performance against personal and business objectives.

The SIP has not yet been adopted in the UK. Managers continue to participate in biannual management incentive schemes measuring performance against personal and business objectives (15% – 40% of CTC).

NS Koopowitz continues to participate in the current management share incentive scheme at 60% of his CTC, split one-third profit pool and two-thirds individual management incentive portion. His individual management incentive portion (%) is reflected in the table alongside. Measures include performance related to financial, operational and governance outcomes across five sub-scorecards, weighted 60% for Group and 10% for each of VitalityHealth, VitalityLife, VitalityInvest and VitalityCar.

NS Koopowitz management incentive portion

Growth	30%
Product and innovation	10%
Financial and operational performance	50%
Capital and funding	10%

NS Koopowitz also participates in an additional discretionary STI scheme (outperformance scheme) with challenging stretch targets. The scheme has a maximum value of £500 000 per annum and is linked to the achievement of the Vitality UK annual business plan. A 60% payout is allocated upon achieving the business plan's objectives; the remaining 40% is allocated if stretch targets are exceeded, which support a significant change in the future of the business unit.

The other Executive Directors will participate in the SIP as explained on page 104.

### LTIPS

Previously, Discovery allocated awards under LTI schemes to align long-term shareholder interests with longer-term performance, and to retain key talent and create opportunities for individuals to share in the Group's success. These incentive schemes were restricted to Executive Managers and, in certain circumstances, to individuals that held critical roles at lower levels to align their interests with long-term strategic goals.

The Group's main LTI scheme was the equity-settled Discovery Limited LTIP, approved at the 2019 AGM in FY2020 to replace the previous Phantom Share Scheme. Awards in terms of the Discovery Limited LTIP vested in three tranches over three to five years, which will continue until FY2026. Prior to implementing the Discovery Limited LTIP, Discovery operated a cash-settled Phantom Share Scheme. Awards under this legacy incentive scheme will continue to vest until FY2023.

### Discretionary retention scheme

In October 2020, RemCo approved a discretionary retention scheme, which comprised an upfront cash component of 25% – repayable in full should participating employees terminate their employment before 30 September 2023 – and a once-off allocation of equity-settled ordinary share awards. The share award vests over three years on 30 September 2023, and is subject to compound performance conditions, capped at 100%.



## PART 2 *continued*

### International Phantom Share Scheme

Vitality UK and Vitality Group each have a Phantom Share Scheme, with vesting criteria linked to the performance of the businesses.

Vitality Group's Cash-Settled Share Plan entitles senior executives to an incentive based on the valuation of Vitality Group, including our equity share of Ping An Health Insurance. The plan vests over the same period as the Discovery Limited LTIP and is subject to operating profit hurdles.

The VitalityHealth and VitalityLife LTIP vests in thirds on the second, third and fourth anniversaries of the award. Vesting is subject to attaining embedded value (EV) and profit targets measured for each tranche over the vesting period. Recipients include executives, senior leadership and key specialists. On 1 July 2020, a new Executive scheme was implemented. Payout is determined based on the following criteria up to FY2023: 95% of target achieved, 50% payout; on target achieved, 75% payout; and 110% of target achieved, 100% payout. Subject to these criteria, the scheme pays out one-third immediately after valuation in October 2023 and a further one-third in each October of the following two years. NS Koopowitz was allocated £1 million out of the total scheme of £8.3 million, but did not receive an allocation under the VitalityHealth and VitalityLife LTIP in FY2021.

### Targeted LTI schemes

RemCo may decide to implement a specific LTI scheme to drive a particular business result, for example delivering a new venture or strategic stretch business targets. Participation is at RemCo's discretion and limited to key employees who drive value in the venture. Payout under incentive schemes for a start-up is typically linked to value creation and profitability.

For incentive schemes, RemCo retains discretionary override where necessary. Outstanding awards under several previously operated incentive schemes are currently in run-off.

Discovery Bank executives participate in a start-up LTIP linked to value created over seven years, with options for early exercise under certain conditions. This incentive scheme includes two cash bullet payments, which are drawdowns on the ultimate

value of the scheme. Each bullet payment is linked to a significant milestone in building the business. The earliest possible vesting date is only after FY2022 is concluded, with associated payments in 2022, 2023 and 2024. The final vesting date is FY2026, with associated payments in 2026, 2027 and 2028.

### SIP

During the year, RemCo proposed combining Discovery's current STI and LTI schemes into a single incentive scheme that rewards the delivery of key financial and non-financial objectives consistent with Discovery's strategy, measured over the short and long term. The SIP pays out in a combination of cash and shares, the latter vesting over a period of three to five years in respect of Executive Directors. The SIP was designed to address the following issues:

- **LTI performance conditions**, which are difficult to set for three to five years – especially in an organisation with significant investment in new start-up initiatives and in the current uncertain environment.
- **Complexity and administration challenges** of several unique business unit-specific plans.
- Fairly **complex STI scheme** with individual incentive and profit share elements.

The SIP is based on the annual award of a single total incentive relating to the performance at Group, business unit and individual level, assessed against financial, or quantitative, and non-financial, or qualitative, measures. RemCo sets the short and long-term performance measures, targets and weighting annually to reflect Discovery's key financial, operational and strategic priorities. RemCo retains the discretion to consider performance holistically and, if needed, adjust any formulaic outcomes to ensure that final remuneration awards align with Discovery's sustainable performance and our core purpose. Furthermore, the SIP enhances Executive Directors' alignment with shareholder expectations.

The proposed Group scorecard for FY2022 is shown below:

Area	Measure	Weighting	Target
<b>Financial</b> (60%)	<b>Growth in normalised operating profit</b>	<b>15%</b>	CPI + GDP +5% p.a.
	<b>HEPS growth</b>	<b>10%</b>	CPI + GDP +5% p.a.
	<b>ROE</b>	<b>15%</b>	WACC + 3.8%
	<b>Revenue growth</b>	<b>10%</b>	CPI + GDP +5% p.a.
	<b>Cash conversion ratio</b>	<b>10%</b>	63%
<b>Sustainability</b> (40%)	<b>Customers</b>	<b>10%</b>	
	• Policy-weighted-average of client perception scores	10%	8.8
	<b>ESG</b>	<b>10%</b>	
	• Health and shared-value (millions of lives impacted)	4%	47 million
	• Governance, compliance and risk management (improved ratings by MSCI, S&P and Sustainalytics)	3%	1-notch upgrade across two agencies or 2-notch upgrade across one agency
	• Climate (reduction in scope 1 and 2 greenhouse gas emissions from the 2019 base year)	3%	5% reduction
	<b>Strategy</b>	<b>10%</b>	
	• New products and innovation	5%	Ex post portfolio of evidence based on the Board approved strategic plan
	• Outcomes of key initiatives and projects	5%	
	<b>People</b>	<b>10%</b>	
	• Employee engagement	2%	Detailed metrics for each measure
	• Retention	3%	
	• Transformation, diversity and inclusion	5%	

CPI and GDP will be based on prevailing parameters in the countries where the Group operates, weighted to reflect the respective operating profit for the performance period.

The financial measures will be measured on a three year trailing basis from FY2024 onwards, with a two year transition period over FY2022 and FY2023, where they will be measured over one-year and two-year periods, respectively.

## PART 2 *continued*

The threshold and stretch performance levels are generally set symmetrically to the target and provide for a 6% to 25% range from threshold to stretch. Most of the ranges are 10% from threshold to stretch. A score of 100% is provided for target performance for each measure, with 0% for performance below threshold 50% at threshold and 150% at stretch and above, with linear interpolation between these levels.

The weightings of the scorecards are as follows:

Scorecard weightings	Group	Business unit/ function/ personal
CEO	80%	20%
CFO	70%	30%
Executive Directors and Prescribed Officers	50%	50%
General Managers	30%	70%
Deputy General Managers	30%	70%

Award outcomes are assessed annually after year-end based on a formulaic application of our Remuneration Policy – being the on-target percentage of guaranteed package multiplied by an annual performance multiplier. The annual value of the performance multiplier is determined based on Group, business unit and personal performance scores. The scorecards include performance measures, weightings, threshold, target and stretch objectives. The performance multiplier will range from 0% to 150% in FY2022.

The SIP will include both the STI (cash portion) and LTI (deferred Discovery share portion). The deferred portion will vest in the third, fourth and fifth year for Executive Directors without further performance conditions and based on continued employment, subject to malus and clawback provisions. Generally, deferred awards will be implemented using Group Deferred Shares and Business Unit Deferred Units – linked to business unit equity value – for Established businesses with primary operations outside South Africa, and will be governed by rules similar to the current LTIP rules, settled by delivery of Discovery shares on the vesting date.

The **cash portion** of the SIP will be settled annually for our Executive Directors, with **SIP parameters** for the on-target single incentive percentage replicating the on-target and stretch values of the current STIs. For FY2022, the parameters of awards to Executive Directors will be an on-target percentage of **200%** of their guaranteed package with **50%** offered in cash and **50%** deferred to an award of Discovery shares.

The following employees will be eligible to receive a single incentive in FY2022, replacing the FY2021 management-incentive scheme and profit pool and, from FY2023, replacing the LTI awards:

- Group Executive Directors and Prescribed Officers
- General Managers and Deputy General Managers of the South African businesses

The incentive policy for employees below Deputy General Manager level remains unchanged.

The UK STI, LTI and special incentives, US STIs and LTIs; Discovery Insure LTIP and Discovery Bank Start-up Incentive will not be included in the SIP in FY2022, and will continue as usual for the time being, but will transition over time to align with the Group SIP philosophy as far as applicable and appropriate.

Once the proposed SIP methodology is applied to determine the single incentive pool for the year, it will be tested against the following safeguards:

- **"Clip-rate" safeguard:** The total cost of the year's SIP – including the value of the cash portion and the at-grant value of the deferred share awards – as a percentage of the normalised operating profit, pre-tax and incentive expenses attributable to the year should not exceed 12% of normalised profits, except in exceptional circumstances approved by RemCo.
- **"Burn-rate" safeguard:** The total number of Discovery share awards included in the deferred awards should not exceed 1% of Discovery issued shares, except in circumstances approved by RemCo.

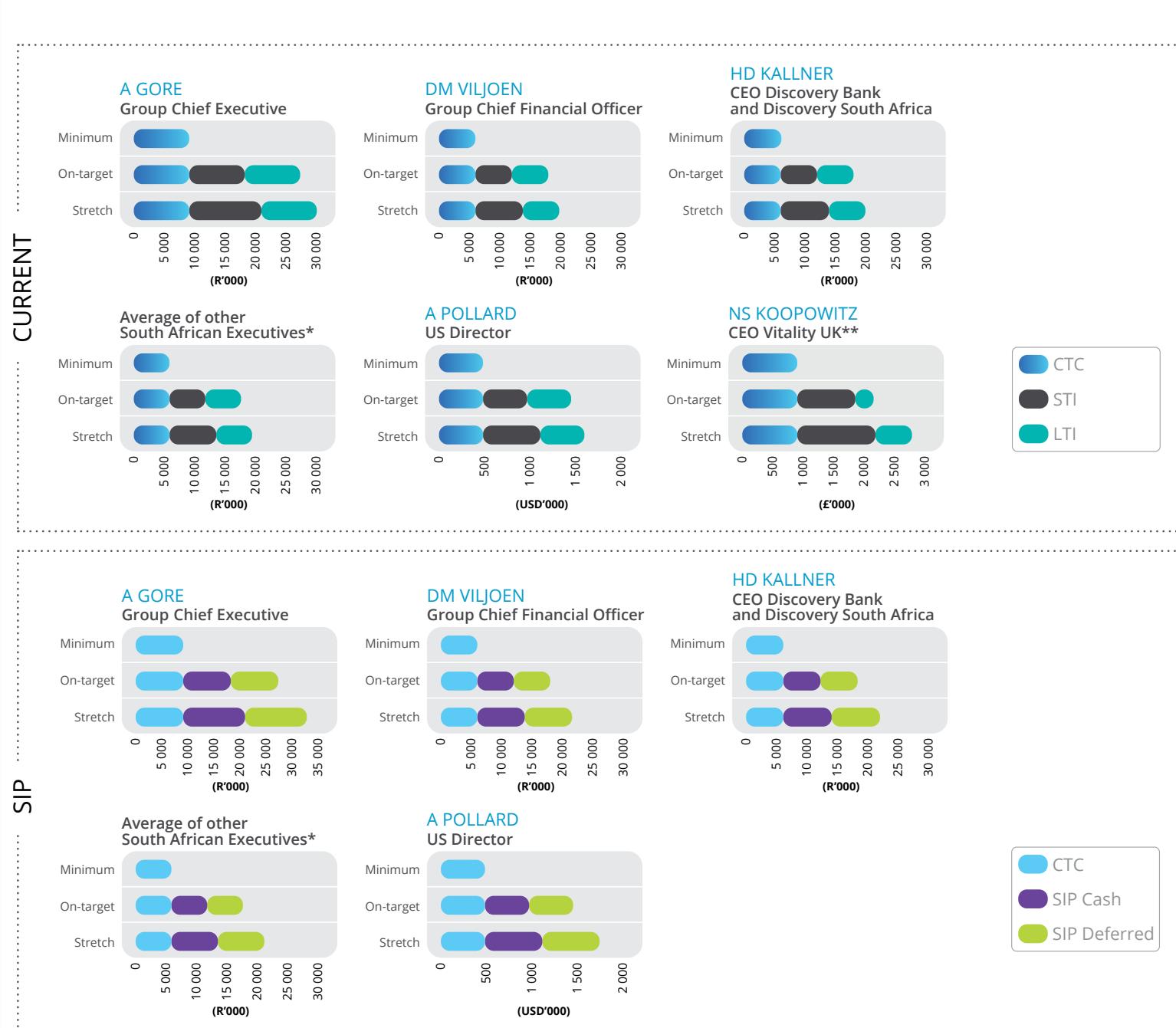
Should any of these safeguards be breached, RemCo will adjust the cash or deferred share awards of the annual SIP award to address these breaches.



## PART 2 *continued*

### Earning potential of Executive Directors

The potential FY2022 remuneration outcomes for Executive Directors on the current basis versus SIP at minimum, on-target and stretch remuneration levels are illustrated alongside.



\* Includes B Swartzberg and Dr A Ntsaluba

\*\* The UK has not transitioned to SIP for FY2022



## PART 2 *continued*

### Malus and clawback

Where there are defined trigger events, RemCo has the discretion to invoke malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and application are governed by the Discovery Malus and Clawback Policy, which is provided for in our Remuneration Policy. RemCo has discretion to clawback the pre-tax proceeds of any variable STI remuneration (from General Manager level) or LTIP remuneration (from Manager level) should a trigger event occur. Malus applies from the date of award until vesting, while the clawback period is three years from the date of vesting. Trigger events include:

- Material misstatement of financial results.
- Assessment of metrics upon award based on erroneous, inaccurate or misleading information.
- Fraud, dishonesty or gross misconduct.
- Events or behaviour causing reputational damage to Discovery.

### Minimum Shareholding Requirement Policy

Executives are required to build personal holdings in Discovery shares to a minimum threshold level. Executives have five years from the effective date of the Minimum Shareholding Requirement (MSR) Policy – being October 2019 – or their appointment to achieve the required holdings.

We set out below the required holdings based on the level of the participant:

Role/Level	Value of Discovery shares
CEO	Two times the annual CTC
CFO, Executive Directors and Prescribed Officers	Two times the annual CTC

As at 30 June 2021, the Group Chief Executive's holdings significantly exceed the required holding. In addition, five of the other six Executive Directors exceed the required holdings.

### Contract terms for Executive Directors

Executive Directors are employed in terms of employment contracts, which can be cancelled with one to three months' notice by either the Executive or the company. On voluntary termination of employment, all unvested awards are forfeited.

### Payments on termination of office

There are no contractual commitments to make any payment to Executives due to change of control or termination of employment beyond complying with relevant statutory requirements, as well as any amounts due in terms of the applicable conditions of the Group's share plan. In the event of a reconstruction or takeover, but excluding an internal re-organisation, that does not change the ultimate control of Discovery, then:

- A portion of the unvested awards, based on the period served of the applicable vesting period up to the transaction date, may vest early and be settled on the basis of the transaction value.
- The remaining portion will be replaced by an award with the same fair value of that portion of the award on the transaction date, and with other characteristics such as remaining vesting period and governing provisions that are as similar as possible under the prevailing circumstances. This could include participation in an acquirer's share plan

### Guaranteed bonuses, sign-ons, buy-outs, retention and restraint of trade payments

Such payments are made when deemed necessary to attract and retain critical employees, approved by RemCo and disclosed appropriately.

### Advisory vote on the Remuneration Policy

Our Board tables the Remuneration Policy for a non-binding advisory vote by shareholders at the AGM every year. If the Remuneration Policy is voted against by 25% or more of votes exercised, in the voting results SENS announcement following the AGM, Discovery will invite dissenting shareholders to engage with us.

### Non-executive Directors

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 Board Chairperson receives an all-inclusive retainer, and no other fees are paid to him for attending Board or Board committee meetings. Our Board and RemCo Chairpersons are not present when their remuneration is reviewed or discussed.

Fees are benchmarked against local and international financial services companies, as well as companies with similar market capitalisations, to ensure we remain competitive.

Recommendations are made to our Board for consideration and taken to the AGM for shareholder approval. In FY2021, Non-executive Directors' fees were adjusted by considering relevant inflation rates, with the exception of fees for the Chairperson of the Audit Committee which was based on a revised market benchmark.

Non-executive Director fees are benchmarked against a peer group every second year. The latest benchmark exercise was conducted in 2019. The peer group review included Absa Group Ltd, Capitec Bank Holdings Ltd, FirstRand Ltd, Nedbank Group Ltd, Standard Bank Group Ltd, Alexander Forbes Group Holdings Ltd, Liberty Holdings Ltd, Momentum Metropolitan Holdings Ltd, Old Mutual Ltd and Sanlam Ltd. As a result of this benchmarking exercise and in consultation with the Group external remuneration advisor, the fee structure was simplified to a fixed retainer with effect from FY2020.

The number of times a Non-executive Director may stand for re-election is unlimited. Proposals for re-election are based on individual performance and contribution, and reviewed by our Board.

## PART 3

### IMPLEMENTATION REPORT

#### Fixed remuneration increases

We award salary increases against CPI and have established a CTC threshold which is above South Africa's national minimum wage. The annually reviewed threshold is currently R148 000 per annum and, in line with Discovery's commitment to fair and responsible remuneration, employees below this threshold received increases of around 10% per annum for the past few years, where applicable.

Fixed remuneration increases	1 July 2021	1 July 2020
Executive Directors	4%	0%
Management and Executives	4%	3%
Employees	4%	3%
Minimum salary	10%	10%

#### FY2021 Executive Directors' remuneration

The Companies Act and associated regulations introduced the concept of Prescribed Officers and related remuneration disclosure. Every year, RemCo, considering the Companies Act, assesses this definition against the roles and responsibilities of employees. Following the restructuring of reporting lines and formalising geographical composite strategies and leadership structure composites in the prior year, RemCo resolved that Discovery's Executive Directors are Prescribed Officers of the Group<sup>1</sup>.

Remuneration earned by Executive Directors during FY2021 is shown on the next page in single-figure format. It reflects earnings received and due to each, based on performance over the period under review in accordance with King IV™ principles. All remuneration components are combined into a single total figure, which represents the quantum of remuneration most closely linked to performance during the year. Actual cash remuneration paid to Executive Directors in FY2021, which may include cash payments for performance in the previous financial period, is reflected in the Directorate from page 191 in the Annual Financial Statements.

Specific notes follow after each table. The following generic notes apply to the single-figure tables:

- Other benefits include medical aid or insurance contributions and premiums, travel and other allowances.
- The performance bonus comprises individual and profit pool portions of the STI scheme, as well as payments from an outperformance incentive scheme for Directors in the UK.
- Given the decision to defer the vesting tranches of the Group's main LTIP by one year for Executive Directors, the LTIP payout of prior year phantom awards measured up to FY2021 is zero for FY2021. Where applicable, we include the Vitality Group Cash-Settled Plan and the UK Vitality Phantom Share Scheme. On vesting, these incentive schemes payout at a price linked to the vesting date

#### ELEMENTS OF TOTAL REMUNERATION PACKAGE

##### CTC

CTC increases are effective from 1 July and include contributions to retirement funding and other benefits. RemCo approved a 4% increase to CTC from 1 July 2021 for Executive Directors in South Africa other than the CFO, who received an 8% increase to align with market benchmarks. Inflation-related increases were awarded to international Executive Directors.

The reduction in Executive Directors' FY2020 CTC reflects two of the three months of gross salary committed to boost Discovery's contributions to the Solidarity Fund and other COVID-19-related causes. No increase was awarded to Executive Directors on 1 July 2020.

##### STIs

Executive Directors participate in an annual incentive scheme comprising a profit pool portion and an individual management incentive. Both elements of the STI scheme are subject to malus and clawback provisions.

In FY2020, no profit pool portion was payable to Executive Directors as a result of the impact of COVID-19 on normalised profit from operations. In FY2021, as described in Part 1 of this report, a COVID-19 provision adjusted on-target profit pool of 90% was awarded.

<sup>1</sup> Should a leader who is not an Executive Director be appointed to head any of the geographical composites, the individual will fall within the definition of a Prescribed Officer.





## PART 3 *continued*

### FY2021 EXECUTIVE DIRECTORS' SINGLE-FIGURE REMUNERATION

	Base salary <sup>3</sup>	Retirement fund	Other benefits	Performance bonus <sup>1,2</sup>	LTIP reflected	Total
<b>South African Executive Directors (R)</b>						
A Gore	7 051 912	1 094 009	364 956	9 590 036	-	<b>18 100 913</b>
HD Kallner	5 272 784	271 710	163 752	10 105 572	-	<b>15 813 818</b>
Dr A Ntsaluba	4 424 514	342 515	274 236	5 963 187	-	<b>11 004 452</b>
B Swartzberg	4 992 981	533 734	181 526	6 414 170	1 801 882	<b>13 924 293</b>
DM Viljoen	4 580 565	722 446	82 140	6 418 894	-	<b>11 804 045</b>
<b>UK Executive Directors (£)</b>						
NS Koopowitz	929 190	2 500	4 099	1 050 696	427 754	<b>2 414 239</b>
<b>US Executive Director (US\$)</b>						
A Pollard	457 000	15 473	21 221	448 350	97 867	<b>1 039 911</b>

1 Performance bonuses are based on Executive Directors' performance against their individual balanced scorecards and a reduced on-target profit pool of 90%.

2 Includes a payment in respect of the cash component of the retention scheme implemented in October 2020.

3 While no increases were granted in FY2021, the lower base salary in FY2020 is due to salary foregone in respect of contributions made to the Solidarity Fund.

### FY2020 EXECUTIVE DIRECTORS' SINGLE-FIGURE REMUNERATION

	Base salary	Retirement fund	Other benefits	Performance bonus <sup>1</sup>	LTIP reflected <sup>2,3,5</sup>	Total
<b>South African Executive Directors (R)</b>						
A Gore	6 766 895	1 087 504	413 404	4 193 057	1 287 568	<b>13 748 428</b>
HD Kallner	5 105 399	271 420	168 420	2 832 794	3 792 168	<b>12 170 201</b>
Dr A Ntsaluba	4 281 433	342 474	273 406	2 655 936	821 332	<b>8 374 581</b>
B Swartzberg	4 902 399	470 194	172 642	3 063 305	2 819 486	<b>11 428 026</b>
DM Viljoen	4 419 433	722 446	89 496	2 762 992	447 426	<b>8 441 793</b>
<b>UK Executive Directors (£)</b>						
NS Koopowitz <sup>5</sup>	926 049	10 000	25 219	640 838	586 650	<b>2 188 756</b>
HP Mayers <sup>4,5</sup>	542 977	54 116	56 184	201 227	517 752	<b>1 372 256</b>
<b>US Executive Director (US\$)</b>						
A Pollard	451 298	11 341	17 114	216 637	198 670	<b>895 060</b>

1 Performance bonuses are based on Executive Directors' performance against their individual balanced scorecards only. Profit pool hurdles were not made for the year under review, therefore the profit pool portion was zero for the Executive Directors.

2 Includes the vesting of various tranches of Discovery Phantom Shares and Options (up to five-year measurement period) at the year-end VWAP of R104.55. These amounts were significantly negatively impacted by the fact that Established businesses – which carry a weighting of 70% for all vesting tranches – did not meet the minimum performance hurdle and were therefore forfeited. In addition, all share options were out-of-the-money at year-end.

3 For the purpose of consistency, the single figure table is compiled using a 30 June 2020 share price (R104.55) while vesting price is determined as the five-day VWAP at date of vesting, which is 30 September 2020 (calculated as R125.58)

4 HP Mayers transitioned to a Non-executive Director in November 2019, and his performance bonus and LTI scheme were settled on a pro rata basis on time served. HP Mayers retired with effect from 26 November 2020.

5 A once-off and final amount was paid under a phantom scheme linked to the final buy-out of Vitality UK in 2014. This was the final settlement in respect of this scheme which is subject to valuation only and therefore not included in single figure remuneration in FY2020 as in terms of the definitions thereof, would have been included therein at the time of award.

**PART 3** *continued*

TARGET EXCEEDED Exceeding 105%	TARGET MET Between 95%-105%	TARGET NOT MET Between 50%-95%	MINIMUM THRESHOLD Below 50%
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**INDIVIDUAL MANAGEMENT INCENTIVE PORTION**

The individual management incentive portion is based on a balanced scorecard of individual performance metrics. We outline the Executive Directors' performance below.

**Summary of measures and achievements in FY2021**

	GROWTH	PRODUCT AND INNOVATION	FINANCIAL AND OPERATIONAL PERFORMANCE	CAPITAL AND FUNDING	PROMOTION OF DIVERSITY TARGETS WITHIN THE SA COMPOSITE	ESG
A Gore	New business API increased by 11% despite the complex operating environment, with scorecard further impacted by those businesses where new business growth was negative.	Ideation and development of new products across the Group.	Resilient operational performance with strong actuarial experience and growth, and robust normalised profit from operations before the impacts of COVID-19.	Well-controlled capital plan and funding strategy, to navigate the impact of COVID-19, ensuring that the Group is resilient while enabling its growth strategy.	Maintained Level 1 B-BBEE score. Continued focus on transformation, diversity and inclusion.	
HD Kallner*	Discovery Bank continued to gain traction, expanding its client base and achieving 500 average daily new-to-Bank sales in a challenging operating environment. The South African composite achieved robust new business API in a challenging environment.	The composite strategy was enhanced by successfully launching products across the South African composite in September 2020 and March 2021.	Growth in retail deposits and continued improvement in service levels for Discovery Bank. The South African businesses showed a robust operational result before the impacts of COVID-19.		Employment equity targets.	

\* HD Kallner was appointed CEO of Discovery Bank with effect from 1 January 2021 and retains his role as Chairperson of the Discovery South Africa Executive Committee as the key coordination structure across the South African composite. Approximately 75% of his score is attributed to the South African business' operational performance (100% for H1 FY2021 and 50% for H2 FY2021). Discovery Bank's weighting is 50% for H2 FY2021.

**PART 3** continued

TARGET EXCEEDED  
Exceeding 105%      TARGET MET  
Between 95%-105%      TARGET NOT MET  
Between 50%-95%      MINIMUM THRESHOLD  
Below 50%

**Summary of measures and achievements in FY2021**

	GROWTH	PRODUCT AND INNOVATION	FINANCIAL AND OPERATIONAL PERFORMANCE	CAPITAL AND FUNDING	PROMOTION OF DIVERSITY TARGETS WITHIN THE SA COMPOSITE	ESG
NS Koopowitz	Growth in new business performed well in all areas except VitalityLife – in a challenging macroenvironment.	Launch of VitalityCar – a joint venture with Covea – which provides innovative car insurance that rewards good driving. The effective enhancement and roll out of COVID-19-related benefits ensuring our products remained relevant.	A strong financial performance was recorded in challenging conditions, and controllable financial aspects were maintained and strengthened. A One Vitality group structure was successfully implemented, positioning the UK composite for future growth.	Positive lapse experiences on VitalityLife for FY2021, together with a robust capital plan.	Gender diversity targets.	
Dr A Ntsaluba		Linked to product and innovation of Discovery Health, Vitality UK, Vitality Group and Ping An Health Insurance (relative weighting according to direct involvement).	Linked to the performance of Discovery Health, VitalityLife and VitalityHealth, Vitality Group and Ping An Health Insurance (relative weighting according to direct involvement).		Employment equity targets.	Advanced the Group's social compact work, as well as our visibility in key national business initiatives.
B Swartzberg	Expansion to new markets and growth in membership offset by an impairment in AIA Health.	Further launch of new and innovative products developed are in progress.	Strong Vitality Group profitability despite a US\$9.5 million impairment in AIA Health. Ping An Health Insurance also recorded excellent performance.	Higher than planned cash returns to the Group.	Employment equity targets.	
A Pollard	Deepened integration of Vitality within specific insurance segments.	A pilot for strong product differentiation for Vitality is currently underway.	Vitality Group-linked profitability.			

**PART 3** *continued***Summary of measures and achievements in FY2021**

GROWTH	PRODUCT AND INNOVATION	FINANCIAL AND OPERATIONAL PERFORMANCE	CAPITAL AND FUNDING	PROMOTION OF DIVERSITY TARGETS WITHIN THE SA COMPOSITE	ESG
DM Viljoen 		The growth of Established business' operating profit was significantly impacted by COVID-19, while investment in new initiatives exceeded budget.	Restructured debt maturity profile and optimised capital position in addition to intercompany funding arrangements. The Group's growth strategy was enabled by a well controlled capital plan and funding strategy, including managing liquidity risk and meeting funding requirements during the volatility brought on by COVID-19.	Continuously improved transformation statistics.	Continued to improve the governance framework and stakeholder reporting. A clear strategy implemented relating to ESG measures. In conjunction with the Audit Committee, successfully implemented joint external audit appointment.





## PART 3 *continued*

### Additional discretionary STI scheme

NS Koopowitz's discretionary STI scheme was linked to the achievement of Vitality UK's business plan and strategic initiatives. The incentive scheme is structured to pay out 60% upon achieving the business plan, with the remaining 40% allocated if stretch targets are exceeded. Given the performance of the business during a difficult and challenging macroeconomic environment driven by COVID-19, he scored 92% of a maximum payout of £500 000.

### LTIs

The vesting tranches of the Group's main LTIP have been deferred by one year for Executive Directors. The single figure remuneration tables only reflect the vesting tranches for FY2021 in respect of the Vitality Group Cash-Settled Plan (B Swartzberg and A Pollard) and the UK Vitality Phantom Share Scheme (NS Koopowitz) payable in FY2022.

The table alongside relates to FY2021.

### Executive directors' participation in share incentive schemes

Cash value received during the year reflects performance measurements in previous periods. The LTIP awards for the current year under review are paid in the following financial year, and included in the single-figure remuneration tables (on page 109), which reflect the performance of the period under review.

Name	Number of awards	2020		2021				Cash value received during the year	Closing fair value at 30 June 2021 <sup>1</sup>
		Granted	Forfeited/settled	Exercised/settled	Closing number on 30 June 2021				
<b>A Gore</b>									
Discovery Phantom Share Scheme	109 694	-	-	37 673	72 021	1 546 965	9 094 092		
Discovery Phantom Options Scheme	7 228	-	-	7 228	-	-	-		
Discovery Limited LTIP	76 399	69 707	-	-	146 106	-	18 448 805		
Retention	-	30 434	-	-	30 434	-	3 842 901		
<b>HD Kallner</b>									
Discovery Phantom Share Scheme	320 583	-	-	112 109	208 474	4 871 422	26 324 012		
Discovery Phantom Options Scheme	4 819	-	-	4 819	-	-	-		
Discovery Limited LTIP	51 240	46 752	-	-	97 992	-	12 373 450		
Discovery Insure LTIP <sup>2</sup>	13 743	-	-	13 743	-	1 600 347	-		
Retention	-	98 985	-	-	98 985	-	12 498 836		
<b>NS Koopowitz</b>									
Vitality Phantom Share Scheme	43 296	-	4 681	11 373	27 242	5 726 488	16 131 829		
Vitality Phantom Options Scheme	-	-	-	-	-	-	-		
<b>Dr A Ntsaluba</b>									
Discovery Phantom Share Scheme	64 636	-	-	23 978	40 657	986 676	5 133 791		
Discovery Phantom Options Scheme	34 418	-	-	14 685	19 733	-	-		
Discovery Limited LTIP	45 253	41 289	-	-	86 542	-	10 927 658		
Retention	-	17 846	-	-	17 846	-	2 253 414		

<sup>1</sup> The fair value of shares granted under the Discovery Limited Phantom Share Scheme and Discovery Limited LTIP has been calculated using the closing share price of R126.27 at 30 June 2021 (2020: R104.55), adjusted for expected future dividends to be declared by Discovery during the vesting period. The Black-Scholes model was used to calculate the fair value of the options, which is zero for the Discovery Limited Phantom Share Scheme.

<sup>2</sup> The Discovery Insure LTIP was a three-year scheme, which ran from FY2015 to FY2017 and paid out a percentage of net value created to the management team, subject to profitability hurdles. The award in respect of this scheme was included in the single-figure remuneration for HD Kallner in FY2018. This is in terms of the definition of single-figure remuneration although two-thirds of payments was deferred and indexed to the Discovery share price.

**PART 3** continued


Name	Number of awards	2020		2021				Cash value received during the year	Closing fair value at 30 June 2021 <sup>1</sup>
		Granted	Forfeited/settled	Exercised/settled	Closing number on 30 June 2021				
		Number of awards	Number of awards	Number of awards	Number of awards				
<b>B Swartzberg</b>									
Discovery Phantom Share Scheme	41 325	-	-	18 065	23 258	747 187	2 936 819		
Phantom Options Scheme	16 605	-	-	8 747	7 858	-	-		
Discovery Limited LTIP	15 372	23 376	-	-	38 748	-	4 892 710		
Retention	-	11 501	-	-	11 501	-	1 452 231		
Vitality Group Cash-Settled Plan	728 879	160 279	-	126 224	762 934	2 060 313	13 540 434		
<b>A Pollard</b>									
Discovery Phantom Share Scheme	16 850	-	-	6 238	10 612	333 657	1 340 009		
Discovery Phantom Options Scheme	20 580	-	-	9 195	11 385	34 168	42 907		
Discovery Limited LTIP	14 662	22 362	-	-	37 024	-	4 675 020		
Retention	-	3 145	-	-	3 145	-	397 119		
Vitality Group Cash-Settled Plan	608 602	153 330	-	97 866	664 066	1 328 716	11 679 226		
TVG Stock Plan	118 592	-	-	118 592	-	1 422 087	-		
<b>DM Viljoen</b>									
Discovery Phantom Share Scheme	85 119	-	-	32 156	52 962	3 032 933	6 687 543		
Discovery Phantom Options Scheme	33 674	-	-	11 225	22 449	-	-		
Discovery Limited LTIP	48 340	44 105	-	-	92 445	-	11 673 030		
Retention	-	24 797	-	-	24 797	-	3 131 117		

<sup>1</sup> The fair value of shares granted under the Discovery Limited Phantom Share Scheme and Discovery Limited LTIP has been calculated using the closing share price of R126.27 at 30 June 2021 (2020: R104.55), adjusted for expected future dividends to be declared by Discovery during the vesting period. The Black-Scholes model was used to calculate the fair value of the options, which is zero for the Discovery Limited Phantom Share Scheme.

## PART 3 *continued*

### Termination of office payment

No termination of office payments were awarded to Executive Directors during the period.

### FY2021 Non-executive Directors' fees

Payments to Non-executive Directors for the year ended 30 June 2021 for services rendered are outlined in the table below.

R'000	Services as directors	Fees for consulting services	Total
ME Tucker <sup>1</sup>	5 975	-	5 975
HL Bosman <sup>2</sup>	1 822	-	1 822
Dr BA Brink	1 416	-	1 416
SE De Bruyn	1 364	-	1 364
R Farber <sup>3</sup>	2 281	3 295	5 576
FN Khanyile <sup>4</sup>	1 104	-	1 104
D Macready	1 663	-	1 663
Dr TV Maphai*	1 728	-	1 728
HP Mayers	315	-	315
M Schreuder	679	-	679
SV Zilwa*	1 832	-	1 832
<b>Total</b>	<b>20 179</b>	<b>3 295</b>	<b>23 474</b>

1 Directors' fees are paid in British pound sterling.

2 Director's fees for services rendered by HL Bosman were paid to Rand Merchant Investment Holdings Limited.

3 Director's fees for services and fees for other consulting services rendered by R Farber were paid in Australian dollar.

4 Director's fees for services rendered by F Khanyile were paid to WDB Investment Holdings Proprietary Limited.

\* Black Non-executive Directors participated in the Discovery Limited BEE transaction. SV Zilwa has a loan outstanding to the Group of R1 million.

### Directors' interests in shares

According to the Register of Directors' Interests, maintained by Discovery in accordance with the provisions of section 30(4)(d) of the Companies Act, Directors of Discovery have disclosed the following interests in the ordinary shares of the Company at 30 June 2021.

#### Directors' interests in shares

Directors	2021			2020		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
A Gore	-	49 396 559 <sup>1</sup>	49 396 559	-	50 496 775 <sup>1</sup>	50 496 775
HL Bosman	-	77 027	77 027	-	77 027	77 027
SE De Bruyn	1 800	-	1 800	1 800	-	1 800
R Farber	55 076	-	55 076	55 076	-	55 076
HD Kallner	100 398	-	100 398	100 398	-	100 398
F Khanyile	1 300	-	1 300	800	-	800
NS Koopowitz	-	962 004	962 004	-	962 004	962 004
Dr TV Maphai	1 919	196 505	198 424	1 919	407 395	409 314
HP Mayers <sup>4</sup>	-	-	-	36 948	7 699 716 <sup>2</sup>	7 736 664
Dr A Ntsaluba	90 164	-	90 164	90 164	-	90 164
A Pollard	1 193 099	-	1 193 099	1 193 099	-	1 193 099
B Swartzberg	3 202 227	22 635 115 <sup>3</sup>	25 837 342	3 384 227	22 733 115 <sup>3</sup>	26 117 342
DM Viljoen	10 000	-	10 000	10 000	-	10 000
SV Zilwa	-	6 680	6 680	-	12 780	12 780
	<b>4 655 983</b>	<b>73 273 890</b>	<b>77 929 873</b>	<b>4 874 431</b>	<b>82 388 812</b>	<b>87 263 243</b>

1 Includes 42 400 000 ordinary shares subject to security.

2 Includes 7 699 716 ordinary shares subject to security.

3 Includes 10 200 000 ordinary shares subject to security.

4 On 26 November 2020, when HP Mayers retired, his direct beneficial holding was 36 948 shares and his indirect beneficial holding was 4 699 716 shares in Discovery Limited, which were subject to security.

There has been no change in the Directors' interests in Discovery Limited's shares between 30 June 2021 and the date of publication of this Integrated Annual Report.

## PART 3 *continued*

### Non-executive Directors' fee proposal for FY2022

The proposed FY2022 fees will be tabled at the AGM for approval as a special resolution.

	FY2021 (excluding VAT, if applicable) Retainer only	Proposed FY2022 (excluding VAT, if applicable) Retainer only
<b>Board</b>		
Chairperson (UK-based)	£300 000	<b>£304 500</b>
Member (South African-based)	R480 000	<b>R499 200</b>
Member (UK-based)	£66 000	<b>£66 990</b>
Member (Australia-based)	A\$120 000	<b>A\$121 970</b>
Member (USA and other non-South Africa-based)	US\$82 000	<b>US\$84 500</b>
<b>Audit, Risk and Compliance, and Actuarial committees</b>		
Chairperson, Audit committee (South Africa-based)	R455 000	<b>R540 800</b>
Chairperson, Risk and Compliance and Actuarial committees (South Africa-based)	R455 000	<b>R473 200</b>
Member (South Africa-based)	R260 000	<b>R270 400</b>
Chairperson (UK-based)	£48 000	<b>£48 720</b>
Member (UK-based)	£16 200	<b>£16 450</b>
Chairperson (Australia-based)	A\$54 600	<b>A\$55 490</b>
Member (Australia-based)	A\$31 200	<b>A\$31 710</b>
Chairperson (USA and other non-South Africa-based)	US\$37 600	<b>US\$38 730</b>
Member (USA and other non-South Africa-based)	US\$21 500	<b>US\$22 140</b>
<b>Remuneration, Social and Ethics, Nominations and any other committees</b>		
Chairperson (South Africa-based)	R364 000	<b>R378 560</b>
Member (South Africa-based)	R208 000	<b>R216 320</b>
Chairperson (UK-based)	£24 200	<b>£24 560</b>
Member (UK-based)	£13 800	<b>£14 000</b>
Chairperson (Australia-based)	A\$43 600	<b>A\$44 310</b>
Member (Australia-based)	A\$25 000	<b>A\$25 410</b>
Chairperson (USA and other non-South Africa-based)	US\$30 100	<b>US\$31 000</b>
Member (USA and other non-South Africa-based)	US\$17 200	<b>US\$17 720</b>
Non-resident Director travel allowance	US\$2 795 per return leg	<b>US\$2 879 per return leg</b>

### Statement about compliance with the Remuneration Policy

RemCo is satisfied that the Remuneration Policy, as detailed in the FY2021 Remuneration Report, was complied with and there were no substantial deviations from the policy during the year.

### Advisory vote on the Implementation Report

Our Board tables the Remuneration Policy for a non-binding advisory vote by shareholders at the AGM every year. Discovery will announce the voting results after the AGM.





07

## SUPPLEMENTARY INFORMATION

Click the buttons  
to navigate to  
subsections



# FY2021 INTERNATIONAL <IR> 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 International <IR> 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					
FC	HC	IC	MC	SC	NC
<b>Financial capital</b> The pool of funds, including equity and debt, used to support our global expansion, and investments in new businesses and initiatives.	<b>People</b> The human capital we depend on, including their diversity, skills, experience and expertise.	<b>Data and innovation</b> 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>Technology and digital assets</b> Our manufactured capital, including the Shared-value Insurance model and Vitality <sup>1</sup> platform, as well as the assets developed through the model such as behaviour-change programmes.	<b>Relationships</b> 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.	<b>Environmental resources</b> The natural capital used during normal business activities, including energy consumption and water usage.			



In preparing our FY2021 Integrated Annual Report, we were guided by the requirements of the IIRC's International <IR> 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.

The 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 respond to create value. We also discuss the risks and opportunities, and material themes that impact these groups.





## Guiding principles *continued*

### 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.



### 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.



### 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 ensured that we included the necessary information relating to our strategy, governance practices and performance to enable our stakeholder groups to make informed decisions on our prospects.

### 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 this report's quantitative information – which includes both positive and negative information – is an accurate representation of Discovery's FY2021 performance. The report is also reviewed in detail by our Group Audit Committee and, in turn, approved by our Board.



## CONTENT ELEMENTS

### ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

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

What is the organisation's business model?

Throughout this report, we use icons to indicate the various elements of our business model as defined by the International <IR> Framework. We also include a business model 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.

Our Shared-value Insurance model incentivises positive behaviour change - delivering better value for clients, superior actuarial dynamics for the insurer, and a healthier society.



### PERFORMANCE

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?

Throughout this report, we disclose both quantitative and qualitative information on Discovery's performance during FY2021. We report on our progress against key performance indicators across our three dimensions, as well as how our performance impacted the six capitals. We also unpack the performance of each of our business units during the year.



### RISKS AND OPPORTUNITIES

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?

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.

### STRATEGY AND RESOURCE ALLOCATION

Where does the organisation want to go and how does it intend to get there?

We detail our purpose-driven strategy, including our long-term objectives across four strategic strands – South Africa, the UK, Ping An Health Insurance in China and Vitality Group – along with our medium-term ambition statement, Ambition 2023, and the short-term strategic targets that will help us get to where we want to be.



### OUTLOOK

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?

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.



### BASIS OF PREPARATION AND PRESENTATION

How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

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 FY2020 and FY2021, 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.





# INTERNATIONAL <IR> FRAMEWORK BUSINESS MODEL

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

## 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 12 650 employees (FY2020: 12 980), 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 78 hours per employee (FY2020: 95 hours)

### MC

#### TECHNOLOGY AND DIGITAL ASSETS

Our pioneering Shared-value Insurance model and Vitality behaviour-change platform

AI capabilities

Vitality1 platform, servicing 16 countries, supporting single integration for wearable devices and health apps

IT infrastructure that supports our business and adapts to suit our needs

A datacentric cybersecurity model to enhance data security and anonymity

### FC

#### FINANCIAL CAPITAL

Market capitalisation of R84 billion (FY2020: R68.8 billion)

Equity/capital of R46 419 million (FY2020: R44 553 million)

Debt of R15 230 million (FY2020: R14 956 million)

Investment in new businesses and initiatives reduced by 7%

Provision and reserves for expected COVID-19 impact at 30 June 2021 of R3 080 million

### IC

#### DATA AND INNOVATION

Vitality intellectual property driving strategic partnerships

Over 350 data scientists and actuaries with critical skills

Research and development

Innovative culture across the business

### NC

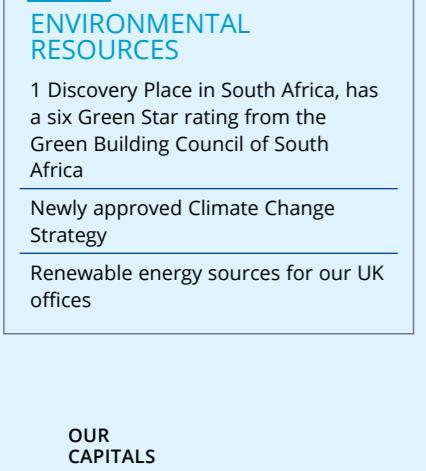
#### ENVIRONMENTAL RESOURCES

1 Discovery Place in South Africa, has a six Green Star rating from the Green Building Council of South Africa

Newly approved Climate Change Strategy

Renewable energy sources for our UK offices

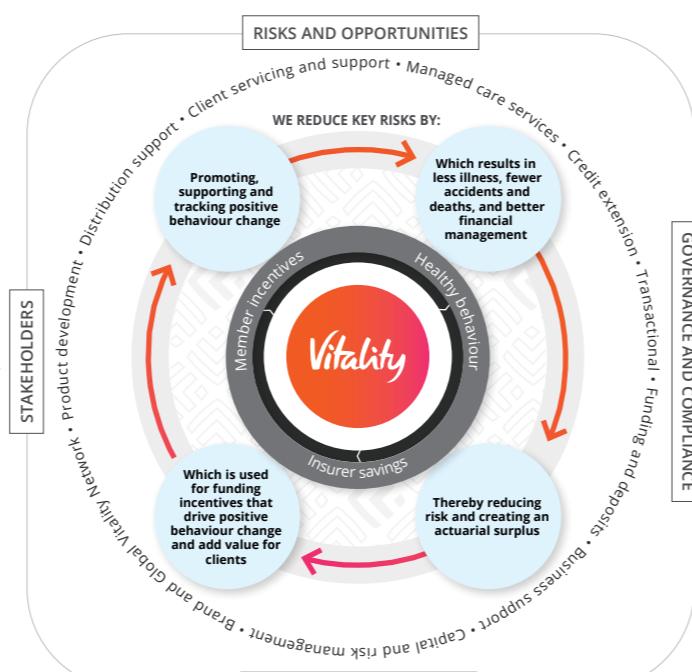
## OUR CAPITALS



## 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

Life insurance

Short-term personal and commercial insurance

Long-term savings and investments

Banking

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.*

### PEOPLE HC

R9.7 billion in staff costs, including executive directors (FY2020: R9.3 billion)



Top Employers South Africa certification with our score improving by 6%



87% employee experience score (FY2020: 88%)



Women represent 57% of our workforce (FY2020: 57%)



74% black South African employees (FY2020: 73%)



Black senior managers increased to 34.9% in South Africa (FY2020: 33.8%)



43% of women in senior leadership positions (FY2020: 40%)



12.4% attrition rate (FY2020: 13%)



20 COVID-19-related employee deaths



#### Interested stakeholders:

### DATA AND INNOVATION IC

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



Core Insurance Transformation winner for AI Quote, and silver for Global Innovator at the Efma-Accenture Innovation in Insurance Awards 2021



### RELATIONSHIPS SC

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 (FY2020: Level 1 B-BBEE contributor)



COVID-19 information hub available for all stakeholders



Improvements in client behaviours, such as physical activity, nutrition, self-management and related positive impact on biometrics



Discovery has helped vaccinate over 1.1 million people



R7.7 billion in tax contributions across markets (2020: R6.9 billion)



VitalityHealth was the overall winner at the 2020 UK Customer Experience Awards



Brand value growth of 26.6% in 2021 according to Kantar BrandZ



### TECHNOLOGY AND DIGITAL ASSETS MC

Launched the Vitality1 platform in five new markets, touching 1.8 million members - with extensive device and app integration and fraud protection



A global technology platform that improves customer 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 cybersecurity awareness training for all employees



Made considerable progress with next-generation consumer devices



#### Interested stakeholders:

### ENVIRONMENTAL RESOURCES NC

33 873 MWh total energy consumed (FY2020: 40 810 MWh)



78 963 kl total water withdrawn from municipal water supplies in South Africa (FY2020: 140 598 kl)



Recycled approximately 72% of the waste generated on South African campuses (FY2020: 73%)



144.50 tonnes total weight of waste (South Africa) (2020: 402.71 tonnes)



37 380 tonnes CO<sub>2</sub>e carbon emissions (FY2020: 54 676 tonnes)



#### Interested stakeholders:

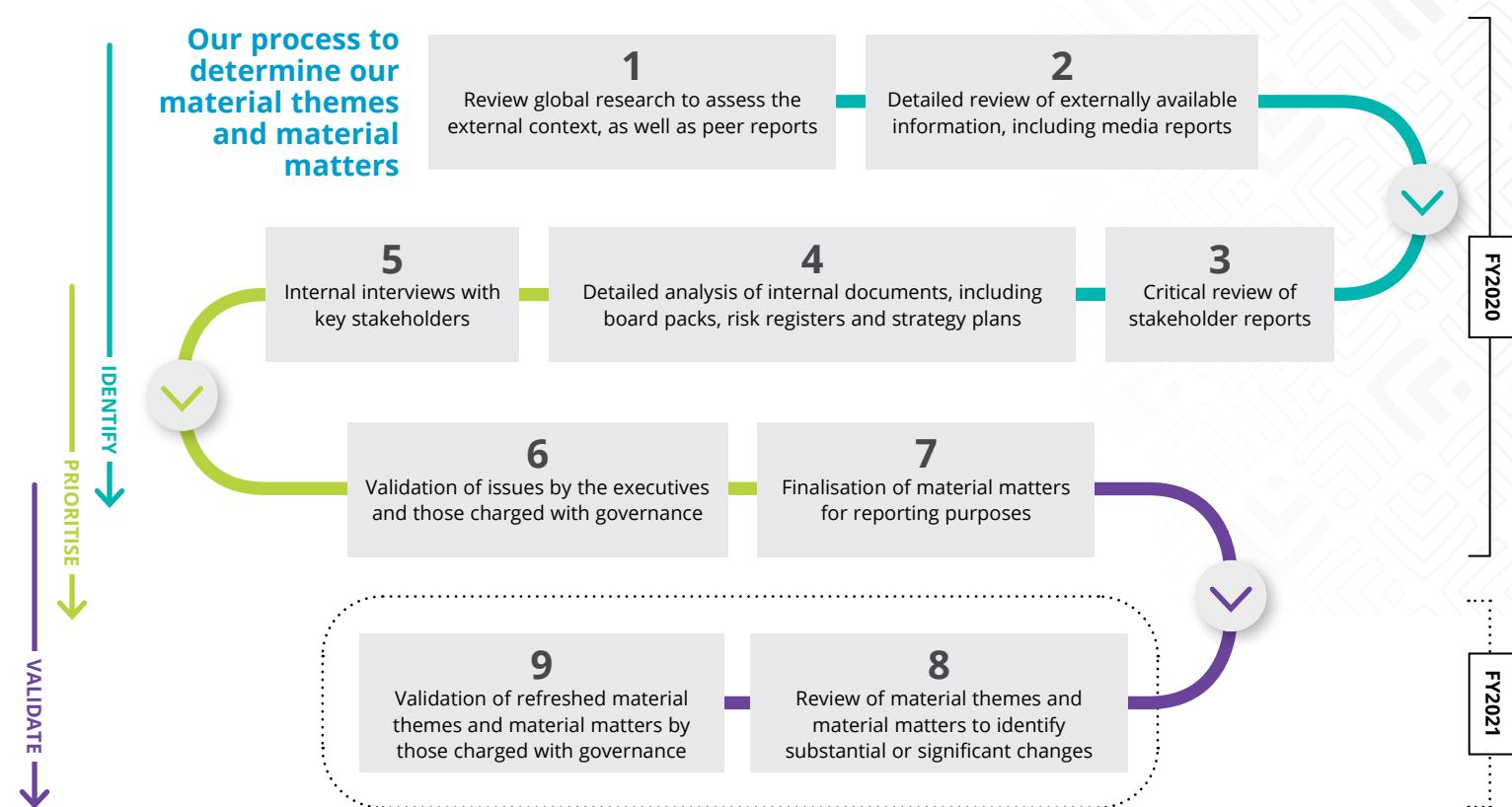
- POSITIVE (net increase in capital)
- NEGATIVE (net decrease in capital)
- NEUTRAL (no movement in capital)

## OUR 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 FY2020, we conducted an extensive materiality determination process to identify the Group's material themes. Following this, we identified six material themes that were analysed and validated by the Group's Executive Committee and Board. After another review in FY2021 – considering factors from both our internal and external environment – we concluded there were no substantial or significant changes to the material matters we reported on previously, which have been renamed and grouped into eight separate material themes that align with our strategic objectives.



## 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 on value creation. To this end, we evaluated the magnitude of a matter's effect, along with the probability and likelihood of its occurrence.

## 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 eight material themes critical to the sustainability of our business. 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.

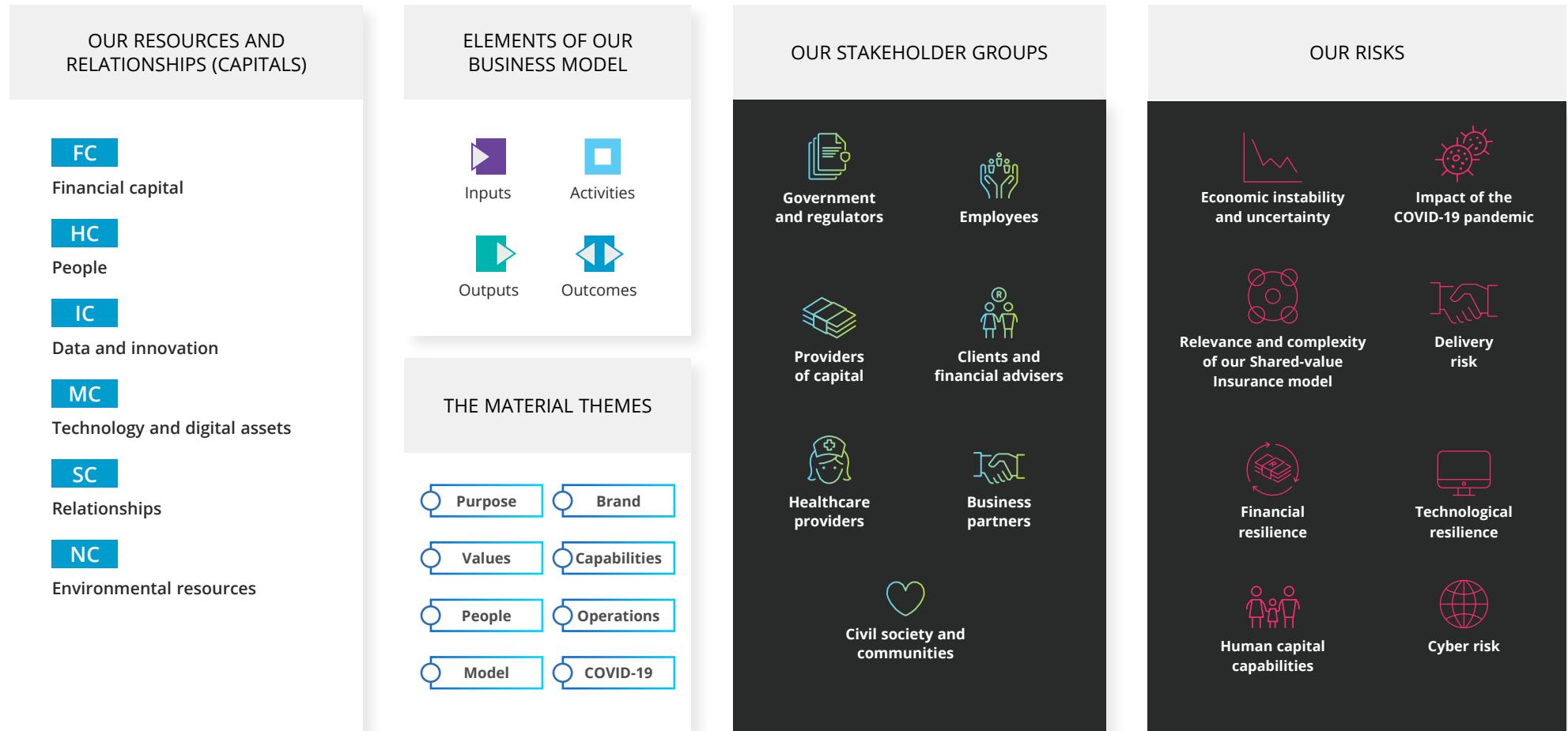


OUR MATERIAL THEMES	OUR MATERIAL MATTERS
Purpose	▶ Deliver on our core purpose
Values	▶ Embedding values to achieve our core purpose
People	▶ Attraction, retention and culture ▶ Diversity, inclusion and transformation ▶ Training and development
Model	▶ Shared-value Insurance model ▶ Products and services
Brand	▶ Discovery and Vitality brands
Capabilities	▶ Data stewardship ▶ Technology and innovation
Operations	▶ Operating model ▶ Prudent capital allocation ▶ Sustainable performance ▶ Risk management ▶ Regulatory environment ▶ Governance and intellectual leadership
COVID-19	▶ Impact on the economy ▶ Impact on our business ▶ Our purpose-led response

FOR MORE INFORMATION ON OPERATIONAL EFFECTIVENESS, REFER TO OUR GROUP CHIEF FINANCIAL OFFICER'S REVIEW ON PAGE 55 AND OUR STRATEGY ON PAGE 27.



*For your convenience, tear out this page and use as a reference to the icons contained in this report.*



## 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.

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Subsidiaries of Discovery Limited are authorised financial services providers.

