DISCOVERY

INTEGRATED ANNUAL REPORT

2020

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NAVIGATING OUR REPORT

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

THIS REPORT IS BEST VIEWED IN ADOBE ACROBAT FOR DESKTOP, MOBILE OR TABLET*.

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ADOBE ACROBAT READER

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Indicates where further information can be found in this report

*Indicates where further information can be found on our website, **www.discovery.co.za***

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.**

STRATEGY

RISK

OUTLOOK

OPPORTUNITY

SNAPSHOT OF OUR PERFORMANCE

NORMALISED OPERATING PROFIT PRE-COVID-19 PROVISION

^ 9% to
R8 409 million

v 22% to
R6 069 million
AFTER COVID-19 PROVISION
(2019: R7 747 million)

CORE NEW BUSINESS

^ 5% to
R19 173 million
(2019: R18 329 million)

NORMALISED HEADLINE EARNINGS

v 26% to
R3 747 million
(2019: R5 035 million)

NORMALISED HEADLINE EARNINGS PER SHARE (DILUTED)

v 27% to
566.7 cents
(2019: 771.6 cents)

R3.4 billion
provided for future COVID-19 impacts

OPERATIONAL IN
22 countries
with more in the pipeline
(2019: 20 countries)

WE IMPACT
46 million
lives globally
2019: 25.7 million

Embedded value (R million)

Swift response to COVID-19
that created value for our employees, clients and broader society

Resilient financial performance
DESPITE THE EFFECTS OF COVID-19

CONTINUED VOLATILITY IN LONG-TERM INTEREST RATES IN BOTH SA AND THE UK
negatively affecting headline earnings

SUPPORTED THE SOUTH AFRICAN NATIONAL DEPARTMENT OF HEALTH TO
launch a digital contact tracing solution –
helping to safeguard citizens

EXTENDED ACCESS OF VIRTUAL HEALTHCARE CONSULTATION PLATFORM,
DrConnect
to all South Africans

Vitality1, the **globally unified systems platform**, live in **11 markets** touching **1.5 million** members globally

Level 1 B-BBEE obtained

DISCOVERY RECEIVED THE
Global Innovator award
at the 2020 Efma-Accenture Innovation in Insurance Awards

*For more information on our business-specific performance, refer to our business reviews from **page 68***

*For more information on our financial performance, refer to our Group Chief Financial Officer's review on **page 46***

*For more information on our strategic enablers, refer to our enabler reviews from **page 57***

*For more information on our social impact, refer to our **Sustainable Development Report***

ABOUT THIS REPORT

02

This Integrated Annual Report communicates our financial, economic and social performance (both positive and negative) to our shareholders, providers of financial capital and other stakeholders. It provides an overview of the progress we made against our strategic objectives during the year, considering our material matters, stakeholder concerns, risks and opportunities, to create value for our stakeholders through our unique Shared-value Insurance model in the short, medium and long term.

Navigation icons

OUR MATERIAL MATTERS

- Deliver on our core purpose
- Successfully execute our strategy
- Build the best human capital capabilities
- Harness the power of technology
- Leverage our capabilities to support resilient ecosystems
- Understand and respond to the impact of COVID-19

OUR CAPITALS

- Natural capital
- Manufactured capital
- Social and relationship capital
- Intellectual capital
- Financial capital
- Human capital

OUR STAKEHOLDERS

- Government and regulators
- Employees
- Providers of capital
- Clients and financial advisers
- Healthcare providers
- Business partners
- Civil society and communities

About this report

INTEGRATED THINKING

Integrated thinking is at the core of our business. Furthermore, it is embodied in the pursuit of our core purpose of making people healthier and enhancing and protecting their lives. Our strategy aims to transform the financial services industry through our position as a leader in the category of Shared-value Insurance. We are therefore deliberate about pursuing adjacencies and composites while building the world's largest and most sophisticated behaviour-change platform linked to financial services. In doing so, we identify, execute and track our strategic decisions to create sustainable value for our stakeholders. We are also cognisant of the effects of our business decisions on the six capitals, and the effects of these capitals on our business, as we seek to positively influence 100 million lives, with 10 million directly insured, and being a powerful force for social good – our bold Ambition for 2023.

SCOPE AND BOUNDARY

This Integrated Annual Report provides a comprehensive view of Discovery Limited, referred to as Discovery or the Group throughout this report, and its operations in 22 countries for the period 1 July 2019 to 30 June 2020 (FY2020), and includes both financial and non-financial information of our business.

This report details the performance of Discovery, including:

SOUTH AFRICAN MARKET

Discovery

- Discovery Health
- Discovery Vitality
- Discovery Life
- Discovery Invest
- Discovery Insure
- Discovery Bank

UNITED KINGDOM MARKET

Vitality

- Health insurance
- Life insurance
- Investments

PARTNER MARKETS

Our international operations under Vitality Group

OUR INTEGRATED ANNUAL REPORT BOUNDARY

STRATEGY
*Refer to **page 35***

BUSINESS MODEL
*Refer to **page 15***

OPERATIONAL PERFORMANCE
*Refer to **page 68***

MATERIAL MATTERS AND RISK THEMES
*Refer to **page 28***

GOVERNANCE
*Refer to **page 88***

OPERATING CONTEXT
*Refer to **page 43***

Our financial reporting boundary

(defined by control and significant influence)

DISCOVERY LIMITED

- Joint arrangements
- Subsidiaries
- Investments (other forms)

Stakeholder engagement

- Government and regulators
- Employees
- Providers of capital
- Clients and financial advisers
- Healthcare providers
- Business partners
- Civil society and communities

*Refer to **page 24***

DETERMINING MATERIALITY

The content of our Integrated Annual Report is informed by those matters that could materially impact our ability to create value for our stakeholders in the short (less than one year), medium (between one and three years) and long term (three years and beyond). This year, we conducted a rigorous and extensive process to identify the Group's material matters.

We identified the following six material matters:

- Deliver on our core purpose
- Successfully execute our strategy
- Build the best human capital capabilities
- Harness the power of technology
- Leverage our capabilities to support resilient ecosystems
- Understand and respond to the impact of COVID-19

*For more details on the materiality process we followed to identify our material matters, refer to **page 28***

REPORTING FRAMEWORKS

The preparation of our Integrated Annual Report was guided by the principles and requirements as set out by the:

- International Integrated Reporting Council (IIRC) in its International <IR> Framework
- JSE Limited Listings Requirements
- King IV 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)

In pursuit of being a powerful force for social good, we also benchmark ourselves against international environmental, social and governance (ESG) best practice, and monitor our performance against the FTSE4Good and MSCI indices.

*Refer to our **Sustainable Development Report** for more information.*

STATEMENT FROM DISCOVERY GROUP INTERNAL AUDIT

Discovery is committed to providing information that is accurate and supports the decision-making of our stakeholders. As such, Discovery Group Internal Audit conducted a review of the quantitative data included in this report, with the exception of the Annual Financial Statements (audited by the external auditors). Set out below is a summary of the procedures performed to verify the financial and non-financial information in this report, as well as the key performance indicators (KPIs) included in our Sustainable Development Report and related website, for the year ended 30 June 2020.

Discovery Group Internal Audit:

- Made enquiries of management, employees and those responsible for preparing the Integrated Annual Report and the Sustainable Development Report (web-based report)
- Inspected relevant supporting documents, as well as internal sources (as confirmed by management), and obtained external confirmation and management representation, where necessary, for the purpose of the audit engagement
- Conducted analytical procedures and limited tests of detail responsive to the risk assessment and the level of assurance required. This included a comparison of judgementally selected information to the underlying source documents from which the information in these reports was derived.

Based on the evidence obtained in completing this limited assurance engagement, Discovery Group Internal Audit believes the quantitative information in the Integrated Annual Report and the Sustainable Development Report accurately reflects the Group's performance for the year ended 30 June 2020.

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.

HOW WE REPORT TO OUR STAKEHOLDERS

We have five reports in our reporting suite that provide our stakeholders with detailed information on the Group, its prospects and its performance.

Our Integrated Annual Report is our primary report to our shareholders, providers of financial capital and other stakeholders. It details our **financial, economic and social performance** (Ambition 2023 and beyond).

Our Governance Report includes information on our governance philosophy, leadership and our compliance with King IV™.

*Our 2020 Governance Report can be accessed at **www.discovery.co.za/info/2020governance***

Our Sustainable Development Report, as detailed on our website, provides information on how the Group delivered on its commitment to be a powerful force for social good for our clients, our business and our broader society.

*Our 2020 Sustainable Development Report can be accessed at **www.discovery.co.za/info/2020sdreport***

Our full Annual Financial Statements include the consolidated financial results of Discovery Limited and its subsidiaries, the Embedded Value Statement and Five-year Review.

*Our 2020 Annual Financial Statements can be accessed at **www.discovery.co.za/info/2020financials***

Our Annual Financial Results Presentation provides an overview of Discovery's financial performance to investors.

*Our 2020 Annual Financial Results Presentation can be accessed at **www.discovery.co.za/info/2020presentation***

*We appreciate your feedback on our reporting suite. To obtain copies of our report or to submit comments on our reporting, please send an email to **askthecfo@discovery.co.za**, or contact Mr Deon Viljoen, Discovery's Group Chief Financial Officer, on **+27 11 529 1855.***

BOARD APPROVAL

Discovery's Board of Directors, supported by the Discovery Audit Committee and the Group Internal Audit function, has oversight over the integrity of this Integrated Annual Report. The Board applied its collective mind during the preparation and presentation of the Integrated Annual Report, and believes that it complies with the International <IR> Framework requirements. After considering the content of this report, the Board believes that it accurately and holistically explains how Discovery creates long-term value for our stakeholders, taking into account the Group's risks and opportunities, material matters and operating environment, and the impact thereof on our strategy and Shared-value Insurance model.

The Board confirms that Discovery is in compliance with the provisions of the Companies Act relating to its incorporation and is operating in conformity with its Memorandum of Incorporation.

The 2020 Integrated Annual Report was unanimously approved by the Board of Directors on 12 October 2020.

ME Tucker

Mark Tucker

Independent Non-executive Chairperson

A Gore

Adrian Gore

Group Chief Executive

03

GROUP OVERVIEW

About Discovery

WHO WE ARE

Discovery is a South African-founded diversified financial services organisation that operates in **health insurance, life insurance, long-term savings and investments, short-term and commercial insurance, banking and behaviour-change programmes**. Since inception more than two decades ago, we have been guided by our core purpose, which has manifested in a globally recognised Shared-value Insurance model underpinned by our **leading behaviour-change platform, Vitality,** exported to 22 countries and reaching more than 46 million lives.

OPERATIONAL IN
22 countries
with more in the pipeline

OVER
12 980
people employed globally

WE IMPACT
46 million
lives globally

MARKET CAPITALISATION OF
R68.8 billion

Our **core purpose**

MAKE PEOPLE HEALTHIER AND ENHANCE AND PROTECT THEIR LIVES

Our **strategic enablers**

OUR BRAND

OUR PEOPLE

TECHNOLOGY

*Read more about our strategic enablers from **page 57***

Our **values**

Great people	Liberating the best in people
Intellectual leadership	Drive, tenacity and urgency
Innovation and optimism	Business astuteness and prudence
Dazzle clients	Integrity, honesty and fairness

WHAT SETS US APART

Guided by our values, we deliver on our core purpose through our pioneering business model that incentivises positive behaviour change, and enhances and protects people's lives. Our Shared-value Insurance model delivers better value for clients, superior actuarial dynamics for the insurer, and a healthier society.

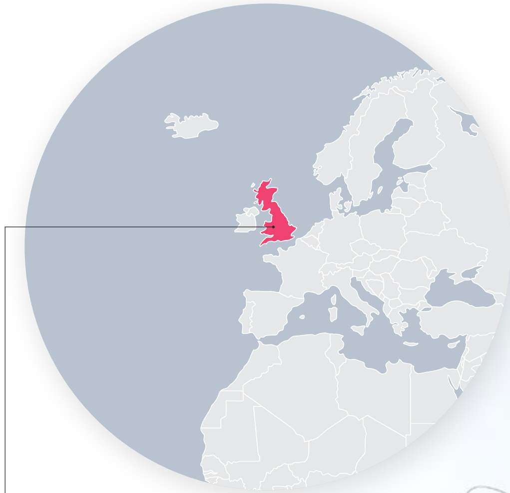
The Vitality behaviour-change platform forms the foundation of Discovery's Shared-value Insurance model. Vitality offers clients a broad range of personal pathways to help them reduce their personal risks – this drives a virtuous cycle: as our clients change their health, driving and financial behaviours, our business grows and society thrives.

Through our Shared-value Insurance model, we focus on building composites for financial services in our various markets. The composite strategy enables our various businesses, including health, life and short-term insurance, savings and investments, and banking to leverage the Vitality behaviour-change platform to create value and competitive differentiation.

Our unique approach has underpinned our success globally, which is further supported by our organic growth strategy and the extent to which we invest in new initiatives. In a post-COVID environment, health, wellness and resilience are likely to be fundamental and our Shared-value Insurance model will be well placed to capitalise on this in the various markets in which we operate.

*For more information on our business model and Vitality behaviour-change platform, refer to **page 15***

Where we operate



SA COMPOSITE

Health insurance, life insurance, long-term savings and investments, short-term and commercial insurance, banking, behaviour-change programmes

Discovery

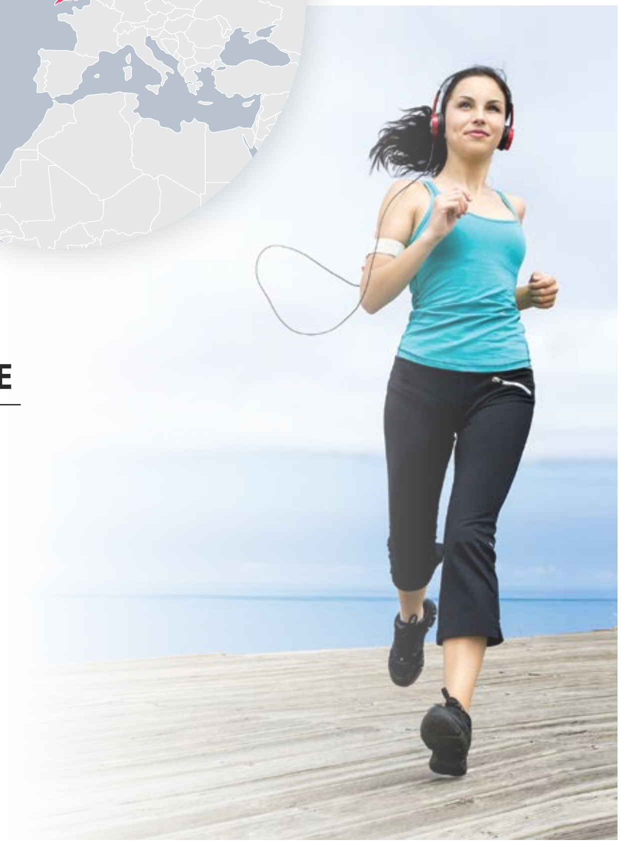
Discovery Health
Discovery Life
Discovery Invest
Discovery Insure
Discovery Bank

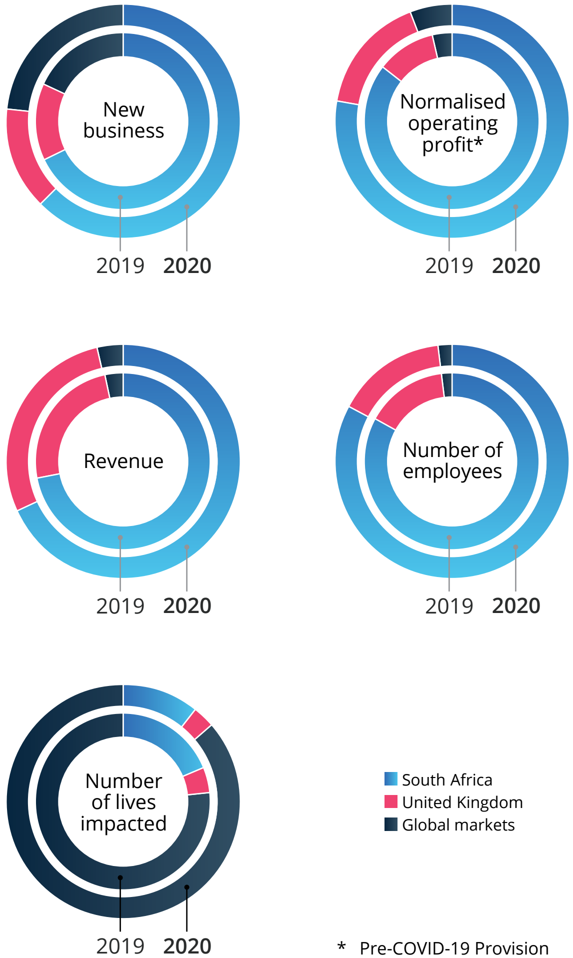
UK COMPOSITE

Private medical insurance (PMI), protection products, savings and investment products

Vitality

Health insurance
Life insurance
Investments



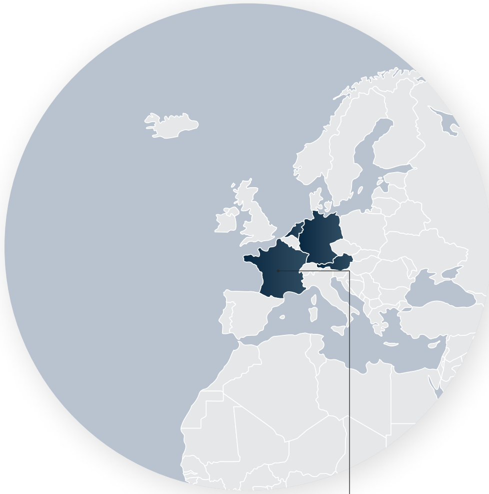


* Pre-COVID-19 Provision

*For more information on our financial performance, refer to our Group Chief Financial Officer's review on **page 46***

*For more information on our people, refer to **page 60***

Partner composite



PARTNER COMPOSITE

Asia-Pacific

25% equity partnership with the Ping An Group of China through Ping An Health, and an online Vitality programme linked to insurance products of the Ping An Group

Shared-value Insurance offering with AIA in Singapore, Australia, Hong Kong, Macau, Philippines, Thailand, Malaysia, Sri Lanka, Vietnam, South Korea, and New Zealand

Shared-value Insurance offering with Sumitomo Life in Japan and IGI Life in Pakistan

Health insurance with AIA Health (joint venture between Discovery, AIA Australia, and GMHBA Ltd)

Europe

Shared-value Insurance offering in Germany, France and Austria with Generali

Shared-value Insurance offering in the Netherlands with a.s.r.

Canada

Shared-value Insurance offering with Manulife

United States of America

Standalone corporate wellness initiatives through Vitality USA

Shared-value Insurance offering with John Hancock

South America

Shared-value Insurance offering with Equivida and Saludsa in Ecuador

Shared-value Insurance offering with Prudential USA in Argentina

Our Group structure

SA COMPOSITE

UK COMPOSITE

Our primary markets are in our home market of South Africa, and the United Kingdom. In 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

Discovery

- Discovery Health
- Discovery Life
- Discovery Invest
- Discovery Insure
- Discovery Bank

United Kingdom

Vitality

- Health insurance
- Life insurance
- Investments

PARTNER COMPOSITE

China

Equity partnership

Australia

Equity partnership

Vitality Group

Vitality Group manages the Group's expansion outside South Africa and the United Kingdom. In these markets, the Vitality Shared-value Insurance model and behaviour-change platform are implemented in partnership with global insurers, in support of their business objectives.

With the establishment of Vitality Health International, Vitality Group will intensify its focus on global health insurance initiatives through either equity partnerships or consulting and IP solutions.

Contractual insurance partnerships and a corporate wellness offering in the USA through Vitality USA

Vitality

MARKET-SPECIFIC STRATEGY: a disruptive composite model, with market-leading businesses and a successful entry into banking

MARKET-SPECIFIC STRATEGY: a differentiated offering through a composite Vitality Shared-value Insurance model

MARKET-SPECIFIC STRATEGY: a sophisticated global behaviour-change platform linked to financial services and, in China, being the leading health insurer

Growth strategy EXPANSION INTO ADJACENT INDUSTRIES

Growth strategy EXPANSION INTO NEW MARKETS AND ADJACENCIES, AND FORMING NEW PARTNERSHIPS

GLOBAL VITALITY NETWORK

All our businesses and partnerships apply the Shared-value Insurance model. The assets developed through the model, including reward partnerships, health promotion programmes, data and other product and brand assets, have been 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.

Our leadership

In pursuit of excellent governance, Discovery's Board of Directors is committed to intellectual leadership that protects and enhances value for our stakeholders over time. Our Board leads ethically and with integrity while preserving our unique entrepreneurial spirit.

CHAIRPERSON OF THE BOARD

MARK TUCKER (62)
Independent Non-executive Director
Appointed: 1 March 2019
Qualifications: BA (Hons), University of Leeds, ACA, ICAEW

EXECUTIVE DIRECTORS

ADRIAN GORE (56)
Founder and Group Chief Executive
Appointed: Founder
Qualifications: BSc (Hons), FFA, ASA, MAAA, FASSA, Honorary DCom (Wits)

HYLTON KALLNER (45)
Chief Executive Officer: Discovery South Africa operations
Appointed: 3 June 2010
Qualifications: BEconSc, FFA, FASSA

NEVILLE KOOPOWITZ (56)
Chief Executive Officer: Vitality UK
Appointed: 19 September 1999
Qualifications: BCom

DR AYANDA NTSALUBA (60)
Executive Director
Appointed: 1 July 2011
Qualifications: MBChB, MSc (London), FCOG (SA), Executive MBA (SA)

ALAN POLLARD (51)
President of Product and Innovation: Vitality Group
Appointed: 30 August 2007
Qualifications: BSc (Hons), FASSA

BARRY SWARTZBERG (55)
Chief Executive Officer: Vitality Group
Appointed: 3 August 1999
Qualifications: BSc, FFA, ASA, FASSA, CFP

DEON VILJOEN (55)
Group Chief Financial Officer
Appointed: 1 May 2017
Qualifications: BCom Accountancy (cum laude), BCom (Hons), CTA, CA (SA)

NON-EXECUTIVE DIRECTORS

HERMAN BOSMAN (51)
Non-executive Director
Appointed: 14 April 2014
Qualifications: BCom LLB (cum laude), LLM (cum laude), CFA

DR BRIAN BRINK (68)
Independent Non-executive Director
Appointed: 19 February 2004
Qualifications: BSc (Med), MBBCh, DMed (honorary)

SONJA DE BRUYN (48)
Independent Non-executive Director
Appointed: 8 December 2005
Qualifications: LLB (Hons), MA, SFA, Harvard Executive Programme

RICHARD FARBER (49)
Non-executive Director
Appointed: 1 April 2018
Qualifications: BCom (Hons), CA (SA), FCMA, CA ANZ, MAICD

FAITH KHANYILE (53)
Independent Non-executive Director
Appointed: 1 October 2015
Qualifications: BA Econ, MBA (Finance), HDIP Tax, Executive Leadership Programme (Columbia University)

DAVID MACREADY (61)
Independent Non-executive Director
Appointed: 3 February 2020
Qualifications: BCom (Hons), CTA, CA (SA), Harvard (SEP), INSEAD (IDP)

DR VINCENT MAPHAI (68)
Independent Non-executive Director
Appointed: 8 December 2005
Qualifications: BA, BA (Hons), MPhil, DPhil, Advanced Management Programme (Harvard)

HERSCHEL MAYERS (60)
Non-executive Director
Appointed: 28 November 2019*
Qualifications: BSc (Hons), FIA, FASSA

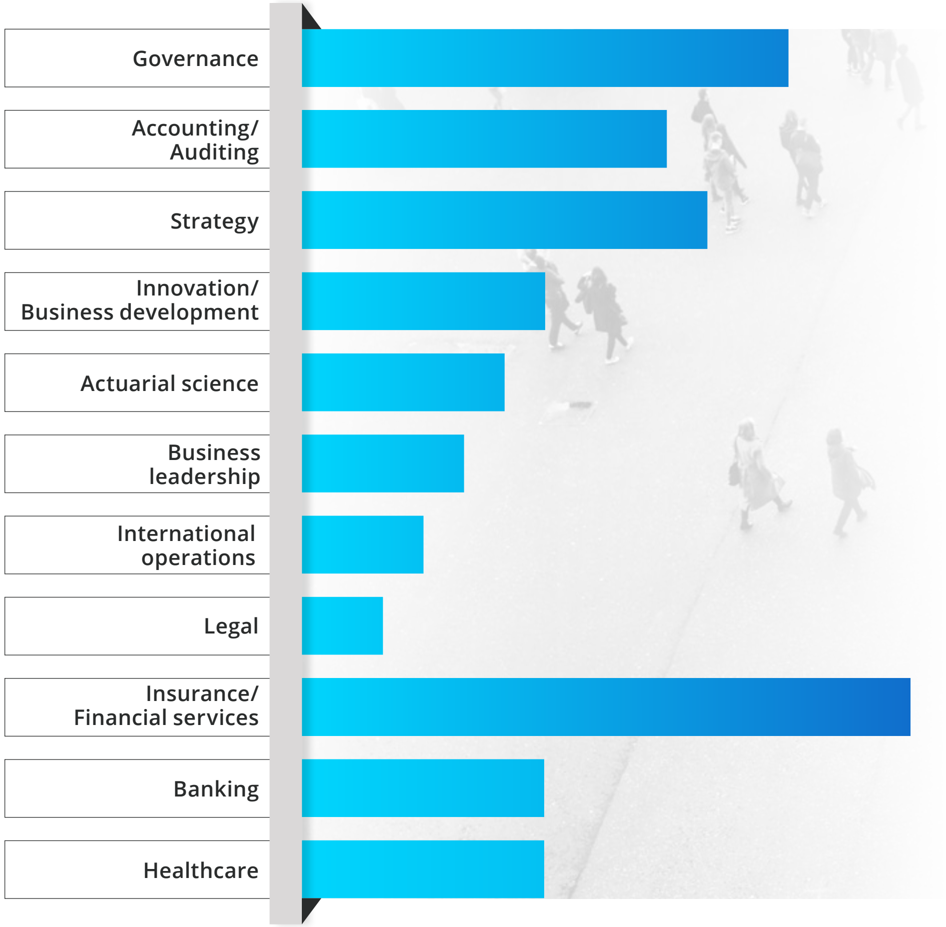
SINDI ZILWA (53)
Independent Non-executive Director
Appointed: 20 February 2003
Qualifications: BCompt (Hons), CTA, CA (SA), Advanced Taxation Certificate (SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)

During the year, Les Owen retired as Independent Non-executive Director and Chairman of the Audit Committee.

* Herschel Mayers transitioned from an Executive Director to Non-executive Director effective 28 November 2019.

AREAS OF EXPERTISE

Discovery Board primary skills and experience



*For detailed curricula vitae of our leadership team, refer to **pages 08 to 16** of our online **Governance Report***

GROUP EXECUTIVE

Our Group Executive comprises 24 members, including our Executive Directors, and represent all facets of our business. The Group Executive is responsible for implementing strategies approved by the Board and managing the affairs of the Group. Below, we highlight the 12 members of our Group Executive whose areas of responsibility are discussed in detail elsewhere in this report.

FIROZE BHORAT
Chief Marketing Officer

DR RYAN NOACH
Chief Executive Officer: Discovery Health

DR JONATHAN BROOMBERG
Chief Executive Officer: Vitality Health International

ANTON OSSIP
Chief Executive Officer: Discovery Insure

JO-ANN FERREIRA
Group Chief Compliance Officer

KENNY RABSON
Chief Executive Officer: Discovery Invest and Employee Benefits

DINESH GOVENDER
Chief Executive Officer: Discovery Vitality

ANDREW RAYNER
Chief Risk Officer and Chief Actuary (Group)

BARRY HORE
Chief Executive Officer: Discovery Bank

RIAAN VAN REENEN
Chief Executive Officer: Discovery Life

TSWELO KODISANG
Chief People Officer

DEREK WILCOCKS
Group Chief Information Officer

Chairperson's review

The year in review has emphasised the economic and social significance of Discovery's core purpose as the foundation of its Shared-value Insurance model. The COVID-19 pandemic has drawn attention to the behavioural nature of risk, the power of technology and the need for collaboration.

The pandemic has created considerable disruption to lives and economies, and has increased the complexity and uncertainty of the operating environments of organisations globally.

In addition to its health impacts, the pandemic has driven extreme equity market and interest rate volatility. For insurers, it has put pressure on new business, lapse rates and potential future claims.

Discovery's purpose as an organisation has never been more relevant. As we face the pandemic together, the drive to keep people healthy and enhance and protect their lives, has guided us as a business, serving as a compass for decision-making, helping us to find innovative ways to serve our stakeholders and ensure that we always act as a force for social good.

> "GOING FORWARD, DESPITE THE COMPLEX AND DIFFICULT TRADING ENVIRONMENT, THE BOARD AND I SHARE THE DISCOVERY EXECUTIVE'S OPTIMISM ABOUT POTENTIAL GROWTH. WE ENDORSE THE LEADERSHIP TEAM'S COMMITMENT TO BUILDING FOR THE FUTURE."

Guided by our core purpose, we balanced employee and stakeholder safety with business continuity. We supported clients, by identifying those most at risk and ensuring relevant cover while maintaining financial resilience. We also leveraged assets and resources to support the country in a nation-building role. Among the numerous examples is the hugely successful partnership with Vodacom to provide the public with free access to virtual COVID-19-related consultations.

Discovery Health and Vodacom jointly funded over 30 000 of these consultations initiated between March and August 2020. Discovery also played a fundamental role in the development of the COVID Alert SA app launched in early September 2020. The app helps to safeguard the lives of all citizens by supporting the country's digital contact tracing efforts.

We ensured that the Group remained financially and operationally resilient with adequate solvency and capital provisioning. This included creating a significant provision for expected future COVID-19 impacts, so that all claims and economic effects of the pandemic, according to the Group's anticipated scenario, would be carried completely in FY2020. Discovery remains resilient, even under high stress scenarios, with sufficient liquidity and solvency to weather uncertain conditions.

Over and above the Group's response to the pandemic, the financial year was remarkable with continued strong execution of the Group's composite strategy. Highlights included expanding our footprint with Vitality Group adding two new countries, Ping An Health's online readiness to support sales during the lockdown, and the Vitality UK businesses coming together under the Vitality banner. In South Africa, we continued to pursue the composite strategy with Discovery Bank demonstrating excellent growth, completing the migration of over 220 000 clients and 350 000 accounts from the First National Bank joint venture by July 2020, and growing retail deposits to over R2 billion.

As ever, the role of governance has been paramount. To enable the Group's rapid strategic responses, decisive action, underpinned by good governance, was required. Throughout the year, the Board and I have focused keenly on rigorous governance and oversight to ensure that the interests of all stakeholders are protected while upholding institutional strength and resilience.

During the year, several changes were made to the Board. Herschel Mayers transitioned from Executive Director to Non-executive Director in November 2019, and Les Owen retired as a member of the Board and as Chairperson of the Audit Committee after serving since 2007. I would like to thank Les for his invaluable contribution across many aspects of the business. In his place, I would like to welcome David Macready to the Board as an Independent Non-executive Director and the new Audit Committee Chairperson.

Going forward, despite the complex and difficult trading environment, the Board and I share the Discovery Executive's optimism about potential growth. We endorse the leadership team's commitment to building for the future.

As capitalism evolves to become more inclusive – and the issues of health, wellness and resilience rise on the agenda post COVID-19 – Discovery's Shared-value Insurance model will be well placed to capitalise on these opportunities in the markets in which we operate.

On behalf of the Board, I would like to express our appreciation of Adrian's and his Executive's leadership over the period, and to thank the more than 12 000 remarkable people of Discovery for their commitment, dedication and efforts to look after our clients so well, sustaining the success of the Group under the toughest of circumstances and into the future.

MARK TUCKER

04

VALUE CREATION

Understanding our business model

To understand our business model is to understand our core purpose. Our business model and strategy (our ***how*** and ***what***) are designed to enable the delivery of our core purpose (our ***why***), which guides our decision making and actions as a business.

WHY

Our core purpose
Why we are in business

TO MAKE PEOPLE HEALTHIER AND ENHANCE AND PROTECT THEIR LIVES

HOW

How we operate
What sets us apart

The engine for enabling our core purpose is our **Shared-value Insurance model**, which is built on the Vitality behaviour-change platform.

Our Vitality behviour-change platform is further explained on ***page 16***

WHAT

Our products and services
What we do

- Health insurance
- Life insurance
- Short-term and commercial insurance
- Long-term savings and investments
- Banking
- Behaviour-change programmes

BEHAVIOURS THAT CONTRIBUTE TO RISK

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

Life and health risk

4 Lifestyle behaviours
- Poor diet
- Physical inactivity
- Tobacco use
- Excessive alcohol intake

4 Chronic conditions
- Cardiovascular disease
- Diabetes
- Chronic lung disease
- Various cancers

RESPONSIBLE FOR 60% of all deaths worldwide

World Health Organization and Global Burden of Disease.

Accident risk

5 Driving behaviours
- Excessive drinking
- Cellphone use while driving
- Excessive speeding
- Harsh braking
- Tailgating

3 Driving conditions
- Aggressive driving
- Driver distraction
- Loss of vehicle control

RESPONSIBLE FOR 60% of fatal vehicle accidents with identifiable causes in South Africa

Road Traffic Management Corporation and US Department of Transportation.

Retirement risk

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 risk

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.

How the Vitality behaviour-change platform creates shared value

HOW THE VITALITY BEHAVIOUR-CHANGE PLATFORM CREATES SHARED VALUE

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 platform to address those areas that have the biggest potential to change risk outcomes over the long term. The model provides clients with pathways to reduce personal risk, and incentivises them to improve behaviour through three programmes – Vitality Health, Vitality Drive and Vitality Money.

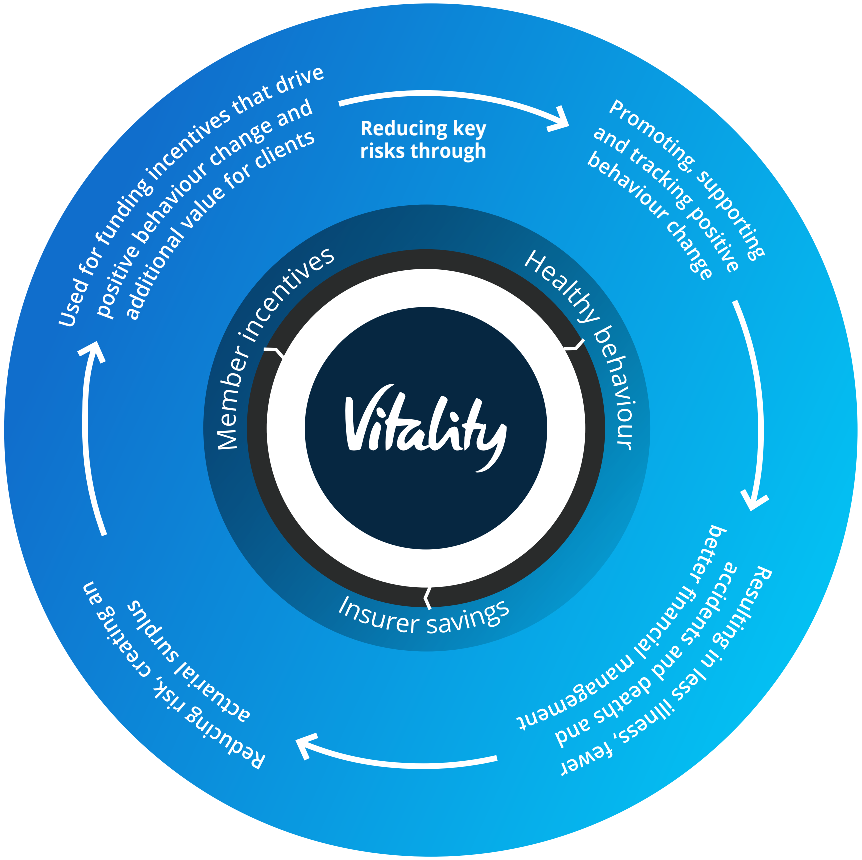
Through the model, we measure engagement in these pathways and activities, and enable the dynamic pricing of risk accordingly, creating a loop of value that is shared between clients, the business and society. Independent research has validated the model for its positive impact on reducing healthcare costs, resulting in improved profitability, a portion of which is channelled back into funding the incentives that drive positive behaviour change.

In this way, insurance and financial risk are no longer a function of an individual's circumstances at the time of taking up the product, but rather how they manage their behaviour across health, driving and financial management.

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.

The Vitality behaviour-change platform, used as the foundation of our primary market composites, also enables Discovery to leverage our intellectual property capabilities to enter into new partnerships and new markets, with limited capital expenditure.

*Read more about Vitality Group in the business review on **page 82***



UNPACKING OUR BUSINESS MODEL

We build brilliant businesses with the potential to disrupt the industries in which we operate. Our shared-value approach forms the foundation of each business, creating a compelling value proposition for clients, competitive advantage, a powerful client platform, and strong behaviour change.

OUR KEY RESOURCES

Human capital

Over **12 980 employees** (2019: 12 950)

The best human capital capabilities, driven by top talent, employee engagement, and employee wellness programmes

Diverse workforce, whose strength we leverage

A workforce that is **prepared for the future**, enabled by professional and leadership development programmes

On average, each of our employees invested **95 hours into training programmes** (2019: 35 hours)

Financial capital

Equity/capital **R44 553 million** (2019: R43 083 million)

Debt **R14 956 million** (2019: R13 121 million)

Investment in new businesses and initiatives **increasing to 26%** of normalised profit from operations before allowing for future COVID impacts, up from 17% in the prior year

Intellectual capital

Vitality behaviour-change platform linked to financial services

Vitality intellectual property driving **strategic partnerships**

Research that informs relevance of behaviour change and our Shared-value Insurance model

Innovative culture across the business

Over 350 data scientists and actuaries with critical skills

Most valuable insurance brand in South Africa

Social and relationship capital

46 million lives impacted (2019: 25.7 million)

Existing **relationships** with stakeholders

Over R1.57 billion procurement spend on black-owned businesses (2019: R1.37 billion)

Manufactured capital

Operations located in **22 countries**

IT infrastructure that **supports our business** and adapts to suit our needs

R910 million invested in the Vitality1 platform

Artificial Intelligence (AI) capabilities

A datacentric **cybersecurity model** to enhance data security and anonymity

Vitality1 platform supporting single integration for wearable devices and health apps

Natural capital

34 275 MWh total energy consumption (2019: 34 703 MWh)

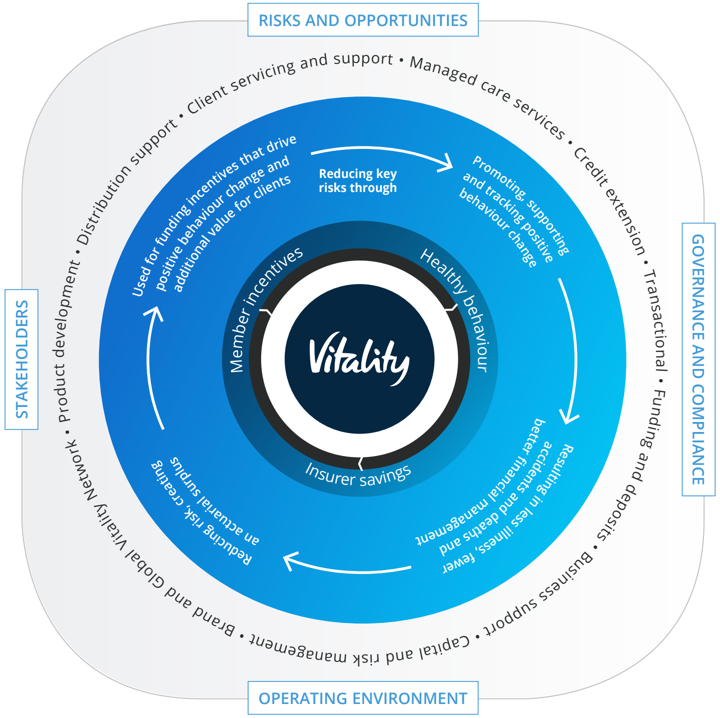
135 399 kl total water withdrawal from municipal water supplies in South Africa (2019: 140 232 kl)

1 Discovery Place, Discovery's headquarters in South Africa, has a six Green Star rating from the Green Building Council of South Africa

WHAT WE DO

Building a new category of financial services, based on our disruptive Shared-value Insurance model

The engine for enabling our core purpose is the Vitality 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



See *page 16* for more information on our behaviour-change platform

What we produce: Our outputs (products and services)

WHAT WE PRODUCE: OUR OUTPUTS (PRODUCTS AND SERVICES)

We build a number of different businesses, where each industry leverages the same behaviour-change platform, Vitality. Today, Discovery is a global, integrated financial services organisation that operates and innovates, offering:

- **Health insurance**
- **Life insurance**
- **Short-term and commercial insurance**
- **Long-term savings and investments**
- **Banking**
- **Behaviour-change programmes**

*For more information about our strategy, see **page 35***

OUR OUTCOMES: DELIVERING ON OUR CORE PURPOSE

Human capital

- \+ Top 3 placement for LinkedIn Best Employer Brand in South Africa
- \+ Top Employers South Africa certification
- \+ A strong pipeline of senior leadership talent
- \+ 84% employee engagement (2019: 78%)
- ○ Women represent 57% of our workforce (2019: 57%)
- ○ 75% black South African employees (2019: 75%)
- \+ Black senior managers increased to 33.8% in South Africa (2019: 31%)
- \+ 40% of women in senior leadership positions (2019: 37%)
- ✕ 14.6% employee turnover (2019: 17.11%)
- \+ Attrition rate of 13% (2019: 14%)

Interested stakeholders:

Government and regulators | Employees | Providers of capital | Civil society and communities

Financial capital

Resilience of our organic growth model

- ✕ Normalised return on capital 8.2% driven by a reduction in profits as a result of reserving for future COVID-19 impacts and considerable investment in new businesses (2019: 12.7%)
- \+ Core new business annualised premium income (API) R19 173 million (2019: R18 329 million)
- \+ Normalised profit from operations before providing for future COVID-19 impacts R8 409 million (2019: R7 747 million)
- ✕ Normalised profit from operations R6 069 million (2019: R7 747 million)
- ✕ Normalised headline earnings R3 747 million (2019: R5 035 million)

Capital management approach

- \+ Capital ratios above targeted levels
- \+ Liquidity buffers within target range

*Refer to our Group Chief Financial Officer's review from **page 46***

Interested stakeholders:

Government and regulators | Employees | Providers of capital | Clients and financial advisers

KEY

- \+ **Positive** (net increase in capital being discussed)
- ✕ **Negative** (net decrease in capital being discussed)
- ○ **Neutral** (no movement in capital being discussed)

Our outcomes continued

Our outcomes: Delivering on our core purpose *continued*

Intellectual capital

- + Leader in financial services linked to shared value
- + Behavioural programmes developed with leading academic institutions, tested and proven to create change at scale
- + Behavioural linked mortality and morbidity database and models with more than 40 million life years of data
- + Global Innovator at the Efma-Accenture Innovation in Insurance Awards

Interested stakeholders:

Government and regulators, Employees, Clients and financial advisers, Healthcare providers, Business partners, Civil society and communities

Social and relationship capital

- + 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 (2019: Level 2 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
- ✕ Non-payment of final ordinary dividends

Interested stakeholders:

Government and regulators, Employees, Providers of capital, Clients and financial advisers, Healthcare providers, Business partners, Civil society and communities

Manufactured capital

- + 11 markets have been launched on the Vitality1 platform, servicing over 1.5 million members
- + 99.96% Vitality1 platform availability
- + Intensified data, privacy and cybersecurity awareness training
- + A global technology platform that improves customer experience, decreases turnaround times and reduces human error as a result of manual servicing
- + Technology back-end used by global insurers, with extensive device and app integration and fraud protection

Interested stakeholders:

Employees, Providers of capital, Clients and financial advisers, Business partners

Natural capital

- + Approximately 72% of the waste generated on our South African campuses is recycled (2019: 59%)
- ✕ 402.71 tonnes total weight of waste (South Africa) (2019: 503.39 tonnes)
- ✕ 55 514 tonnes CO_2 greenhouse gas emissions (GHG) (2019: 61 862 tonnes)

Interested stakeholders:

Government and regulators, Employees, Providers of capital, Clients and financial advisers, Civil society and communities

Discovery Group Chief Executive’s report

Our core purpose of making people healthier and enhancing and protecting their lives manifests in our Shared-value Insurance model, whereby value is created and shared with clients, the business and society.

The model’s efficacy led to our strong conviction that it is disruptive, as well as a positive force for society. Based on this confidence, we set a bold Ambition 2023 to lead a transformation of financial services, impacting 100 million lives, 10 million directly insured, and being a powerful force for social good. The COVID-19 pandemic created significant disruption as well as considerable economic uncertainty, against an already challenging economic backdrop, increasing the complexity of our operating environment.

Our core purpose was particularly appropriate, and its relevance was heightened. Our response to the pandemic was focused on three areas: protecting our people, protecting and supporting our clients, and supporting country efforts in South Africa – underpinned by a disciplined strategy to maintain Group financial strength and resilience. Despite the complexity and uncertainty over the period, our strategy and Shared-value Insurance model resulted in a resilient performance.

STRATEGIC FOCUS AREAS

Our strategic focus areas can be summarised by the three dimensions across which our Ambition 2023 is measured, namely: financial and social impact; a unique strategic foundation which comprises of our purpose, values, people, model, brand and capabilities; and brilliant businesses. We made significant progress against each of these dimensions over the period.

Financial and social impact

Financial impact

Performance over the period was framed by the following key issues: a resilient operating performance; the creation of a R3.4 billion reserve to cater for future COVID-19 impacts to December 2021; interest rate movements which had a R4.8 billion pre-tax effect on headline earnings; continued performance of the growth model, with substantial, planned investment of R2.2 billion into new businesses; and a focus on capital strength and liquidity.

Resilient operating performance

The business delivered a resilient operating performance with normalised operating profit up 9%, and reducing by 22% after accounting for impacts arising from COVID-19, while new business increased by 5%. Over this period, South Africa (SA) and the United Kingdom (UK) experienced severe lockdowns, however the lapse experience was well-contained within Discovery’s actuarial assumptions for all businesses, except for Discovery Invest. The claims experience was also better than assumption for all operations, except for VitalityLife where the effects of the pandemic emerged sooner.

“DESPITE THE COMPLEXITY AND UNCERTAINTY OVER THE PERIOD, OUR RESPONSE, AS WELL AS OUR SHARED-VALUE INSURANCE MODEL ENSURED A RESILIENT PERFORMANCE.”

COVID-19 reserve

In order to maintain financial strength, we provided R3.4 billion for future COVID-19-related impacts on claims and lapses, so the expected effects to December 2021 are fully recognised and reserved for in the 2020 reporting year. This resulted in a R2.3 billion profit impact, net of discretionary margins.

Interest rate movements

The significant movements in positive real rates of return in SA and negative real rates of return in the UK had a significant effect on policy values and headline earnings, but none on cash flows, solvency or capital in SA; and since the implementation of the hedge strategy – little impact in the UK.

Growth model

The businesses delivered a resilient operating performance. Established businesses saw an increase in normalised operating profit of 15% before reserving for future COVID-19 impacts to R9 896 million (which decreased by 13% after the provision), with pleasing new business growth. The emerging businesses saw remarkable growth, delivering a combined profit of R736 million – 74% higher than the prior period. Investment in new initiatives was at 26% of normalised operating earnings (before the COVID-19 reserve), with these initiatives demonstrating strong progress.

Capital strength

Capital metrics remained above target for all businesses and the financial leverage ratio continued to be within our internally set limit at 25.1%. These metrics remain resilient into future periods under a stressed COVID-19 scenario.

Social impact

We continued to increase our global footprint and are now active in 22 countries, impacting over 46 million lives. Our strategic response to the COVID-19 pandemic had a substantial impact; by leveraging established structures for sharing value, combined with sophisticated data tracking and analytics capabilities, we were able to rapidly respond to client needs and provide concessions, offering over R757 million to individuals and employers.

Being a force for social good remained central to our business, and we undertook various initiatives to provide national support in response to the COVID-19 pandemic with Discovery Health extending access of its virtual consultation platform, DrConnect, to all South Africans. Furthermore, the Discovery team has played a fundamental role in developing COVID Alert SA, the Bluetooth-enabled contact tracing mobile app, which was launched by the National Department of Health. The app alerts users if they have been in close contact with an individual who tested positive for COVID-19, so that they can get tested and self-isolate.

The strategic foundation

The period saw the heightened relevance of the Vitality Shared-value Insurance model and a continued investment in Discovery's strategic foundation. As a result, we made progress in strengthening all of our strategic enablers.

The Shared-value Insurance model which is premised on, and responsive to, three trends that were accelerated as a result of COVID-19, positioned us well to respond to the pandemic. These trends include firstly, the behavioural nature of risk, given the emerging importance of healthy living in determining not only non-communicable disease risk but also communicable disease risk. Secondly, technology is emerging as a key enabler, given the rush to an online world. Thirdly, there is heightened demand for purpose-based business models, given the need to find profitable solutions to society's challenges.

The above resulted in continued investment in our model, strengthened by its adoption, and by the data supporting its efficacy across industries. This manifested in developments across the business model's value chain (attraction, conversion, pricing, behaviour change, retention) including: the development of a Resilience Index that links Vitality engagement to the risk of COVID-19 complications; the continued roll-out of Discovery's integrated capabilities to the global market, courtesy of its Vitality1 platform; the evolution of Discovery Health's leading digital healthcare platform; and AI Quote, an artificial intelligence quoting tool offering personalised advice to prospective clients. The model was also internationally recognised for its innovation, and won the gold prize in the Global Innovator category at the Efma-Accenture Innovation in Insurance Awards 2020.

Our core purpose and values-based culture remained foundational and were evidenced by our people's remarkable response to the pandemic and our high enterprise-wide engagement levels. Numerous initiatives were put in place to keep employees informed, connected and engaged during the COVID-19 lockdown period. Our annual employee engagement survey, which enables us to benchmark ourselves against best practices in other organisations locally and internationally, achieved excellent results – we met or outperformed the benchmark for the high-performing, South African and global financial services norms in all categories. In addition to this, progress was made towards achieving our transformation targets and notably, as of October 2020, the business achieved Level 1 B-BBEE contributor status.

> "OUR CORE PURPOSE AND VALUES-BASED CULTURE REMAINED FOUNDATIONAL AND WERE EVIDENCED BY OUR PEOPLE'S REMARKABLE RESPONSE TO THE PANDEMIC AND OUR HIGH ENTERPRISE-WIDE ENGAGEMENT LEVELS."

Business performance

In terms of businesses, we continued to focus on the execution of market-specific strategies over the period:

i. South Africa: a disruptive composite model, with market-leading businesses and a successful entry into banking
ii. United Kingdom: a differentiated offering through a composite Vitality Shared-value Insurance model
iii. Ping An Health: the leading health insurer in China with over 50 million clients
iv. Vitality Group: a sophisticated global behaviour-change platform linked to financial services.

South Africa:

The SA business demonstrated a relatively strong result amid the difficult economic and operating environment. Excluding new initiatives, combined new business reduced by 4% to R12 278 million and normalised operating profit increased by 11% to R8 302 million before the COVID-19 provision (reducing by 3% after the provision).

Discovery Health continued to deliver, with normalised operating profit growth of 5% to R3 190 million and total revenue growth of 8% to R8 373 million. New business API decreased, affected by the difficult economic environment and contraction in employment. The continued investment in digital technologies and automation enabled the business to extract operational efficiencies, drive down healthcare costs and improve the member experience.

Discovery Life's performance was strong despite the challenging environment. Normalised operating profit, before the COVID-19 provisioning, increased by 25% to R4 029 million (down 8% to R2 971 million after the provision). The business leveraged the Vitality Shared-value Insurance model to implement four premium relief options to support clients, which ensured c.R34 billion of cover was kept in force.

Discovery Invest's performance reflected the challenges of COVID-19 and volatile financial markets. Total assets under administration increased by 8% to R99 billion, however normalised operating profit fell by 14% to R830 million on the back of tax changes, investment in the Invest International offering and significant sales of Guaranteed Return Plans during a period of high volatility on the yield curve. The business continued to strengthen its strategic foundation which rests on strong asset management underpinned by the Vitality Shared-value Insurance model with continued enhancement of its digital capabilities.

Discovery Insure delivered a robust performance achieving R246 million normalised operating profit, up 59% on the prior year. The commercial lines business focused on growing new business, and while the quantum of gross premium income is still small, it almost quadrupled over the period.

Lastly, Discovery Bank delivered a pleasing performance in its first year of operation. The Bank now has over 370 000 accounts at end June 2020 (489 000 at 13 September 2020) and deposits of over R2.4 billion (R3.7 billion at 13 September 2020). With the onset of COVID-19, the Bank implemented three strategies, namely: ensuring the successful migration of over 220 000 clients and 350 000 accounts from First National Bank to Discovery Bank; pursuing a deposit-led growth strategy while ensuring the quality of the loan book and maintaining the quantum spent on the Bank's build within budget; and implementing rapid learnings from the Shared-value Insurance model to constantly improve the Bank's user experience and value proposition. All three strategies were successful: the migration was completed and retail deposits exceeded the loan book, resulting in the Bank having significant liquidity of R3.8 billion and capital strength. The loan book was excellent with arrears 60% lower than market arrears. The Bank's value proposition has been significantly enhanced through a more accessible Vitality Money experience and a more intuitive user experience.

United Kingdom:

The UK business was affected by the difficult economic and operating environment driven by COVID-19 and persistent low interest rates. Over the period, combined new business of the established businesses reduced by 12% to £126.3 million (R2 495 million), and operating profit increased by 28% to £93.1 million (R1 840 million) prior to the COVID-19 reserve, reducing by 61% to £28.2 million (R558 million) after the reserve. Total covered lives exceeded 1.3 million, an increase of 7%.

In the UK, interest rates have been steadily declining since Brexit and in response, VitalityLife implemented a hedge for the low and volatile interest rate environment. The pandemic led to the National Health Service (NHS) co-opting private hospitals to support patient treatment, which resulted in the postponement of elective treatments. The UK business responded quickly to these factors through various actions and has leveraged Vitality to amplify shared value.

The structure of the business has been adapted to deliver the composite strategy, with several functions that span VitalityHealth and VitalityLife now consolidated at a Vitality UK group level. This ensures that Vitality UK can provide an integrated, intuitive service to clients and advisers, while generating efficiencies.

Vitality Group:

Vitality Group delivered excellent results, increasing its profits by 73% to $19.6 million (R308 million) while growing its membership to 4.1 million. The relevance of the Vitality Shared-value Insurance model gained significant traction over the period with insurer partners more strongly embedding the model into their core strategies and ecosystems. Vitality Group's partnership with Hannover Re to expand Shared-value Insurance products into franchise markets produced pleasing results, with the total number of signed markets at eight, of which four are live. Vitality1 is driving rapid scaling of markets and is servicing 11 countries while maintaining high availability, delivering with speed, and accurately processing vast amounts of data.

Ping An Health:

Ping An Health had a remarkable year, with total revenue growing by 56% to RMB13.4 billion and new business premium growth of 33% to RMB6.5 billion. The business continued to gear up for considerable growth in a rapidly expanding healthcare market with a focus on quality business. Continued investment and delivery focused on three key areas: digital and technology advancement; shared value and product enhancement; and further embedding Ping An Health into the Ping An Group ecosystem for synergistic opportunities. Ping An Health's investments over the past two years into scaling online operations, including its app, sales and technology capabilities, positioned it well to meet the demand for more digital interactions.

“I WANT TO THANK AND CONGRATULATE DISCOVERY’S PEOPLE FOR THE TREMENDOUS WORK THEY HAVE DONE DURING THIS COMPLEX PERIOD AND FOR RISING TO THE CHALLENGES PRESENTED BY THE PANDEMIC.”

Strategy going forward: Ambition 2023

We believe that the Group is strongly and uniquely positioned for the 2021 financial year; the Shared-value Insurance model positions us well despite the challenging macro environment. This position has been strengthened by the provision for expected future financial impacts of COVID-19 on claims and lapses, during the 2020 financial year.

Ambition 2023, and delivering on its components of financial and social impact, foundation and businesses, remains our strategic focus for the medium term. The businesses within the SA composite have created significant insurgency and the Group is well-positioned to continue the SA growth trajectory. The UK composite is embryonic, however the actions taken over the period were key to ensure sustainability in the current environment and have positioned the business to succeed in a normalised environment. Vitality Group, through capabilities and partnerships, is well placed to leverage the growing acceptance of the Shared-value Insurance model. Ping An Health remains committed to investing for longer-term growth, rather than looking to extract profit or cash in the short to medium term.

I want to thank and congratulate Discovery’s people for the tremendous work they have done during this complex period and for rising to the challenges presented by the pandemic. It is a privilege to work with you. To our partners and clients; thank you once again for helping us pursue good, profitably.

ADRIAN GORE

Engaging with our stakeholders

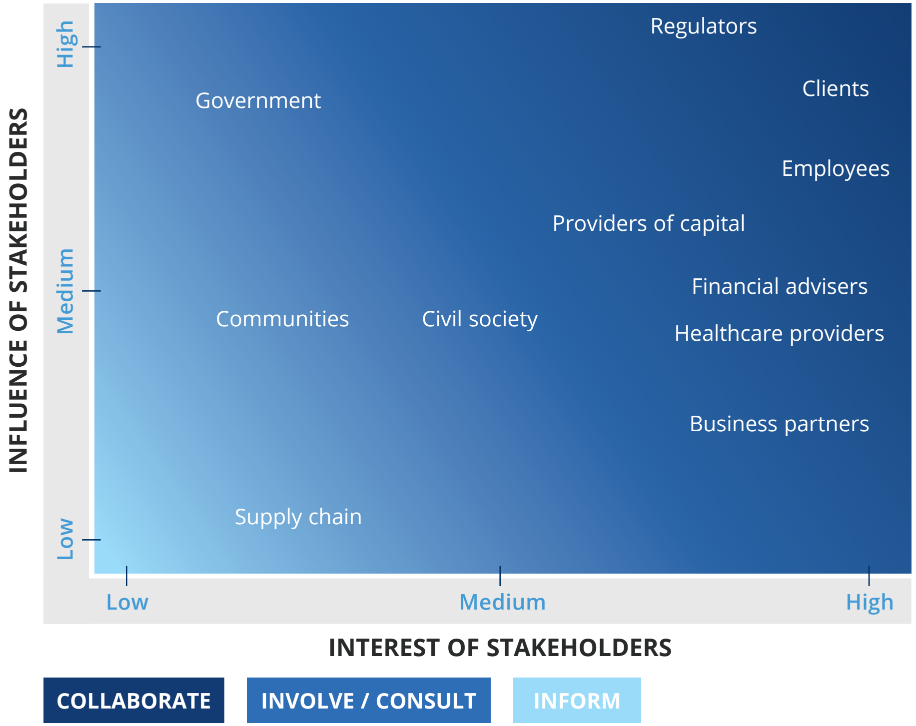
Discovery seeks to add value to people's lives by enabling positive structural change within the markets and industries in which we operate. We do this by designing our products and services to deliver on our core purpose across a spectrum of financial services.

We appreciate that the continued growth and success of our business are intrinsically linked to understanding our stakeholders' concerns, needs and insights. The way in which we interact with our stakeholders and how we conduct our business are critical aspects of Discovery's long-term sustainability strategy. 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. We remain committed to improving the quality of our engagements.

Our Stakeholder Engagement Framework sets out our strategic approach and seeks to align this approach, as well as the management of stakeholder engagement, to the applicable principles of King IV™. The framework includes:

- Key principles and steps that guide our engagement approach; and
- Levels of engagement, including a matrix that supports matching the level of engagement to the business activities, recognising that engagement is not a one-size-fits-all approach.

We understand that the levels of engagement will vary between stakeholders, and are dependent on our objectives, outcomes, timeframes and resources, as well as the levels of influence or interest of stakeholders. As detailed in the matrix, we analyse and classify our stakeholders according to their interests and influence, which then guide us in adopting specific levels of engagement with them.



Discovery recognises that the quality of our engagements with stakeholders is key to creating value over the long term. Therefore, we conduct regular assessments, using various mechanisms, to ensure that we meet the expectations of our stakeholders.

QUALITY OF ENGAGEMENT

- Good quality existing relationship
- Relationship exists but there is room for improvement
- No relationship exists or existing relationship is poor

OUR SIX MATERIAL MATTERS

- Deliver on our core purpose
- Successfully execute our strategy
- Build the best human capital capabilities
- Harness the power of technology
- Leverage our capabilities to support resilient ecosystems
- Understand and respond to the impact of COVID-19

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT	RELATED MATERIAL MATTERS
GOVERNMENT AND REGULATORS				
Our government stakeholders are policymakers, and they guide us through those policies and regulations that impact our business. Engagement also enables the organisation 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 there is continuous and periodic engagement 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.	• Compliance with regulatory and legal requirements. • Payment of taxes. • Protection of consumer, environment, labour and human rights, while carrying out business in an ethical manner. • Employment equity (EE), Broad-based Black Economic Empowerment (B-BBEE) and transformation (South Africa). • Adherence to occupational health and safety standards. • Open and transparent communication.	• Cultivating a zero-tolerance culture for regulatory non-compliance. • Continuous engagement on critical issues impacting our industries. • Operating in a financially prudent manner and treating our customers fairly.	• Regular liaison with various government departments, both at a company level and through industry bodies. • Statutory reporting and regulatory submissions. • Input into new legislation. • B-BBEE and EE reports and submissions (South Africa). • On-site inspections, periodic or thematic assessments and in forums.	
EMPLOYEES				
Our people are a crucial strategic enabler. We believe that great ideas, driven by quality people, result in market-leading products, contributing to our competitive advantage. *For more information on our people, refer to* ***page 60***	• Competitive total rewards. • Effective performance management. • Investment in training and career development. • Ethical and inclusive work environment. • Alignment between our employees' work and our organisational purpose and values. • Opportunities for innovation. • Protection of labour and human rights. • Career advancement.	• Attractive talent pipeline programmes for critical skills. • Providing competitive total rewards to attract and retain talent. • Offering continuous performance engagement. • Encouraging professional development, self-driven by employees, including digital and traditional learning programmes, immersive experiences, conferences, and other development engagements. • Leadership development. • Investing in employee wellbeing.	• Annual employee engagement survey and response rate. • Ongoing feedback through performance management. • In-house publications, communications and pulse surveys. • One-on-one engagement. • Focus groups and staff dialogues. • Impressions tracking on web-based platforms. • Employee Experience Index, which measures perception on purpose, people, work and total rewards. • Key dimensions and categories within each of the surveys.	

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT	RELATED MATERIAL MATTERS

PROVIDERS OF CAPITAL

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT
Investors, providers of capital, debt funders, investment analysts and potential investors are a key source of capital, and a crucial element for the long-term sustainability of our business. The feedback we receive from our engagement with these stakeholders informs our management and reporting practices.	• Sustainable returns on investment. • Effective growth strategy. • Strong balance sheet. • Experienced leadership teams. • Good corporate governance. • Transparency and accountability.	• Continuous strengthening and evaluation of governance structures. • Focusing on our deliberate strategy to grow organically. • Sustainable growth in capital and distributions. • Aligning of Long-term Incentive Plan with long-term shareholder interests. • Continuous engagement with the analyst and investor community. • Paying interest on and repaying debt capital.	• Integrated annual report and reporting suite. • Annual and interim results presentations. • Local and international investor conferences and roadshows. • Local and international one-on-one or group engagements. • Annual General Meeting and voting. • Media and regulatory releases. • Analyst reports. • Share price.

CLIENTS AND FINANCIAL ADVISERS

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT
By regularly engaging with our clients and financial advisers, we remain informed on how our products are received in the market. In this way, Discovery is able to adapt our products and services to meet the needs of our clients as they evolve. Furthermore, we seek to engage regularly with financial advisers to ensure that they are sufficiently supported to provide excellent advice and support to clients which, in turn, supports client attraction and retention.	• 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 clients' rights, health and safety. • Safeguarding of client privacy. • Sales remuneration. • Ease of market roll out.	• Client servicing and journeys to simplify the client experience. • Fair and equitable claims and complaints processes. • Continued product innovation to meet clients' needs and an annual product launch cycle. • Ongoing investment in digital innovation to enhance both the client and financial adviser experience. • Data privacy and protection of personal information policy, including related training for employees. • Sales and training support.	• Written communications, and product and service brochures. • Media and social media. • Advertising campaigns. • Biannual product launches for financial advisers. • 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 – Quality assessments. • Net promoter score (NPS). • Member perception score (MBR).

HEALTHCARE PROVIDERS

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT
Healthcare providers are a vital stakeholder in the healthcare sector. As an essential provider of services to our clients, this stakeholder group ensures the viability of both the public and private healthcare sectors.	• 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.	• Contracting with providers based on increased value and quality of care, rather than on price. • Electronic health records (HealthID) improve patient care and reduce the administrative burden for doctors (South Africa). • Identifying healthcare providers delivering exceptional care; providing positive recognition – Patient Survey Score (PaSS) (South Africa). • Investing in the medical education of specialists in South Africa's public health sector through the Discovery Foundation.	• 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. • Monitoring of engagement between healthcare providers and account managers. • Doctor sentiment scores.

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT	RELATED MATERIAL MATTERS

BUSINESS PARTNERS, INCLUDING OUR SUPPLY CHAIN

WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT	RELATED MATERIAL MATTERS
We engage with our business partners – including global insurance and reward partners – to support the expansion of our Shared-value Insurance model globally. We also engage with partners in the global network to strengthen the value proposition to clients. *For more information on our insurance partnerships, refer to our Vitality Group business review from **page 82*** Our engagement with suppliers of goods and services enables our business operations, including partnering to advance our B-BBEE objectives.	• Long-term beneficial relationships. • Preferential procurement as per B-BBEE Codes (South Africa). • Regular engagement, financial and non-financial support. • Meeting contractual terms and agreements. • Increased revenues. • Volume growth.	• In the short term, expanding our Shared-value Insurance model and delivery thereof, which has been positively received in the market, leading to increased brand awareness through association, as well as higher sales and client volumes. • In the long term, engaging with clients, leading to the shared-value cycle of business profitability, client value and benefits for society. • Integration with our digital platforms and leveraging Vitality's intellectual property. • Investment in the Vitality1 platform for insurance partners. • Unique reward partner offerings, contract negotiation and servicing. • Robust supply chain processes that ensure suppliers are paid on time. • Increasing their scope with a long-term goal to collaborate on innovation. • Building our supply chain through financial and non-financial support to selected enterprise and supplier development beneficiaries (South Africa).	• Individual engagement. • Contracts. • Ongoing 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

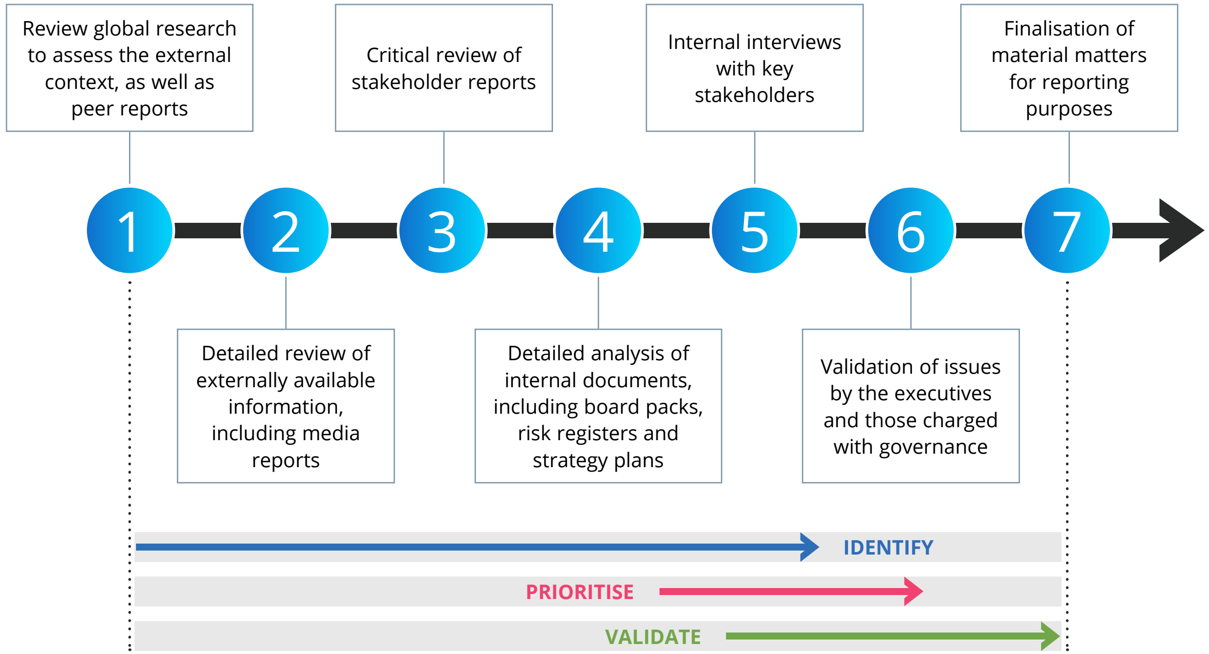
WHY WE ENGAGE	EXPECTATIONS	HOW WE ARE RESPONDING	METHOD OF ENGAGEMENT AND ASSESSMENT	RELATED MATERIAL MATTERS
We engage with broader society and communities to ensure that we respond appropriately to developmental needs. This, in turn, safeguards our reputation. We ensure that our actions align with our core purpose and business objectives, while also addressing ESG-related risks and opportunities. *For more information, refer to our **Sustainable Development Report***	• 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.	• Supporting national and global objectives to enhance market and industry sustainability. • Reducing the cost of healthcare and the burden on public healthcare infrastructure. • Engaging with healthcare partners to develop a sustainable healthcare ecosystem. • Incentivising safer driving and supporting physical and financial wellbeing. • Linking healthy behaviour with philanthropy to raise funds for various charities, enabled by Vitality Active Rewards. • Supporting transformation by developing a roadmap to improve our B-BBEE scorecard (South Africa). • Investing in medical education of specialists in South Africa's public health sector through the Discovery Foundation. • Developing programmes to improve the lives of vulnerable communities in a sustainable manner through the Discovery Fund.	• Individual engagements. • Press publications. • Discovery Foundation. • 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 ESG ratings indices.	

Our material matters: the strategic risks and opportunities we face

Discovery's businesses are deeply connected 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 – *to make people healthier and to enhance and protect their lives.*

This year, we conducted a detailed materiality review to ensure that our reporting includes matters that could substantively affect our ability to create and protect value in the short, medium or long term, as well as matters that might erode value, if they are not managed proactively.

OUR PROCESS TO DETERMINE MATERIALITY



1. 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.

2. 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.

3. VALIDATE

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

MATERIAL MATTERS, RISKS AND OPPORTUNITIES

During the year, we identified the following material themes, which encompass both the risks and opportunities we face.

OUR APPROACH TO RISK MANAGEMENT

The Board is ultimately responsible for risk governance within the Group, and is assisted by the Group Risk and Compliance Committee in implementing processes aimed at ensuring risks are identified and managed within the Board-approved risk appetite and limits. We operate within a strong foundation of our core purpose, eight key values 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, that is core to our operating model, in identifying and managing material risks. Our risk appetite and limits are set at business entity and Group levels, with clear accountability and reporting requirements. Furthermore, Discovery has developed and implemented a Combined Assurance Model throughout the Group – designed to address all the significant strategic, financial, operational and compliance-related risks. The model ensures that all assurance activities provided by internal and external assurance providers adequately address material risks the Group faces. Our Combined Assurance Model also seeks to ensure that suitable controls exist to manage these material risks within approved risk limits. The effectiveness of our robust risk-management system is reflected annually in the Own Risk and Solvency Assessment (ORSA), which provides a holistic view of the risk exposures in the Group and how these risks affect capital, solvency and the business strategy.

DELIVER ON OUR CORE PURPOSE

We create value for our stakeholders by delivering on our core purpose. Our unique business model uses shared value as the basis for our growth and, as such, the model must be sufficiently defined to ensure that all new ventures align with our core purpose. Without this clarity, we face the risk of expansion that does not align with our core purpose.

Key actions and opportunities

We are committed to further developing our business model as a blueprint for the future of financial services in each market and category in which we operate. Through our business model, clients can integrate our offerings to create more collective value.

We continue to explore innovative opportunities in both our primary and partner markets to leverage our Shared-value Insurance model and further advance our brand and business while ensuring that we have the right resources to drive success.

We diversify businesses locally and globally to take advantage of adjacencies through our composite strategy and to reduce concentration risk, while remaining focused on our core purpose.

The products that we offer are critical to the continued success of our businesses. Products that are not relevant to our clients may result in a loss of market share, while the successful delivery of our products rely on us having the right distribution and administration capabilities. Relevant products with innovative design that supports shared-value creation align with our core purpose and differentiate our offerings within a highly competitive environment.

Key actions and opportunities

We focus on, and invest heavily in, relevant products with innovative design that support shared-value creation to align with our core purpose and differentiate our offerings from competitors. Therefore, we strive to create products that are both standalone and integrated and demonstrate measurable shared-value creation. We actively manage our capital requirements to ensure our products deliver according to defined expectations and required obligations. We also endeavour to put the principles of treating customers fairly at the centre of our product design and delivery.

Inadequate governance processes and systems pose risks on multiple levels, including at a reputational, operational and strategic level.

Key actions and opportunities

Underpinning our drive to deliver on our core purpose is the need for robust governance and ethical leadership that strengthens trust and protects value. We continue to review and strengthen our governance structures and frameworks on an ongoing basis to ensure they are fit-for-purpose and aligned with the highest standards globally.

KEY:

Key risk we consider

Increase in severity of risk

Risk severity unchanged

Decrease in severity of risk

RELATED SUB-MATTERS

Develop our Shared-value Insurance model as a blueprint for the future of financial services in each category in which we operate

Design relevant products that are both standalone and integrated and demonstrate measurable shared-value creation

Robust governance and ethical leadership that protect and enhance value

For more information, refer to

*Our business model on **page 15***

*Group Chief Executive's report on **page 20***

*Our business reviews from **page 68***

*Corporate governance overview on **page 88***

SUCCESSFULLY EXECUTE OUR STRATEGY ▲

At the heart of our business is the drive to deliver on our core purpose. Our strategy, including Ambition 2023, provides a roadmap for how we will achieve this goal, with clear measurable targets to support our objectives. The inability to execute our strategy is a direct risk to our business, one that is actively managed by our Board and Executive Committee.

Our organic growth model is a key component of our strategy, along with prudent capital allocation, solvency and liquidity management. Our customers depend on Discovery to provide them with insurance and assurance, to remain financially sound and to deliver the product benefits as they fall due. Inadequate capital allocation and risk management models pose a direct threat to the growth and sustainability of our business.

The already difficult economic conditions in which we operate have been adversely impacted by the effects of the COVID-19 pandemic. This presents a challenging global environment for business growth and sustainability, with increasing competition further compounding the challenges.

Pressures in the economic environment result in cost and growth pressures on our operating model. These pressures could impact the ability of our established, new and emerging businesses to achieve their projected volume targets, deliver an acceptable return on capital invested and manage ongoing operational expenses.

Key actions and opportunities

Discovery recognises that risk management is a key component to achieving our objectives. The business is committed to embedding a risk culture in which strategy, performance management and risk management are integral elements of value creation and dynamically contribute to business performance, innovation and growth. We ensure that risk is carefully weighed and managed to provide the best outcomes for all our stakeholders.

We actively drive sustainable performance in terms of our business model, within appropriate risk appetite parameters, while ensuring we manage the diverse regulatory and economic environment. We take a prudent approach to ensuring ongoing financial soundness at the Group level and in every regulated entity.

We have a clearly defined and well implemented Group Operating Model, which governs and integrates our approach towards growth, liquidity, solvency management and value creation with a clear risk focus. Our capital-allocation framework outlines the process, targets and threshold required for growth and is regularly monitored by senior management and the Board.

In an environment where there is limited growth in the two primary markets in which we operate, competition is becoming increasingly fierce. However, we focus on offering increased value through our business model that, along with our strong brand and culture, supports continuous innovation to ensure we are a market leader in the financial services sector.

We continue to explore innovative opportunities, both locally and with our partners, to leverage our Shared-value Insurance model and further advance our brand and business. Discovery remains focused on developing world-class businesses that can compete regardless of economic conditions. We experienced cost pressures and, as a result, we focused on enhancing efficiencies across the Group through various initiatives, such as the deployment of robotic process automation and the application of Artificial Intelligence.

We operate in several geographies, with varied and ever-changing regulatory requirements. This regulatory environment presents challenges and risks to the current and future operating model. Key legislative changes include the adoption of the new Insurance Act in South Africa, including group supervision; developments in the healthcare sector including the National Health Insurance Bill; and other important legislation related to Protection of Personal Information and Anti-Money Laundering.

Key actions and opportunities

To stay apprised of and influence key regulatory developments, Discovery's business leaders continue to directly and indirectly engage with regulators, lawmakers and thought leaders through our participation in industry and professional bodies. The Group's compliance function and technical specialists further support these engagements. Significant developments are addressed proactively through dedicated multi-disciplinary project teams.

KEY:

\+ **Key risk we consider**

▲ Increase in severity of risk

↔ Risk severity unchanged

▼ Decrease in severity of risk

RELATED SUB-MATTERS

- Deliver on our organic growth model
- Allocate capital prudently to drive growth and support business sustainability
- Deliver sustainable performance required in terms of our Shared-value Insurance model
- Ensure that stakeholders clearly understand our Shared-value Insurance model
- Manage risk appropriately
- Manage the diverse regulatory and economic environment

For more information, refer to

*Our business model on **page 15***

*Group Chief Financial Officer's review on **page 46***

*Our operating environment on **page 43***

*Corporate governance overview on **page 88***

*Our strategy on **page 35***

BUILD THE BEST HUMAN CAPITAL CAPABILITIES

Our people are a crucial resource and strategic enabler for the Group. Under-motivated, unprepared or ill-placed employees pose a direct risk to our ability to deliver on our strategy and Ambition 2023.

In the context of Discovery's expanding global footprint, as well as our vision of transforming financial services through our Shared-value Insurance model, continued innovation is essential.

To achieve sustained innovation, it is necessary to attract and retain the best talent in all identified segments. Deliberate talent development is also a fundamental objective to fill critical skills gaps. However, skills shortages, especially in critical talent segments such as technology, data science and actuarial science, continue to pose a challenge.

Key actions and opportunities

Discovery has a unique culture, one that is fundamentally purpose driven. We seek to build the best human capital capabilities, ensuring that we have the best person in every role. Through digital enablement, challenging work and learning experiences, we liberate the best in our people.

We focus on building highly motivated teams that embody the Discovery culture. We seek to create a work experience that positions Discovery as an employer of choice, and aim to entrench a compelling employer talent brand that attracts and retains the best talent in critical segments. We use competitive total rewards, such as base pay and life-stage-relevant benefits to attract and retain talent.

To attract talent, we have dedicated initiatives and recruitment drives in critical talent segments.

Given the rapid pace of change in all aspects of our business, preparing our workforce for the future is critical and will pose a direct risk to our strategic plans, if not actively managed.

Key actions and opportunities

We have a clear organisational roadmap, and are proactively sourcing new talent pools for those critical skills we need in the future. This is supported by active career management and development, as we believe that our success depends on our people realising their full potential.

Ensuring a diverse talent pipeline is a critical priority across all our businesses. Discovery faces the risk of diversity and transformation at senior management levels not occurring at a satisfactory pace, and of not attracting, developing and retaining black South African candidates at all levels, which could result in reputational risk and impact our rating on the new Financial Sector Code (FSC) scorecard.

Key actions and opportunities

Discovery has a compelling vision for its transformation agenda, and the composition of our workforce continues to move towards being demographically representative of the countries in which we operate. We aim to look beyond compliance to harness the power of true diversity and inclusion, and continue to prioritise the appointment of female, African and Coloured candidates, as well as people living with disabilities.

KEY:

Key risk we consider

Increase in severity of risk

Risk severity unchanged

Decrease in severity of risk

RELATED SUB-MATTERS

Build highly motivated teams that embody the Discovery culture

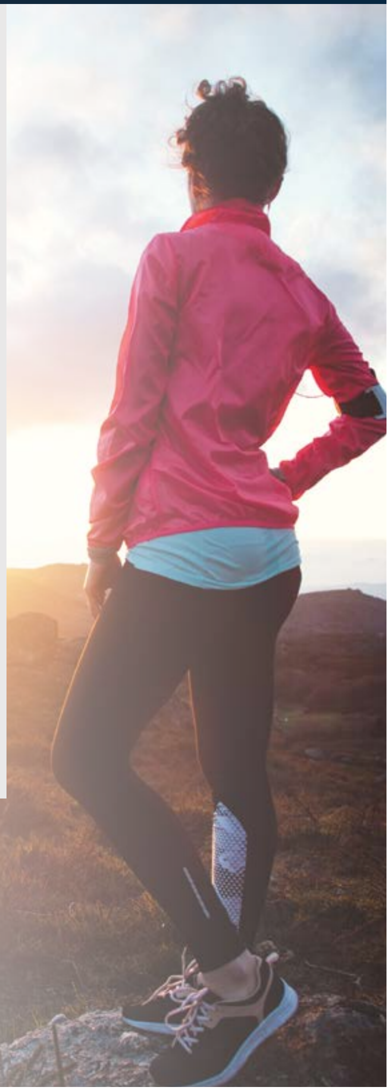
Prepare our workforce for the future

Leverage the strength of diversity

For more information, refer to

Our people review on ***page 60***

Remuneration report on ***page 99***



HARNESS THE POWER OF TECHNOLOGY

The 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.

Key actions and opportunities

Technology and innovation are critical components of our differentiation, and we continue to invest in technology as a strategic enabler. We seek to be swift adopters of disruptive technologies that support our innovative business model, thereby enriching our products. This approach increases the appeal of our offerings to a younger client demographic, and simplifies and enhances the client experience while increasing our market share.

Technology and innovation form a critical part of Discovery's businesses – for example, our Vitality1 platform, which was designed in line with our global aspirations. Pervasive instability in any of our systems could, therefore, significantly impact our business model.

Key actions and opportunities

We continue to enhance our business continuity and systems performance management processes, which we were able to test, in real time, during our response to the challenges posed by COVID-19. Our focus on future-proofing the business saw us replacing legacy technology to improve performance and data security.

The global prevalence and sophistication of cyber-crimes are increasing. A cyber-attack aimed at accessing confidential information or a denial of service could burden Discovery with substantial operational costs and reputational damage.

Our behaviour-change platform, Vitality, uses a multitude of data to provide services and develop products that meet client needs. The responsible collection, use and security of personal and other data are paramount to operating ethically and preserving the trust of our clients.

Furthermore, if we do not maintain our data correctly, it could lead to inappropriate decisions and losses due to incorrect claims, payments and collections, as well as the risk of regulatory action.

Key actions and opportunities

Responsible data stewardship is critical, and we have a fiduciary duty to safeguard the data we collect. Furthermore, protecting the integrity of client data and ensuring appropriate measures are in place to support data privacy and security are key measures to maintaining trust with our stakeholders.

Our Group Risk and Compliance Committee (supported by the Chief Information Officer (CIO) and CIO Forum) is responsible for technology and information governance. They ensure that the Group implements appropriate system security, data integrity and business resilience processes, as well as employee cyber awareness programmes to manage cyber and data risks.

KEY:

Key risk we consider

Increase in severity of risk

Risk severity unchanged

Decrease in severity of risk

RELATED SUB-MATTERS

Ensure responsible data stewardship

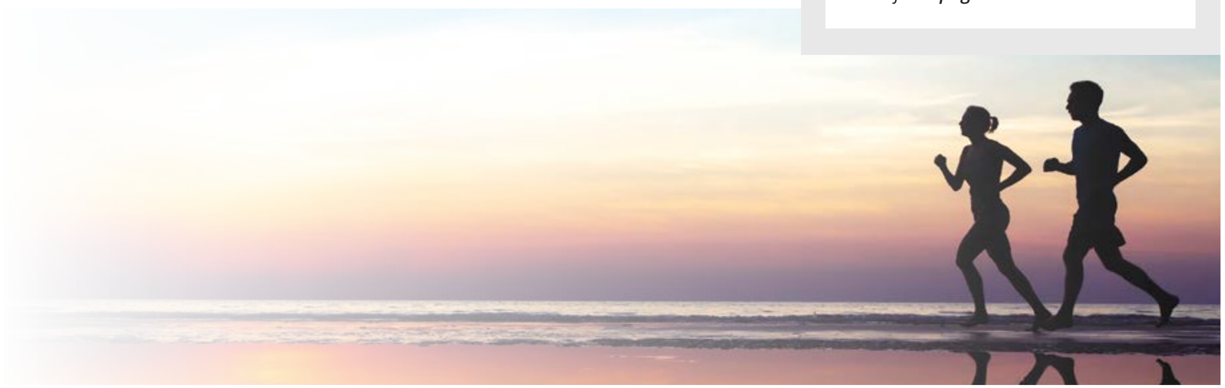
Invest in and leverage technology and innovation

For more information, refer to

*Our business model on **page 15***

*Technology review on **page 65***

*Our business reviews from **page 68***



LEVERAGE OUR CAPABILITIES TO SUPPORT RESILIENT ECOSYSTEMS

Our businesses are inextricably tied to the success and health of our communities, healthcare systems and the countries in which we operate. Robust and healthy individuals and communities are critical to flourishing economies and societies, and form part of our social imperative.

Given the nature of our business, if the communities and markets that we operate in are not healthy or healthcare systems are weak, it will have a direct impact on our ability to remain viable and deliver on our core purpose, placing an undue burden on our operations.

Key actions and opportunities

We are committed to supporting and strengthening healthcare systems and communities to ensure mutual success.

We have several interventions in place to strengthen the healthcare systems in the countries where we operate, as well as corporate social responsibility initiatives to support programmes that are aligned with our core purpose. The Discovery Foundation continues to invest in research grants and scholarships that bolster the development of academic and specialist resources, while the Discovery Fund supports community health projects that improve access to primary care.

In pursuit of being an active and responsible corporate citizen, we understand that changes to our natural environment – such as climate change – will have an unavoidable impact on our business and operations. Climate change may increase the frequency and severity of natural disasters and potentially increase the spread of infectious diseases due to heat waves, flooding and other natural conditions. These changes will influence the needs of our clients which, in turn, will affect the products and services we offer.

Key actions and opportunities

We remain committed to managing our impact on the environment and minimising the use of natural resources during the course of business. Accordingly, we have programmes in place to track, monitor and report on our environmental footprint.

We will continue to assess the geographic exposure of our businesses to understand the potential nature of climate-related risks and carry out suitable stress and scenario testing where possible. Furthermore, we will build on our capabilities as an environmentally aware company, including investigations into integration of innovative solutions and behavioural economics.

We aim to embed best practice environmental, social and governance (ESG) principles across our primary and partner markets, and consider the actions we can take to support the objectives of the Sustainable Development Goals (SDGs). We, therefore, increased our focus on tracking performance against ESG indices, such as FTSE4Good and MSCI. Furthermore, we support national and global objectives to enhance market sustainability, and we are a signatory to the Principles for Responsible Investment, as well as the United Nations Global Compact.

KEY:

+ **Key risk we consider**

▲ Increase in severity of risk

↔ Risk severity unchanged

▼ Decrease in severity of risk

RELATED SUB-MATTERS

Strengthen healthcare systems

Strengthen our communities

Support national and global objectives to enhance market sustainability

For more information, refer to

*Our business model on **page 15***

*Group Chief Executive's report on **page 20***

*Our business reviews from **page 68***

*Corporate governance overview on **page 88***

Sustainable Development Report

UNDERSTAND AND RESPOND TO THE IMPACT OF COVID-19

The COVID-19 pandemic has caused severe damage to societies and economies across the globe. The actual and potential risks related to this crisis span all our geographies and stakeholder groups. As it continues to unfold, further secondary impacts may adversely impact our stakeholders and operations. These relate to the consequential measures to contain the spread of the virus, including lockdown restrictions, which resulted in deteriorating economic conditions both locally and globally, work practices for our employees, and regulatory requirements.

As a result, key elements of the Group's risk profile have trended negatively, including risks relating to the impact on earnings, interest rates, new business, claims and lapse rates, as well as operational risks relating to employees working from home.

Looking ahead, the uncertainty of future mortality and claims history, market volatility and economic contraction over the longer term may result in an increased risk of inappropriate business and financial responses. Furthermore, there are heightened concerns around a second wave of the pandemic once workplaces and economic activity reopen in accordance with regulations.

Key actions and opportunities

Our core purpose has never been more relevant in our response to the challenges of COVID-19 as we sought to protect our employees and support our stakeholders and communities.

As a financial services organisation, it is critical that we understand and respond to the evolving impacts on the global economy, financial markets, and on our financial performance over the short, medium and long term. In preserving value and emerging from this crisis stronger and better placed to serve our stakeholders, we are actively monitoring the risks our businesses face. Detailed proactive and consistent responses across our business include but are not limited to:

- Leveraging and enhancing our digital capabilities and experience, both from a client and employee perspective.
- Ongoing and robust stress and scenario testing to adapt our model to remain resilient and relevant, while ensuring the health, safety and work capabilities of our employees through regular reviews of plans and contingencies.
- Developing and updating detailed models to predict the extent of the pandemic and its impact on our claims experience, and ensure we have appropriate reserves, liquidity and reinsurance programmes in place to protect our organisation, our clients and other stakeholders.

KEY:

Key risk we consider

Increase in severity of risk

Risk severity unchanged

Decrease in severity of risk

RELATED SUB-MATTERS

Use our core purpose to guide our response, as we look to support our stakeholders, including our employees, healthcare providers, employer groups, financial advisers, clients, society and the nation

Understand and respond to the evolving impacts on:

- The global economy and financial markets
- Our financial performance and position in the short, medium and long term

For more information, refer to

*Group Chief Executive's report on **page 20***

*Group Chief Financial Officer's review on **page 46***

*Our operating environment on **page 43***

*Our enabler reviews from **page 57***

*Our business reviews from **page 68***

Our strategy

Our strategy is purpose driven and therefore integrally connected to our core purpose.

Faced with a high and complex disease burden in South Africa, Discovery's founders recognised the need to prioritise prevention. From this insight came our core purpose **– to make people healthier and enhance and protect their lives.** To this day, this forms our **why**, the reason we are in business, and underpins all our decision making.

The Vitality Shared-value Insurance model is the driving force behind our strategy and business model and represents the structural manifestation of our core purpose.

*To understand how our core purpose informs our strategy and our business model, refer to **page 15***

AMBITION 2023

Given that shared value is foundational to the Group's core strategy, we have articulated our medium-term objectives in the form of a purpose-based ambition, which serves as the framework for communicating to employees, shareholders, investors, analysts, and all other stakeholders.

This ambition is **to pioneer and lead a global transformation of financial services, impacting 100 million lives, 10 million directly insured, and being a powerful force for social good.**

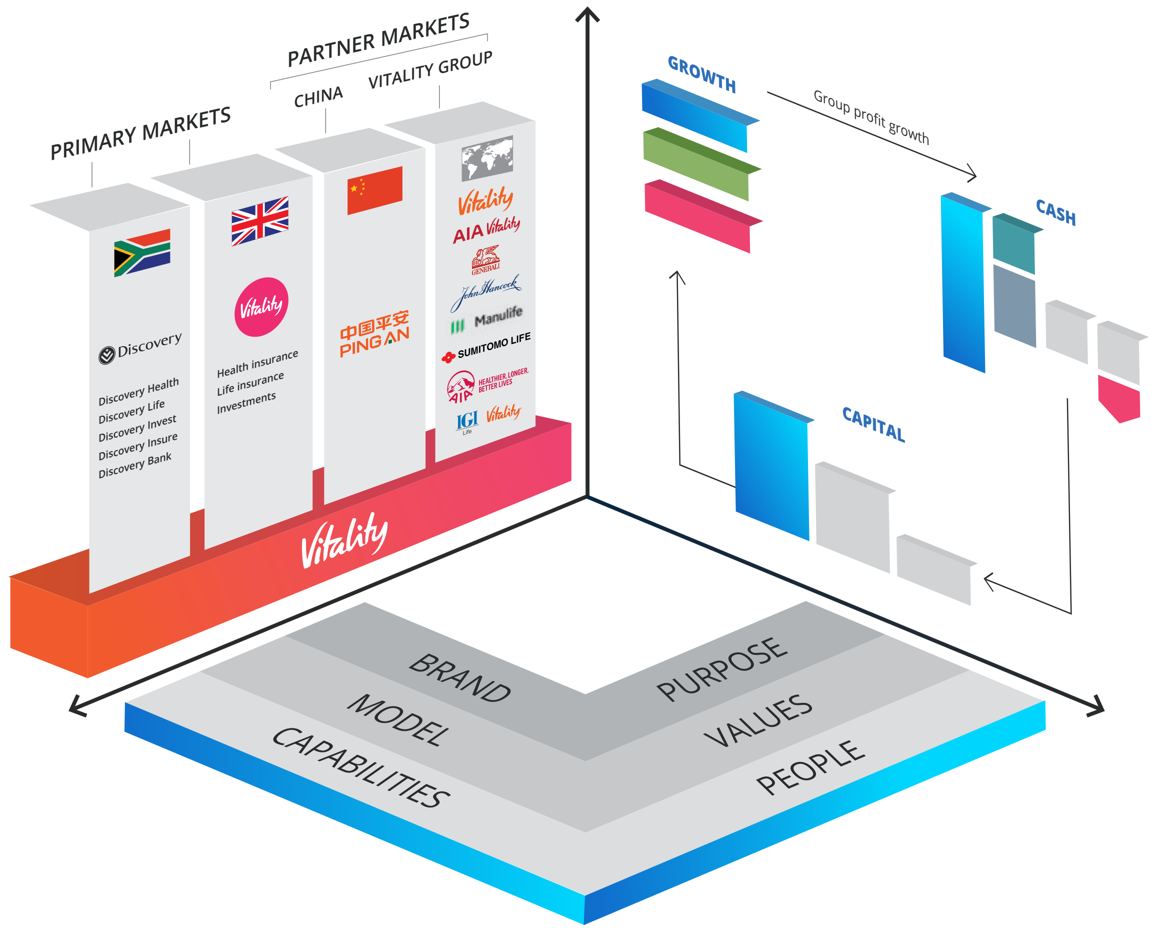
How we will achieve this

To achieve this ambition, we will be more deliberate about pursuing adjacencies and composites in building the world's largest and most sophisticated behaviour-change platform linked to financial services.

This requires that we significantly intensify our focus on the following three dimensions:

1. Building brilliant businesses
2. Enhancing our financial and social impact
3. Strengthening our strategic enablers

Businesses | **Financial and social impact**



Foundation (including our strategic enablers)

Purpose • Values • People • Brand • Model • Capabilities (including Technology)

PERFORMANCE AGAINST OUR STRATEGY

Despite the uniquely complex environment in which we operate – the effects of which were only exacerbated by the outbreak of COVID-19 – Discovery delivered a resilient operating performance during FY2020. For insurers specifically, the operating context placed pressure on new business, lapse rates and potential future claims, as well as volatile interest rates and investment returns. While the effects of the pandemic undoubtably reflected in our financial performance, it did not affect our strategic objectives, and we are satisfied that the progress we made during the year reflects our commitment to Ambition 2023.

OUR SIX MATERIAL MATTERS

- Deliver on our core purpose
- Successfully execute our strategy
- Build the best human capital capabilities
- Harness the power of technology
- Leverage our capabilities to support resilient ecosystems
- Understand and respond to the impact of COVID-19

OUR STAKEHOLDERS

- Government and regulators
- Employees
- Providers of capital
- Clients and financial advisers
- Healthcare providers
- Business partners
- Civil society and communities

PERFORMANCE IN 2020
Building brilliant businesses

In the execution of our market-specific strategies, we monitor and measure ourselves against disruption, engagement, actuarial dynamics, meeting complex consumer needs, and exceptional service.

To achieve our objective of building brilliant businesses, during the year we:

- Avoided incumbency in our established businesses through ongoing innovation.
- Focused on our composite model in South Africa, with a successful entry into banking.
- Ensured the overall lapse and claims experience remained resilient for the period, with key actions introduced to mitigate lapse risks.
- Focused on developing our composite value proposition in the UK.
- Implemented various actions to return VitalityLife profitability, including entering into an interest rate hedge and reduction in expenses though synergies.
- Identified key strategic priorities to scale Vitality Group, and established Vitality Health International.

*For more information, refer to our business reviews from **page 68***

KPIs and performance

Core new business annualised premium income (API)

2020: R19 173m

2019: R18 329m

Biannual launch of new products

Actuarial dynamics largely within expectations

Material matters

Stakeholders

LOOKING AHEAD

Continued execution of market-specific strategies, including:

- Pursuing a disruptive composite model in South Africa, with market-leading businesses.
- Ensuring a differentiated offering in the UK through a composite Vitality Shared-value Insurance model.
- Continuing to develop Vitality Group, providing a sophisticated global behaviour-change platform linked to financial services.
- Supporting Ping An Health as it strives to be the leading health insurer in China.

PERFORMANCE IN 2020

Enhancing our financial and social impact

Financial

Financial performance for the year ended 30 June 2020 was resilient, despite the effects of the COVID-19 pandemic. This performance was underpinned by disciplined execution of the FY2020 budget, among other critical factors.

Normalised operating profit growth increased by 9% before, and reduced by 22% after, accounting for impacts arising from COVID-19, which are expected to emerge after the reporting period.

In-depth scenario analyses have shown that the Group is able to remain resilient under various high-stress scenarios, with sufficient liquidity and solvency to weather the uncertain conditions. Capital ratios are above targeted levels. Our liquidity buffers have remained within the targeted range, with our financial leverage ratio remaining less than our targeted 28%.

For more information, see our Chief Financial Officer's review on ***page 46***

KPIs and performance

Normalised operating profit before COVID-19 provision **2020: R8 409m** 2019: R7 747m	Financial leverage ratio **2020: 25.1%** 2019: 23.3%
Normalised operating profit **2020: R6 069m** 2019: R7 747m	Liquidity at centre **2020: R1.9 billion** 2019: R4.4 billion
Normalised headline earnings **2020: R3 747m** 2019: R5 035m	

Material matters **Stakeholders**

LOOKING AHEAD

To ensure ongoing financial impact, we will focus on:

- Allocating capital prudently to drive growth and support business sustainability.
- Ensuring that the Group remains well capitalised and resilient in the current environment, with an acceptable financial leverage ratio and liquidity buffers, all of which remain in range under various claims scenarios and economic stresses.
- Delivering on our organic growth model, where new initiatives should earn a return equal to the risk-free rate plus a specified Venture Capital rate of return.

Social

During the year, we increased our geographic footprint through Vitality Group, resulting in additional lives impacted.

The South African and the United Kingdom businesses responded proactively to the COVID-19 pandemic and the associated national lockdowns with strong support for employees, clients and communities.

For more information, refer to our ***Sustainable Development Report***

KPIs and performance

Number of countries we operate in **2020: 22** 2019: 20	Number of lives we impact globally **2020: Over 46 million** 2019: 25.7 million

Material matters **Stakeholders**

LOOKING AHEAD

We will continue to deliver on our core purpose of making people healthier and enhancing and protecting their lives.

Together with our insurance partners, we have collectively pledged to make 100 million people 20% more active by 2025. Achieving this ambitious target remains a priority.

In a post-COVID-19 environment, the issues of health and wellness are likely to be fundamental. Discovery's Shared-value Insurance model will be well placed to capitalise on this in the markets in which we operate.

PERFORMANCE IN 2020

Strengthening our strategic enablers

Brand

The Discovery brand continues to be recognised for its intellectual leadership, innovation and for being a positive force for social good. Furthermore, our brand has evolved into a key asset for the Group in our primary markets of South Africa and the United Kingdom, as well as for establishing global partnerships.

During the year, we:

- Made significant strides towards defining our one-brand architecture and positioning the Group as the leader in the category of shared value.
- Engaged in a number of marketing initiatives to support the Group strategy and build brand equity.
- Invested in technology to enhance our marketing capabilities.

For more information, see our brand review on ***page 57***

KPIs and performance

BrandZ Top 30
Most valuable insurance brand in South Africa 2020

Material matters **Stakeholders**

LOOKING AHEAD

To continue growing the value of our brand, we will focus on:

- Developing Vitality as the leading behaviour-change platform globally driving positive behaviour change.
- Continuing to strengthen the Discovery brand as we strive to transform the financial services category.
- Enhancing our brand equity under our one-brand architecture and leveraging international best practice, as well as our data resources to inform our branding strategy.
- Investing in tools and tactical projects to assist the Group in retaining clients and tapping into new markets.

People

Our people are a crucial resource and strategic differentiator for the Group. Through digital enablement, challenging work and learning experiences, we create an environment where we encourage employee innovation and harness their passion for excellence to develop market-leading products which, in turn, contributes to our competitive advantage.

During the year, we:

- Were recognised as a top employer by Top Employers Institute.
- Attracted critical skills through focused programmes.
- Invested in learning and development.
- Focused on transformation and promotion of diversity in our workforce.

For more information, see our people review on ***page 60***

KPIs and performance

Employee engagement score	B-BBEE scorecard
2020: 84%	**2020: Level 1**
2019: 78%	2019: Level 2

Material matters **Stakeholders**

LOOKING AHEAD

We will continue to focus on attracting and retaining the best person for every role by:

- Leveraging the strength of diversity.
- Preparing our workforce for the future.
- Upgrading our learning services and technology infrastructure.
- Upskilling our employees in preparation for a digital transactional function.
- Maintaining recruitment excellence through a positive and inspiring candidate experience.
- Ensuring consistent, fit-for-purpose talent management practices.

Technology

Technology is a critical strategic enabler for Discovery in that it supports our innovative Shared-value Insurance model and allows us to create an integrated experience for our clients across all platforms.

During the year, we:

- Developed a cyber-centric model.
- Further enhanced our data security policies and practices, as well as the related training.
- Leveraged data to enhance and support health and health insurance outcomes, multi-dimensional member wellness and driving, investment and life assurance behaviour change.
- Undertook critical member sentiment analysis, fraud detection, next best action and a variety of other data science indexes enabled through our data science platform.

For more information, see our technology review on ***page 65***

KPIs and performance

Successful contribution to business and product launches	Managed cyber and business continuity risks
Maintained efficiency in service operations	

Material matters **Stakeholders**

LOOKING AHEAD

We will continue to harness the power of technology by:

- Leveraging our expertise in data science.
- Investing in big data, machine learning, automation and AI to further support our shared-value approach and strong capabilities in the actuarial space.
- Expanding our digital channels and enhancing our self-service and automation capabilities.
- Attracting, retaining and growing talent in the technology space.
- Strengthening the IT capabilities of the Risk and Compliance Committee.

Our trade-offs

		RELATED MATERIAL MATTERS	AFFECTED CAPITALS
CONTINUING TO INVEST IN GROWTH INITIATIVES DESPITE DIFFICULT ECONOMIC CONDITIONS	We believe that, in a post-COVID-19 world, health, wellness and resilience will become increasingly important. Our Shared-value Insurance model will provide the perfect opportunity to capitalise on these trends in the markets where we operate. Therefore, even in this constrained economic environment, Discovery continues choosing to invest in growth initiatives, in South Africa and globally. Specific focus is given to gaining traction in new initiatives – most notably, Discovery Bank. We allocate capital appropriately and in a disciplined manner, ensuring that it is only allocated to businesses that will meet the return on capital (ROC) hurdle. Accordingly, we trade off short-term return on equity, operational profit and cash generation with long-term sustainability and growth. This decision also considers investor perception around the strain that long-term organic growth places on short-term economic profit.	Deliver on our core purpose Successfully execute our strategy Understand and respond to the impact of COVID-19	Financial capital Intellectual capital Manufactured capital Social and relationship capital
RESPONDING TO COVID-19 IN A RESPONSIBLE MANNER	We endeavour to build and maintain quality relationships with all our stakeholders regardless of the circumstances we find ourselves in. At times, however, it is necessary to balance competing stakeholder needs. As part of our strategic response to COVID-19, we endeavoured to protect our people, protect and support our clients, and support our country, all while maintaining the financial strength and resilience of the Group. Therefore, during the year, we offered several premium relief options to alleviate the financial burdens placed on our clients by the pandemic. In doing this, we are forgoing short-term profit for our providers of financial capital, but positively impacting our broader stakeholder groups by investing in long-term relationships. In addition to complying with all regulations imposed by governments during lockdown, the Group implemented other initiatives to keep our employees safe. While this decision might have impacted short-term costs, it has protected our people to ensure the future sustainability of the Group. While we often have to make difficult decisions in the course of our business, we remain committed to considering and responding to the needs of our stakeholders. *For more information on our premium relief options, refer to our business reviews from* ***page 68*** *For more information on how we kept our people safe, refer to our people review on* ***page 60***	Build the best human capital capabilities Leverage our capabilities to support resilient ecosystems Understand and respond to the impact of COVID-19	Financial capital Human capital Social and relationship capital

		RELATED MATERIAL MATTERS	AFFECTED CAPITALS
PROTECTING VITALITYLIFE AGAINST FURTHER INTEREST RATE DECLINES	VitalityLife has significant exposure to long-term interest rate risk given the impact on reserves of investment rate assumptions related to fixed future premium receipts to meet policy obligations. Accordingly, lower long-term interest rates and yield assumptions may negatively impact on the valuation of future policy obligations and result in a valuation loss, while an increase in long-term interest rates and yield assumptions would have the opposite effect. Interest rates in the United Kingdom have displayed significant volatility and, in recent years, have generally been on a downward trend. This year, we decided to implement an interest rate risk mitigation strategy to protect VitalityLife against further declines in interest rates by entering into derivative contracts. This strategy ensures that VitalityLife operates well within its pre-determined risk appetite. However, by implementing this strategy, the business has traded off the benefit participation should interest rates rise above the reference rate of the interest rate swaps entered into with the decision to manage volatility. To not forgo upside completely, Discovery entered into payer swaptions at a cost to participate in the benefit once interest rates rise above a certain level. *For more information on these payer swaptions, refer to our **Annual Financial Results Presentation**, available on our website*	Deliver on our core purpose Successfully execute our strategy	Financial capital
RECOMMENDING NON-PAYMENT OF DIVIDENDS IN AN UNCERTAIN AND POTENTIALLY VOLATILE ECONOMIC ENVIRONMENT	Since the beginning of 2020, COVID-19 has caused significant disruption to lives and economies globally. For insurers specifically, the pandemic has placed pressure on new business, lapse rates, potential future claims, and caused volatility in interest rates and investment returns. After careful consideration of the balance between the short-term returns expected by certain shareholders against the need to preserve liquidity to invest in long-term growth initiatives key to our organic growth model, the Group made the decision not to declare a dividend for FY2020. While this decision was made at the expense of some short-term expectations, we believe that it was the responsible choice to make against the backdrop of a uniquely complex economic environment. The reintroduction of dividends will be considered when appropriate.	Deliver on our core purpose Successfully execute our strategy Understand and respond to the impact of COVID-19	Financial capital Social and relationship capital
BALANCING REMUNERATION PRACTICES WITH BUSINESS PERFORMANCE	Discovery continues to ensure that remuneration practices are competitive to attract and retain the best talent in the markets where we operate. Furthermore, we believe that our pay practices should strike a fair balance between sentiment and performance, and drive a culture of ownership and greater alignment with shareholder expectations. There is no doubt that our people worked exceptionally hard during this past year, delivering excellent results despite the disruptive environment. However, the difficult circumstances meant that short-term incentive targets were not met. We weighed our decision around rewarding employees for their incredible efforts this year against our obligations towards our providers of financial capital. To this end, the Remuneration Committee supported a zero percent increase on salaries for Executive Directors, and inflation-related increases for other employees as a result of the slowdown in economic activity because of COVID-19. In addition, the value of the profit pool portion of management incentives for Executive Directors determined at year-end was zero, and the phantom shares performance awards were paid out at a third under the set performance conditions. We will continue to work towards ensuring that our remuneration philosophy is aligned to our business strategy and shareholder expectations, while delivering competitive and fair outcomes for our employees. *For more information, refer to our remuneration report on **page 99***	Deliver on our core purpose Successfully execute our strategy Build the best human capital capabilities Understand and respond to the impact of COVID-19	Financial capital Human capital Social and relationship capital

Our investment case

We seek to pioneer and lead a global transformation in financial services, enabled by our Shared-value Insurance model.

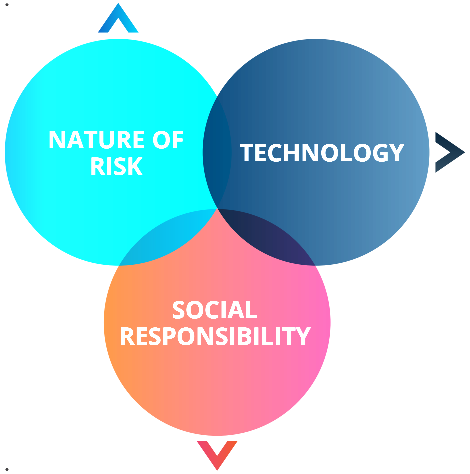
By leveraging the strength of this disruptive model, we build brilliant businesses that grow organically and have the potential to transform the industries in which we operate. Our shared-value approach – which is scalable, repeatable and globally relevant – forms the foundation of each business, creating a compelling value proposition for clients, competitive advantages, a powerful client platform and strong behaviour change for long-term value creation.

OUR BUSINESSES HAVE BEEN BUILT AT THE INTERSECTION OF THREE KEY GLOBAL TRENDS – ALL RADICALLY AMPLIFIED BY COVID-19.

Health and wellness are of increasing importance in determining both non-communicable and communicable disease risk. With our Shared-value Insurance model, we are well placed to capitalise on this trend through our understanding of the behavioural nature of risks and the incentives that drive improved behaviour.

Life and health risk	4	>	4	>	60
Retirement risk	3	>	3	>	90
Accident risk	5	>	3	>	60
Financial resilience risk	5	>	3	>	80

*For more information on our model and behaviours that contribute to risk, refer to **page 15***



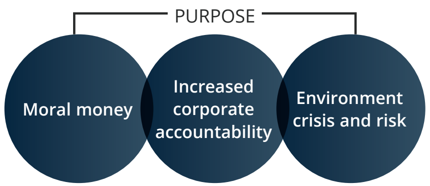
Wearable devices | Telemedicine | Telematics | Mobile banking

In the context of global lockdowns and physical distancing to help flatten the COVID-19 curve, there has been a rush to the online world. Online consultations, for example, are proving to be an effective and sustainable patient-care solution going forward.

*For more information on technology as a strategic enabler, refer to **page 65***

There is a heightened demand for purpose-based business models, given the need to find profitable solutions to society's challenges.

Our strong core purpose guides our actions to create and enable sustainable and meaningful change.



*For more information, refer to our online **Sustainable Development Report***

RESILIENT OPERATIONS

We have a strong foundation, with resilient operations supported by the best people, world-class technology and a leading brand. Our Shared-value Insurance model supports our strategy to transform the financial services category globally through behaviour change.

*For more information on our strategic enablers, refer to **pages 57 to 67***

FINANCIAL PRUDENCE

The Group has proven its resilience despite the impact of COVID-19, remaining well-capitalised with robust solvency levels, and strong levels of liquidity within the businesses and at the centre. Our operating model ensures that capital is allocated appropriately to businesses that will meet the return on capital (ROC) hurdle, taking into account the weighted average cost of capital (WACC) and the phase of the business.

*For more information, refer to our Chief Financial Officer's review on **page 46***

EXECUTION-FOCUSED LEADERSHIP

Our founder-led organisation has strong, purpose-driven and experienced leaders that are invested in and committed to preserving our unique entrepreneurial spirit.

This is further supported by a pipeline of innovative and action-oriented senior leadership talent, with the ability to capture and execute the long-term vision of the Group.

SIGNIFICANT GROWTH OPPORTUNITIES

We have a track record of building successful, market-leading businesses that align with our core purpose and leverage our unique capabilities. We continue to pursue our organic growth model, either through new business ventures or strategic partnerships that support global expansion.

05

PERFORMANCE REVIEW

Our operating environment

We are operating in a dynamic and uncertain context. Within this environment, it is critical that we identify and understand material trends impacting our business to integrate this understanding into our strategic decision-making process. In this way, we ensure the ongoing relevance and resilience of our business.

OUR SIX MATERIAL MATTERS:

- Deliver on our core purpose
- Successfully execute our strategy
- Build the best human capital capabilities
- Harness the power of technology
- Leverage our capabilities to support resilient ecosystems
- Understand and respond to the impact of COVID-19

THE COVID-19 PANDEMIC

Related material matters:

Context

Over the course of 2020, COVID-19 caused significant disruption to lives and economies worldwide. As at year-end, a total of 10 166 127 COVID-19 cases were confirmed globally, with 503 912 related deaths. In South Africa, a total of 144 264 confirmed cases and 2 529 related deaths were recorded, while the United Kingdom (UK) had a total of 283 545 recorded cases and 43 575 related deaths.

More than its severe health impacts, the pandemic has driven extreme market volatility, as evidenced by interest rates and equity market movements. It is anticipated that the COVID-19-related recession will be the deepest recession since the Second World War, and more than twice as deep as the recession associated with the 2007 to 2009 financial crisis*. As a result, the unemployment rate is expected to spike considerably, adversely impacting consumer spending. For insurers, it has created a complex operating and economic environment, with pressure on new business, lapse rates, and potential future claims, as well as contributing to volatility in investment returns.

* Source: Worldbank

Demonstrating resilience in a challenging context

While global trends around the nature of risk, technology and social responsibility have the power to transform insurance markets, this has been amplified by COVID-19. Wellness and immunity will become a focal point and we are already seeing an accelerated shift to online, with more than one billion virtual consultations projected for 2020. Furthermore, due to the changing nature of capitalism, in a post-COVID-19 context businesses will be expected to demonstrate shared value less opportunistically, and rather as a moral imperative to translate purpose into action.

While the impacts of COVID-19 are still in the early stages of the cycle, the operating performance of Discovery has been resilient in these volatile conditions. Factors buffering our resilience include the following:

- Our products are deemed essential. In the case of COVID-19, the need for both life and health insurance has increased with lapse rates being lower than expected, illustrating the trade-off between essential need and affordability.
- Our Shared-value Insurance model creates value for both the healthy and sick, thereby forming a loyal client base. The integrated nature of our products and the value clients derive add to this loyalty, with the lapse rate differential between clients with one product compared with those who have three or more, exceeding 60%.
- The Shared-value Insurance model creates unique structures that have been used to offer valuable concessions to clients experiencing difficulties. For example, the Discovery Life PayBack benefit allows clients to unlock the financial value contained in their future good health, and Discovery Insure gives a premium payback based on Vitality Drive status and the extent of driving.

Scenario analysis

In assessing the risks in our current context, we have considered the impact of various scenarios. In mapping these possible outcomes, we recognise that the major variables to take into consideration include the depth and the duration of the COVID-19 pandemic, along with the efficiency and effectiveness of the public and private sectors' responses to the social and economic challenges that arise. While the situation evolves, making planning difficult, we have considered the impact of claims, interest rates, equity markets, new business, lapses and exchange rates on the business, among others.

This analysis has informed our strategic planning going forward. With this additional insight, we believe that the Group remains well capitalised and resilient in the current environment, with an acceptable financial leverage ratio and liquidity buffers, which remain in range under various extreme claims and economic stresses.

*For more information on our financial performance, refer to our Group Chief Financial Officer's review on **page 46***

How we are responding

Our strategy and response to COVID-19 will continue to evolve to ensure it remains appropriate. Our four main priorities during this time included:

- **Protecting employees while ensuring business continuity**
- **Supporting and protecting our clients**
- **Supporting our country**
- **Maintaining financial resilience, including monitoring and mitigating the impact on businesses, and implementing various actions to manage new business, lapse and claims risks.**

*For more information on our people, refer to **page 60***

*For more information on our business reviews, refer to **page 68***

Sustainable Development Report

THE PURPOSE IMPERATIVE

Related material matters:

Context

Globally, stakeholder expectations of corporate accountability are on the rise, specifically around social change and impact, and managing and mitigating environmental crises and risks. Within this context, concepts like purpose, wider value creation and making a contribution to society have become everyday expectations of businesses.

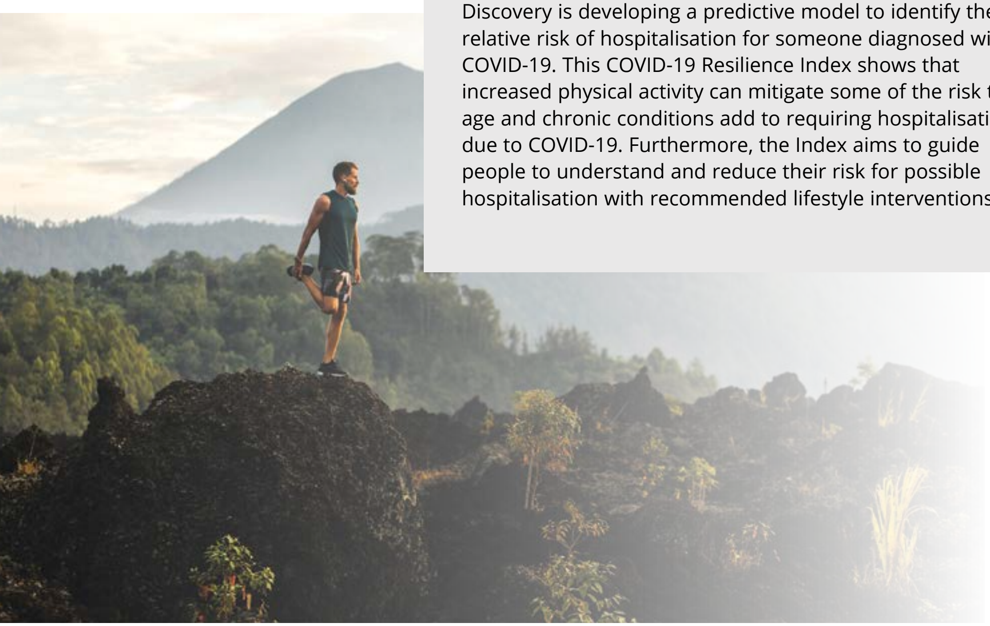
For more information refer to our ***Sustainable Development Report***

How we are responding

Discovery's core purpose is to ***make people healthier and enhance and protect their lives.*** Supporting the health and wellbeing of our clients and stakeholders is inseparable from our strategy and business model.

Products and services across the business are built on the foundation of our Shared-value Insurance model, which is the mechanism that enables us to achieve our core purpose.

Moreover, in our current context, our model's ability to change health, driving and financial behaviour for improved outcomes is more relevant than ever as the world grapples with a pandemic that will leave no community untouched. Healthcare systems across the world will be challenged, and the Vitality behaviour-change programme that leads directly to healthier lives, will be an essential part of managing this disease burden, with benefits extending to insurers, employers, governments and individuals. In support of this, Discovery is developing a predictive model to identify the relative risk of hospitalisation for someone diagnosed with COVID-19. This COVID-19 Resilience Index shows that increased physical activity can mitigate some of the risk that age and chronic conditions add to requiring hospitalisation due to COVID-19. Furthermore, the Index aims to guide people to understand and reduce their risk for possible hospitalisation with recommended lifestyle interventions.



POLITICAL AND ECONOMIC UNCERTAINTY

Related material matters:

Context

As COVID-19 continues to take lives and pressurise health systems, it has set off social and political tensions that may result in lasting geopolitical change.

In South Africa, we anticipate a formal unemployment rate of 35% for this year and an approximate 10% year-on-year contraction in GDP in 2020*. In the United Kingdom, the unemployment rate is expected to reach 11% this year with a possible 8% year-on-year contraction in GDP in 2020*. There has been substantial volatility in global markets, with material increases in long-term nominal and real interest rates in South Africa and low interest rates in the United Kingdom. These interest rate fluctuations result in materially different valuation rates used to discount future cash flows, and will emerge as economic assumption changes.

For more information on our financial performance, refer to our Group Chief Financial Officer's review on ***page 46***

* Source: Investec SA Economics and KPMG Outlook for the UK economy

How we are responding

We continue to monitor the economic and political situation in all areas of operation. Across the Group, businesses have proactively identified and reached out to clients experiencing difficulties to offer support. Furthermore, products and benefits across businesses have been tailored to ensure they remain relevant and address the needs of our clients during this period. More than R757 million in funding has been taken up through premium relief options as at 30 June 2020.

In South Africa, increases in long-term interest rates manifest as a lower discounted value of future cash flows, even though the actual cash flows are not materially affected. Solvency and liquidity for Discovery Life are not negatively impacted by the higher long-term interest rates. In the United Kingdom, VitalityLife's yield-sensitive back book was protected against further interest rate declines through a 25-year interest rate hedge that was implemented in October 2019. The hedge reduces volatility in cash flow and capital requirements.

HUMAN-CENTRED TECHNOLOGY

Related material matters:

Context

In an increasingly digital and automated environment, there is a growing need for personalisation and individual control. Recently, we have seen a transition to the era of the quantified self – the phenomenon of self-knowledge through tracking, which is made possible by the widespread adoption and use of wearable trackers, such as Fitbit and Apple Watch.

As a result of the necessity of social distancing and restricting movement due to the COVID-19 pandemic, the shift to digital and online services has been accelerated.

The sophisticated use of Artificial Intelligence (AI) is changing businesses and business models across the globe. This technological evolution is leading to a convergence, with the aim of creating integrated and unified systems that enable businesses to understand the importance of using big data in decision-making to gain a competitive edge. However, a focus on adopting ethical AI practices must accompany these massive leaps in technological advancement.

How we are responding

Technology is a critical strategic enabler for the Group – it supports our innovative Shared-value Insurance model and allows us to create an integrated experience for our clients across all platforms and businesses. We leverage information generated from Machine Learning (ML), AI and the Internet of Things (IoT) to innovate, create new products, and enable insights into the nature of risk and behavioural change. We recognise that we have a duty to protect the integrity and confidentiality of this data and have, therefore, implemented appropriate measures across the Group to support data privacy and maintain cybersecurity.

*For more information on our technology, refer to **page 65***

To assist our clients in the current context, Discovery offers clients many digital tools to access services. Examples include our 24/7 online doctor consultations, as well as Vitality at Home, which encourages clients to exercise, eat healthily and to take care of their mental wellbeing from the safety of their homes.

*For more information, refer to our business reviews from **page 68***

Group Chief Financial Officer's review

Despite the difficult operating context, I am pleased to present our financial results for the year ended 30 June 2020. The period proved to be challenging, with the already difficult macroeconomic environment further exacerbated by the occurrence of the COVID-19 pandemic.

While the business delivered a robust performance, the impact of the pandemic has been felt at every level of our Group. In addition to the direct health impacts of the virus, the operating context remains more uncertain than ever, with extreme volatility in interest rates and equity markets. For insurers, this meant that new business growth and increased lapses, as well as possible future claims, were under strain.

OVERVIEW

Our FY2020 financial performance proved to be resilient despite the complexities introduced by COVID-19. Our performance includes an additional reserve of R3.4 billion (R2.3 billion net of discretionary margins) for future claims and lapses as a result of the COVID-19 pandemic, reflecting management's best estimate as at 30 June 2020. Furthermore, headline earnings were negatively affected by materially volatile long-term interest rates in both South Africa and the United Kingdom (adjusted in the presentation of the Group's normalised performance measures).

NORMALISED PROFIT FROM OPERATIONS INCREASED BY
9% to
R8 409 million
before reserving for future COVID-19 effects
(2019: R7 747 million),
REDUCING BY
22% to
R6 069 million
after reserving for future COVID-19 impacts

NORMALISED HEADLINE EARNINGS DECREASED BY
26% to
R3 747 million
(2019: R5 035 million)

EMBEDDED VALUE DOWN
1% to
R70 834 million
(2019: R71 217 million)

CORE NEW BUSINESS ANNUALISED PREMIUM INCOME (API) UP
5% to
R19 173 million
(2019: R18 329 million)

DILUTED NORMALISED HEADLINE EARNINGS PER SHARE DECREASED BY
27% to
566.7 cents
(2019: 771.6 cents)
DILUTED HEADLINE EARNINGS PER SHARE DECREASED BY
94% to
44.7 cents
(2019: 788.7 cents)

Our full audited Annual Financial Statements and Annual Financial Results Announcement, as well as various unaudited discussion documents, are available on our website to further assist in understanding how we applied our accounting policies and financial disclosures.

For more information visit: www.discovery.co.za/corporate/investor-relations

*Our detailed business reviews are available from **page 68***

FUTURE COVID-19 IMPACTS ACCOUNTED FOR AT 30 JUNE 2020

Discovery has reserved R3.4 billion (R2.3 billion net of discretionary margin offset) for future claims and lapses as a result of the COVID-19 pandemic, reflecting management's best estimate of the future impacts as at 30 June 2020. Based on this future best estimate scenario, we ensure that the expected increase in mortality and morbidity claims and the secondary economic effects related to the pandemic, which are expected to result in increased policy lapses in future due to affordability, are recognised entirely in FY2020. The reserve of R2.3 billion net of discretionary margin offset comprises: an additional unearned premium reserve of R713 million in VitalityHealth; a provision of R569 million in VitalityLife; and a provision of R1 058 million in Discovery Life, net of discretionary margins.

We calculated our COVID-19 provision based on a variety of scenarios by setting a central (prudent best estimate) scenario that is further informed by an additionally stressed and a light impact scenario. These scenarios also considered the excess mortality and lapses expected to arise until December 2021. Our provision is based on the central scenario, while the stressed scenario was used to test solvency and liquidity. The light scenario would result in a release of provisions in future years.

In terms of mortality, the key businesses impacted are Discovery Life and VitalityLife. Our modelling is informed by the United Kingdom's Imperial College studies as a basis for Infection Fatality Rates (IFRs), combined with SEIR[1] models based on locally observed and modelled infection reproductive rates, to ascertain the duration and impact of COVID-19 on the Discovery Life and VitalityLife insured populations. While the United Kingdom is at a more advanced stage of the pandemic than South Africa, both markets are still subject to significant uncertainty at this stage. Therefore, we assumed a prudent modelling approach in both cases.

We expect that excess health claims will increase in VitalityHealth during FY2021, mainly due to the catch-up of elective medical procedures that were deferred during the COVID-19 period due to the National Health Service (NHS) co-opting private hospital capacity. The effects of these deferrals have been modelled and estimated as part of the central scenario. Furthermore, Discovery has modelled the claims arising from delayed COVID-19 admissions to FY2021. This necessitated a change in the income recognition profile, and consequently the profile of release of the unearned premium reserve, from a straight line basis to one that reflects the new profile of risk. This means that a reduced level of premium was earned during FY2020, and an increased level of premium would be earned in the next financial year when claims are anticipated to increase before returning to normal levels. These changes are made within the contract boundary of the insurance policy.

The economic effects of reduced growth and affordability constraints arising from the pandemic were modelled to consider the economic stresses, particularly on policy lapses, in both of Discovery's long-term insurance businesses under the range of scenarios. Although the reserve for COVID-19 effects is an abnormal provision for future impacts, it is not excluded in the presentation of normalised headline earnings as it is seen as part of the core operations and will impact future cash flows.

1 The classical SEIR model determines the total number of people with a basic hypothesis that all individuals will have four roles being susceptible, exposed, infectious and recovered. Age-stratified IFRs, which estimate the proportion of COVID-19 infected people who die from the disease, were first published in March 2020 by a team from Imperial College of London. These assumed IFRs used in Discovery modelling are still the most universally accepted in modelling and analysis.

INVESTMENT IN NEW INITIATIVES

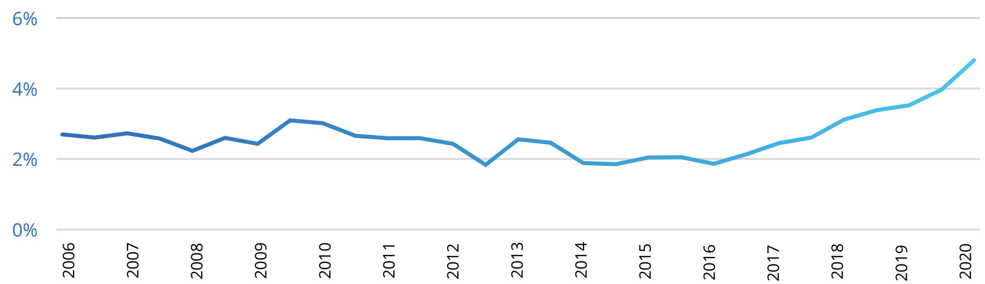
The Group continued its investment in new initiatives, most notably Discovery Bank and VitalityInvest, with 26% of normalised profit from operations (before reserving for the future impacts of COVID-19) invested in new initiatives (2019: 17%).

After considering the future COVID-19 impacts and the increased investment in new initiatives, normalised profit from operations decreased by 22% to R6 069 million (2019: R7 747 million).

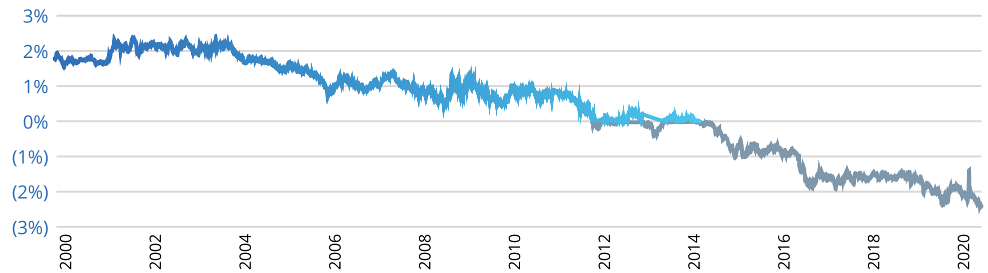
MATERIALLY VOLATILE LONG-TERM INTEREST RATES

There has been substantial volatility in global markets and, in particular, material increases in long-term nominal and real interest rates in South Africa and historic low interest rates in the United Kingdom, both of which negatively impacted earnings due to the different product constructs in the different markets. This volatility led to materially different valuation rates used to discount future cash flows, and will emerge as economic assumption changes. For Discovery Life, this impact manifests as a lower discounted value of future cash flows, even though the actual cash flows themselves are not materially affected. The South African yields have minimal impact on the actual cash flows themselves, with no negative solvency and liquidity consequences within Discovery Life. The impact on the Vitality UK results has been mitigated through an interest rate hedge entered into in October 2019.

South Africa: 25-year real yields



United Kingdom: 25-year real gilt yields



Materially volatile long-term interest rates *continued*

As a result, the continued interest rate volatility in South Africa and the United Kingdom reduced reported profit from operations by R4.8 billion, given there were no further discretionary margins available to offset the impact from the economic assumption changes.

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

*For more information on derivative instruments, refer to **page 53***

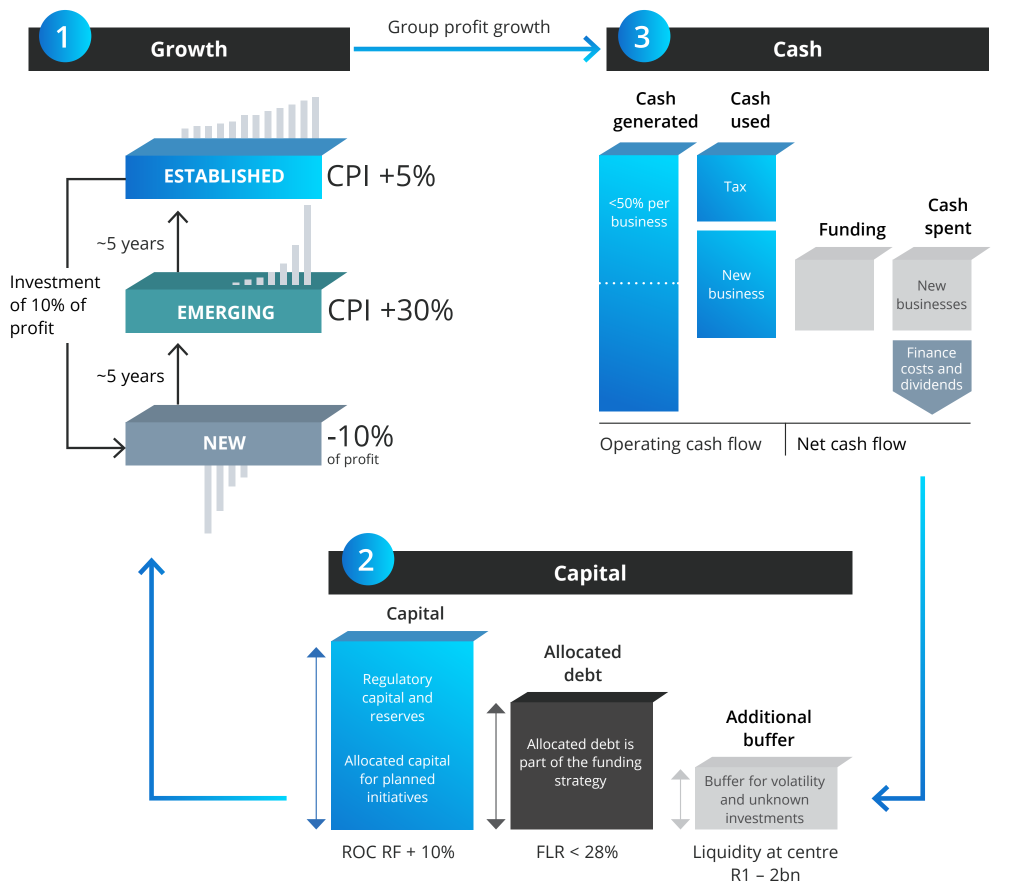
DIVIDENDS

Due to the uncertain and potentially volatile economic environment caused by the COVID-19 pandemic, the Discovery Board has decided not to declare a final ordinary dividend for the year ended 30 June 2020. The reintroduction of dividends will be considered when appropriate.

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, and provides stakeholders with a useful framework for interpreting our income statement, and 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 organic growth model communicated in previous years.

Our target organic growth model



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 in nature, it is not excluded 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 impact of interest rates on the operating results of the two long-term insurance businesses has been adjusted in the presentation of normalised operating profit.

Established businesses

Our established businesses are those businesses that have a proven track record of profitability of at least three years and are cash flow positive before investment in new business.

These businesses delivered aggregate growth in normalised operating profit, before the reserve for future COVID-19 impacts, of 15% to R9 896 million (2019: R8 636 million), exceeding our target of CPI + 5%. However, after taking into account the reserves for the potential future COVID-19 impacts expected to emerge over the next financial year, normalised operating profit from established businesses reduced by 13% to R7 556 million.

NORMALISED OPERATING PROFIT
∨ 13%
R7 556 million

Discovery Health	∧ 5%	Showed continued operational excellence and provided significant support to members and society
Discovery Life	∨ 8%	Rebounded after a challenging FY2019 with positive operational experience variances and cash generation
Discovery Invest	∨ 14%	Continued strong asset gathering amid a weak market
Vitality Health insurance	∧ 9%	Operational excellence with a continued focus on quality of business and relevance resulting in excellent retention
Vitality Life insurance	∨ 147%	Executed on its turnaround plan; set up for future recovery

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.

The normalised operating profit for our emerging businesses increased by 74% to R736 million (2019: R422 million), exceeding our target of CPI + 30%.

NORMALISED OPERATING PROFIT
∧ 74%
R736 million

Discovery Insure	∧ 59%	Continued scaling while demonstrating high quality of business
Vitality	∧ 91%	Resilient revenue and strong operational leverage driving growth; increasing relevance with partners adopting the Shared-value Insurance model
中国平安 PING AN*	∧ 72%	Exceptional growth supported by positive investment returns; continuing to invest for long-term opportunity

* Equity accounted and SA costs

New initiatives

Our organic growth model targets substantive investment of approximately 10% of earnings into new initiatives. Our focus on growth is evidenced by the planned higher investment in new initiatives over the past two years. The most notable of these new initiatives are Discovery Bank and VitalityInvest. Other new initiatives include the Umbrella Funds and Discovery Business Insurance.

Discovery Bank	Successfully completed client migrations, fully deposit funded; rapid learnings to improve the user experience and value proposition
Vitality Investments	VitalityInvest doubled total funds under management over the recent six-month period

During FY2020, the weaker rand impacted the conversion of earnings from the United Kingdom and our emerging businesses. The weighted average exchange rates and closing rates used for consolidation purposes are shown here:

Average exchange rate	2020	2019
Rand/£	**19.75**	18.32
Rand/US$	**15.70**	14.17

Closing exchange rate	2020	2019
Rand/£	**21.44**	17.98
Rand/US$	**17.41**	14.15

REPORTED PROFIT FOR THE YEAR

99% to

R97 million

To facilitate analysis of the results, we provided reconciliations between normalised profit from operations and profit attributable to ordinary shareholders, and from profit attributable to ordinary shareholders to headline earnings and normalised headline earnings.

The main items are highlighted in the reconciliation:

R million	12 months ended June 2020	12 months ended June 2019	% change
Normalised profit from operations	**6 069**	**7 747**	**(22%)**
Economic assumption adjustments	**(4 830)**	–	
Dilution gains from equity-accounted investments	**3**	808	
IFRS gain on previously held interest in DiscoveryCard business	**–**	761	
Finance charges excl. 1 Discovery Place finance lease	**(1 218)**	(1 036)	
Foreign exchange gains	**578**	–	
Other	**(79)**	(148)	
Profit before tax	**523**	**8 132**	**(94%)**
Tax	**(347)**	(1 518)	
Profit attributable to preference shareholders	**(81)**	(81)	
Loss attributable to non-controlling interest	**2**	–	
Profit attributable to ordinary shareholders	**97**	**6 533**	**(99%)**

Excluded from the presentation of normalised measures as these assumption adjustments for long-term interest rates have no bearing on operating performance.

FY2019 included a profit of US$55.7 million on dilution and disposal of interest in CMT following an investment of US$500 million in CMT by Softbank Vision Fund, with Discovery's effective shareholding in CMT reducing to 10%.

Prior year accounting gain recognised on previously held interest in DiscoveryCard business.

Driven by increase in borrowings.

Almost two-thirds are attributable to significant receivables in Discovery, denominated in pounds, which results in a gain from the devaluation in rand.

The higher effective tax rate is largely attributable to:

- Non-deductible interest incurred by Discovery on borrowings (R101 million of tax relief not obtained)
- Assessed loss movement of R138 million in South Africa not yet raised as a deferred tax asset
- R106 million lower effective tax relief obtained on the long-term insurance policies written on the Prudential licence pre-2013 due to calculation being limited to I-E[1] losses.

1 Investment income and chargeable gains less expenses

Reconciliation between earnings and headline earnings

R million	June 2020	June 2019	% change
Profit attributable to ordinary shareholders	**97**	6 533	(99%)
Adjusted for:			
• gain on dilution and disposal of equity-accounted investments, net of tax	**(3)**	(666)	
• gain on previously held interests in DiscoveryCard business	**–**	(761)	
• loss on derecognition of assets, net of tax	**149**	–	
• other	**53**	41	
Headline earnings	**296**	5 147	(94%)
Economic assumption adjustments net of interest rate derivative and net of tax	**3 584**	–	
Other	**(133)**	(112)	
Normalised headline earnings	**3 747**	5 035	(26%)

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 remain compliant with regulatory requirements.

For Group subsidiaries that operate in the insurance and financial services sectors, 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 18 of 2017 (Insurance Act), and the related Prudential Standards implemented with effect from 1 July 2018. It is important to note that the solvency capital requirement (SCR) coverage ratio under the Insurance Act is in no way comparable to the coverage ratio under the previous regime, nor is it comparable from one entity to another. For instance, Discovery Life's major risk to value and profitability is mass lapse rates. Should this occur 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 subsidiaries, and the actual solvency capital held in relation to these requirements.

R/£ million	June 2020		June 2019	
	Statutory capital requirements	Cover	Statutory capital requirements	Cover
Discovery Life	**R14 835**	1.8 x	R17 396	1.6 x
Discovery Insure	**R885**	1.8 x	R789	1.7 x
VitalityHealth	**£102.3 (R2 194)**	1.7 x	£97 (R1 777)	1.4 x
VitalityLife	**£228.3 (R4 896)**	2.0 x	£208 (R3 810)	1.5 x

Allocated capital

Based on our five-year business plan, allocated capital is the amount of liquid and tangible assets across the Group that is 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 capital (ROC) for the year ended 30 June 2020 was 8.2% (2019: 12.7%) driven by the reduction in profit detailed 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 excess liquidity held at the centre of R1.9 billion, within the targeted range of R1 billion to R2 billion. These metrics remain resilient into future periods under the low and stressed scenarios.

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. 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 maintaining an FLR of less than 28%. This was achieved during the year, with an FLR of 25.1% at 30 June 2020 (2019: 23.3%).

*See **page 54** for a detailed breakdown of the Group's borrowings*

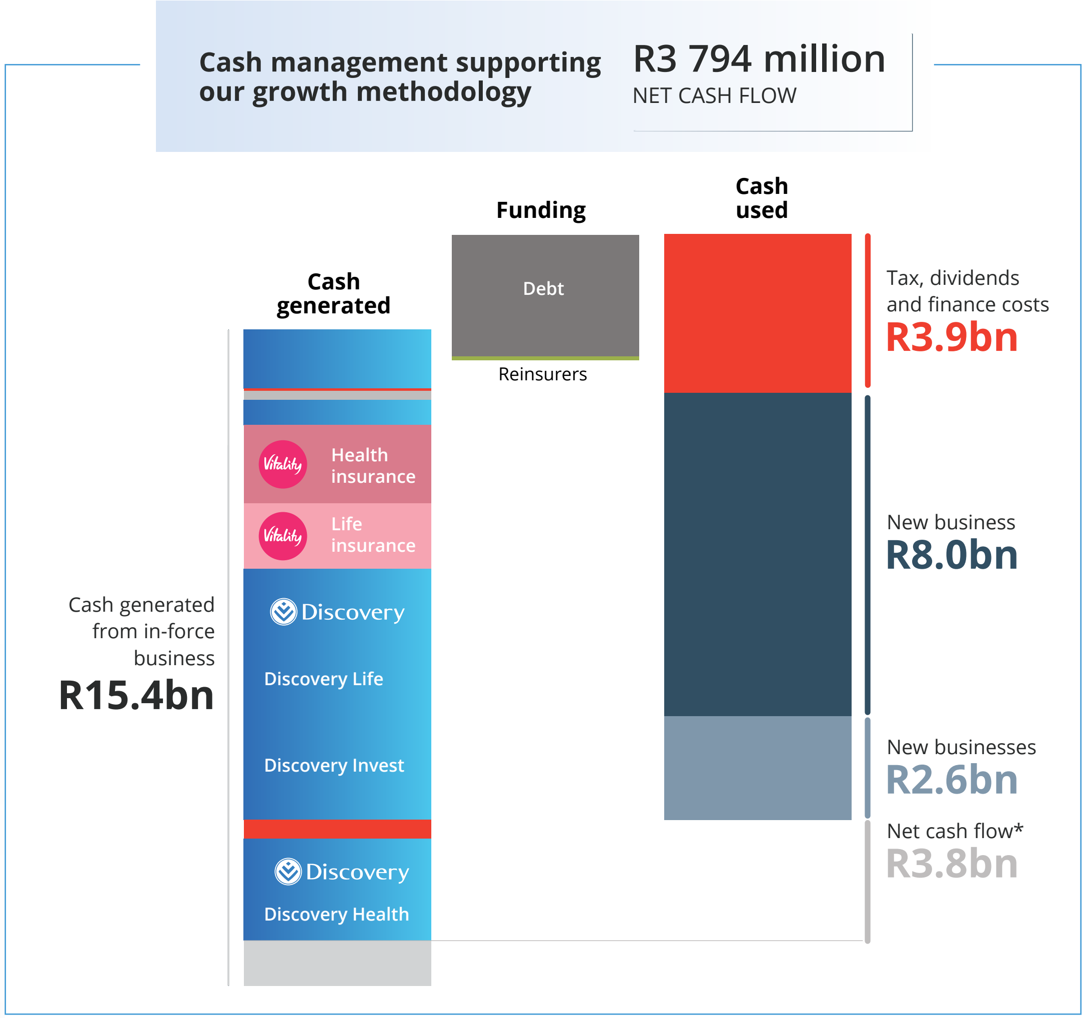
*Refer to Note 3.5 on page 79 of the **Annual Financial Statements***

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 makes provision 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. Cash and cash equivalents at 30 June 2020 increased to R17 909 million (2019: R9 403 million).

*Refer to **page 53** for more information on understanding our Statement of Financial Position and further explanations on material movements in balances*



* Movement in shareholder free cash

*To assist users in understanding cash flows not distorted by policyholder flows, we have included a Group Shareholder Free Cash movement in our Additional Analyst Information on our website at **www.discovery.co.za/corporate/investor-relations***

UNDERSTANDING OUR STATEMENT OF FINANCIAL POSITION

In the commentary that follows, we explain the significant items in our Statement of Financial Position.

*Refer to the detailed Statement of Financial Position in our online **Annual Financial Statements***

Property and equipment

Property and equipment totalled R4 643 million as at 30 June 2020 (2019: R4 212 million). This takes into account the impact of the adoption of IFRS 16: Leases, which increased property and equipment by R638 million on initial application.

*See **page 55** for more detail on the adoption of IFRS 16: Leases*

Normalised operating profit per the segmental information reflects the cash rental costs separately from the IFRS finance lease treatment, as individual business expenses and margins are managed on underlying cash rental costs incurred by each business. This treatment is applied for normalised operating profit only, with the IFRS results reflecting finance costs and depreciation as required by IFRS 16.

Assets arising from insurance contracts

As at 30 June 2020, assets arising from insurance contracts amounted to R48 042 million (2019: R48 781 million). Discovery has consistently adopted the policy of setting up assets arising from insurance contracts, often referred to as the negative rand reserve (NRR), at the point of sale that are approximately equal to the acquisition costs incurred in writing these long-term policies.

*Refer to the Group accounting policy 13.1.1 for recognition and measurement of individual life insurance in our **Annual Financial Statements***

While IFRS 17: Insurance Contracts will only become effective for the Group from 1 July 2023, we have already implemented an IFRS 17 transition programme. We completed initial impact assessments between 2018 and 2020, which included several pilot projects on selected products aimed at assessing the financial impacts of the standard. The following tentative observations were made:

- We are still assessing whether it is appropriate to early adopt IFRS 17 or whether adoption will only take place at the mandatory date.
- We are considering the accounting policy election of IFRS 17 to present 'insurance finance income and expenses' in other comprehensive income with a subsequent release to profit or loss.
- We believe we have sufficient robust data to enable full retrospective application of IFRS 17.
- Many of our current accounting policies, such as discounting at a current rate, build-up of compulsory and discretionary margins, and best estimates of income and costs, place us in a strong position to ensure a smooth transition to IFRS 17.

*Refer to **page 152** of the **Annual Financial Statements** for more detail*

Over the next period, we will focus on formalising and approving internal policies and methodologies by all committees and external auditors. Discovery aims to implement the Contractual Service Margin (CSM) supporting technology and models to produce the required disclosures.

Derivative instruments

Derivative financial instruments at fair value through profit or loss totalled R1 370 million (2019: R375 million), of which R950 million related to the interest rate swap valuation, and R2 million related to the swaption valuation.

*For more detail refer to **page 29** of the Audited Results Booklet*

The policies written on the Prudential Assurance Company Limited's balance sheet pre-January 2016 were predominately whole of life, level premium policies exposing VitalityLife to significant interest rate risk. The interest rate risk arises from the impact on reserves of lower interest rates adversely impacting investment rate assumptions related to future premium receipts to meet policy obligations. During the year, we focused on implementing an interest rate mitigation strategy to reduce the impact of exposure to declining long-term interest rates, by entering into an interest rate hedge (swap) in October 2019. Furthermore, we acquired a nine-month payer swaption, giving Discovery full upside participation should interest rates rise by more than 0.45% above the hedged rate. The swaption was due to expire on 25 July 2020, however, this structure was renewed for a three-year period in early June 2020.

The net economic impact caused by declining interest rates amounted to £60.5 million, comprising:

(i) The impact on the valuation of interest rates decreasing from 2.50% (the previous passive rate) to 1.35% (the modified passive rate[1]), including an element of basis mismatch and convexity after the hedge was taken out.

(ii) The second order interest rate impact in the valuation caused by the non-economic assumption changes and experience variances, and an inflation assumption change.

(iii) The offset by gains made on the interest rate hedge.

The hedge performed broadly as expected, incurring some basis mismatch and convexity leakage.

1 Prior to 30 June 2018 a weighted average of the forward gilt curve at the valuation date was used which had been particularly volatile in recent years. As a result, the interest rate basis was changed as at 30 June 2018 to a passive interest rate. This passive interest rate is a best estimate rate fixed with reference to a notional portfolio of longer term average rates on gilts and highly rated corporate bonds. At 30 June 2018 the rate was set at 2.5%. However, given that the hedge entered into in October 2019 is marked-to-market, volatility has been reintroduced but this time on the asset side of the IFRS balance sheet. It was therefore decided to introduce a modified passive rate which would allow for the hedge in the form of a risk-free rate (25-year swap rate) on which the hedge is based.

Understanding our Statement of Financial Position *continued*

Cash and cash equivalents

Cash and cash equivalents at 30 June 2020 increased to R17 909 million (2019: R9 403 million). The increase is mainly attributable to the following:

i. Translation differences as a result of the depreciation of the rand (R1.3 billion).

ii. Discovery Bank raised wholesale deposits of R1.5 billion to fund advances for the successfully completed Platinum BIN migration from First National Bank, which took place in July 2020. A liquid asset requirement of 7.5% of customer deposits, together with liquidity buffer requirements, resulted in approximately R500 million of cash to be held.

iii. VitalityLife: As per the reinsurance treaty entered into in respect of business written on the Prudential license, a security deposit was required to be placed by the reinsurer, to reduce counterparty risk. The contractual arrangement in respect of this business is accounted for as a reinsurance contract under IFRS 4 and as a result the 'deposit back' was disclosed as a reduction in the negative reserve funding liability in previous periods. From the prior financial year, the amount received as 'deposit back' in excess of the negative reserve funding was disclosed as part of cash and cash equivalents, and a corresponding liability has been raised in other payables at amortised cost. In addition, this book of business is also in a cash generating position, as no new business is being written. The increase in cash on this book of business which includes the 'deposit back' was £114 million (R2.4 billion) for the year. Significant gains on expired derivatives held resulted in a further increase in cash of £41 million (R880 million) for the year. Collateral of £45 million (R965 million) received on interest rate derivative balances are also included in cash with an opposite liability disclosed as part of other payables at amortised cost. During FY2020, Discovery Holdings Europe Limited, also drew down £55 million (R1.2 billion) of which £20 million (R420 million) has not been utilised at 30 June 2020.

Refer to borrowings at amortised cost on ***this page***

Other reserves

As at 30 June 2020, other reserves grew from R452 million to R3 269 million, largely as a result of the increase in the foreign currency translation reserve driven by the deterioration of the rand against the pound and dollar.

Borrowings at amortised cost

R million	June 2020	June 2019
Borrowings from banks	**15 456**	11 034
• United Kingdom borrowings	**3 498**	1 612
• South African borrowings	**11 958**	9 422
Lease liabilities	**4 380**	3 648
• 1 Discovery Place	**3 370**	3 321
• Other lease liabilities	**1 010**	327
Total borrowings at amortised cost	**19 836**	14 682

We have a continuous process of managing the maturity profile of our term debt. This proved to be advantageous as the refinancing of debt maturing within the next financial year was already in progress prior to COVID-19 being declared a pandemic.

United Kingdom borrowings

Discovery Finance Company Europe Limited, a subsidiary of the Discovery Group, settled an outstanding balance at 30 June 2019 of £90 million. During the year, the subsidiary also entered into two new facilities, of £80 million and £28 million, the outstanding balance of which totaled £108 million (R2 321 million) as at 30 June 2020.

In addition, through our subsidiary Discovery Holdings Europe Limited, Discovery entered into another facility of £55 million which was subsequently extended to £100 million. The balance due as at 30 June 2020 amounted to £55 million (R1 177 million).

South African borrowings

Following the South African government's sovereign credit rating downgrade by Moody's from Baa3 to Ba1 on 27 March 2020, Moody's Investor Service downgraded both Discovery's national and global scale rating to A1.za from Aa3.za and from Ba1 to Ba2, respectively, on 1 April 2020. Similar to the country outlook, the credit outlook assigned by Moody's remains negative.

In 2017, Discovery registered an unsecured R10 billion Domestic Medium-Term Note (DMTN) programme. As at 30 June 2019, a cumulative amount of R2.2 billion in JSE Listed Notes had been issued in terms of this programme. We further issued five-year and seven-year Floating Rate Notes of R1.2 billion and R300 million, respectively, on 26 November 2019.

During FY2020, five-year bank facility loans amounting to R3.6 billion entered into during 2016 were refinanced for a further three and five years through the issue of unlisted DMTN notes of R1.1 billion and R2.5 billion, which will mature in March 2023 and February 2025, respectively. These unlisted notes have been structured through an underwritten subscription agreement with a bank.

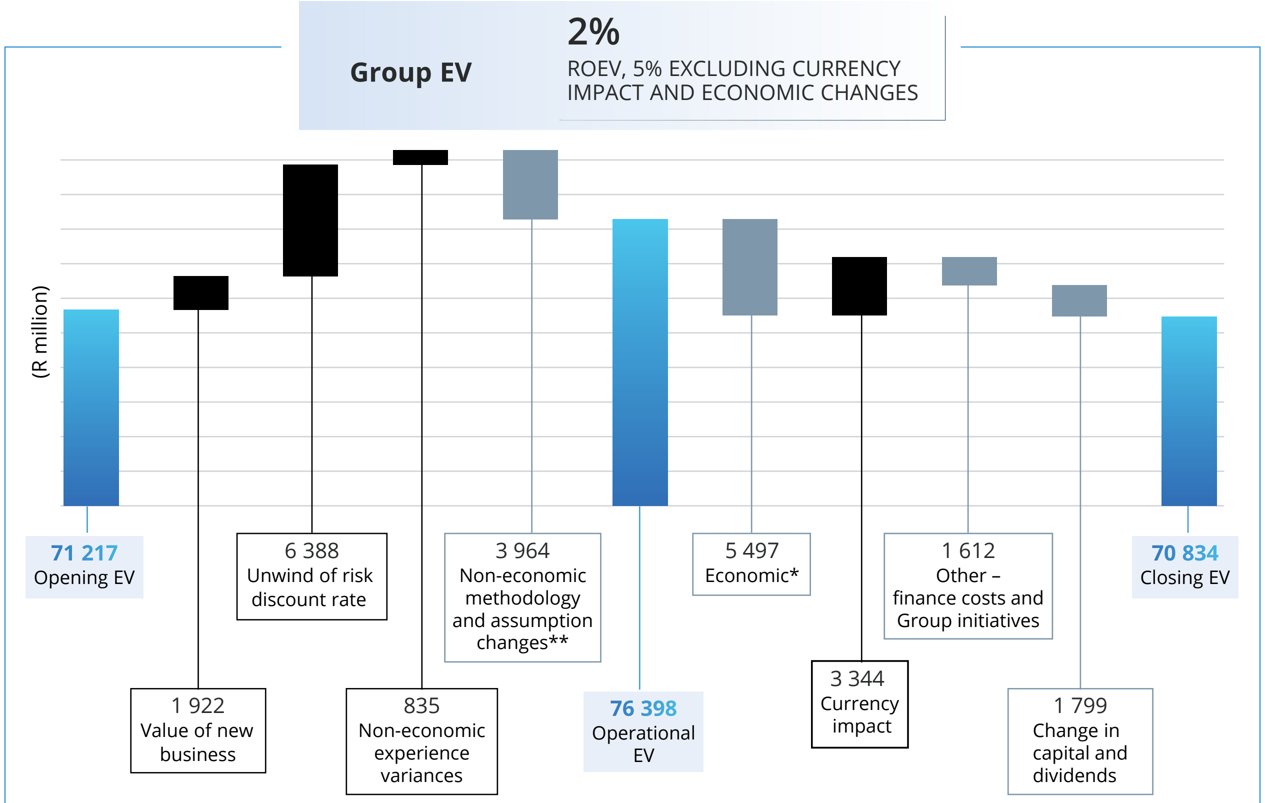
During the period, Discovery Central Services drew down on a revolving credit facility of R0.5 billion, which was repaid during the year. Discovery Bank also entered into a two-year revolving credit facility of R1 billion.

EMBEDDED VALUE (EV)

Discovery's EV includes the insurance and administration businesses in the Group. Covered business includes business written in South Africa through Discovery Life, Discovery Invest, Discovery Health and Discovery Vitality and, in the United Kingdom, through VitalityLife and VitalityHealth. For non-covered businesses such as Vitality Group, Ping An Health and Discovery Insure, no published value has been placed on current in-force business as the businesses have not yet reached suitable scale with predictable experience.

The EV reduced by 1% to R70 834 million (2019: R71 217 million) and annualised return on opening EV decreased to 2% (2019: 10%), affected by the COVID-19 provisions and other methodology and assumption changes predominantly in Discovery Life and VitalityLife.

*The EV statement is included from page 181 in our online **Annual Financial Statements***



* Economic experience variances and methodology and assumption changes

** Includes fees payable to the Prudential Assurance Company Limited for the delay of the Part VII transfer per the February 2020 agreement, as well as the updating of the cost of required capital following said transfer

NEW ACCOUNTING STANDARD

*The impact of the first-time adoption of IFRS 16: Leases is discussed in detail in note 41 of the **Annual Financial Statements***

IFRS 16: Leases

IFRS 16 became effective for the first time during FY2020, and was introduced to replace IAS 17: Leases and the related interpretations thereof. The core principle of IFRS 16 requires that a lessee recognises all rights and obligations arising from leasing arrangements in its Statement of Financial Position. For Discovery, the most significant change relates to the accounting treatment for those leases that were classified as operating leases from Discovery's perspective as the lessee.

Effect of changes in IFRS 16 on date of initial application at 1 July 2019

R million	30 June 2019 Previously reported Audited	IFRS 16 Adjustments	1 July 2019 Restated
ASSETS			
Property and equipment	**4 212**	638	4 850
Total impact on assets		638	
EQUITY			
Retained earnings	**31 710**	(41)	31 669
LIABILITIES			
Financial liabilities			
• Borrowings at amortised cost	**14 682**	748	15 430
• Other payables at amortised cost	**10 262**	(63)	10 199
Deferred income tax liabilities	**8 697**	(6)	8 691
Total impact on equity and liabilities		638	

"OUR FOCUS REMAINS ON LEVERAGING OUR GROWTH METHODOLOGY, CAPITAL MANAGEMENT PHILOSOPHY AND CASH FRAMEWORK, WHICH ARE PROVEN AND ROBUST MECHANISMS FOR MANAGING OUR GROWTH AND INVESTMENT."

Looking forward

This past year has been unprecedented – fraught with uncertainty and change. As the pandemic unfolded, we have strived to respond swiftly with our focus at all times on supporting our stakeholders to deliver against our core purpose. As we look ahead, I believe that this proactive, innovative and agile response, together with our balance sheet strength and liquidity, will enable us to capitalise on the trends that are accelerating as a result of the pandemic:

- the behavioural nature of risk, given the emerging importance of healthy living in determining not only non-communicable disease risk but communicable disease risk as well
- the prevalence of technology as a key enabler, given the rush to the online world
- the demand for purpose-based business models, given the need to find profitable solutions to the challenges of people and planet.

Our focus remains on leveraging our growth methodology, capital management philosophy and cash framework, which are proven and robust mechanisms for managing our growth and investment. Going forward, I believe this approach will position us well as we continue to build new businesses and grow our established and emerging businesses. Given the current context we are operating in, we will continue to drive cost efficiencies at all levels of the Group.

Economic uncertainty and regulatory developments in each of the markets we operate in remain focus areas. We will continue to apply stringent processes and procedures to ensure that we adhere to all requirements and respond to changes in the environment.

Our structures and the targets we have set to maintain growth and sustainability, supported by our Shared-value Insurance model, bode well for future performance. Our risk management, governance and other processes will continue to play an important role as we launch new businesses, and continue to expand the reach of our existing businesses, as outlined in our strategy and detailed throughout this report.

From a financial management perspective, we will continue to focus on the following key aspects:

- Managing and closely monitoring the capital plan and ensuring robustness through continuous refinement and stress testing.
- Managing our funding plan in line with the above as well as our debt maturity profile.
- Executing our IFRS 17 transition programme.
- Monitoring the effects of 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 exceptionally challenging environment and conditions we have faced, I would like to take a moment to thank the entire Discovery team for their commitment and dedication. Their resilience during a tumultuous time has been inspiring, and is a testament to their commitment to living our core purpose.

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OUR ENABLER REVIEWS

Our **brand**

OUR BRAND AS A STRATEGIC ENABLER

The Discovery brand continues to be recognised for its intellectual leadership, innovation and for being a positive force for social good. Our brand has evolved into a key asset for the Group in our primary markets of South Africa and the United Kingdom, as well as in establishing global partnerships.

As a central component of the Group's strategy, our brand is a crucial enabler and asset in building brilliant businesses and enhancing our social and financial impact. Furthermore, our brand and reputation – with continued investment in both – are critical building blocks in achieving Ambition 2023.

Building our substantial brand equity and credibility has been an ongoing investment for the Group. 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. We also recognise that consumer trust is a valuable intangible asset, one that assists us in driving client acquisition and retention. Furthermore, it has contributed significantly to increasing our market share in the countries where we operate, as well as the performance of the Group as a whole. Our brand equity has also driven growth in new business through the distribution support from financial advisers.

Our key highlights

The Discovery Insure app **won Best Commercial IoT Solution** in the **MTN Internet of Things Awards (October 2019)**

Discovery was ranked as the **number one insurer** in the **BrandZ Top 30 Most Valuable South African Brands 2020**

Harvard Business Review (May-June 2020) heralded Discovery as a **perfect example of how to create shared value**

Winners of the Sunday Times Top Brands 2019 Survey (South Africa):

- **Medical Aid Business Category to Discovery Health Medical Scheme (DHMS)**
- **Long-term Insurance Business Category to Discovery Life**

Among worldwide industry peers, Discovery was named **Global Innovator** at the **2020 Efma-Accenture Innovation in Insurance Awards**

Our brand response to the challenges posed by COVID-19

The need for business innovation, agility and creativity increased exponentially in light of the shifting market demands and economic consequences of COVID-19. Our core purpose has been fundamental in guiding our brand-led integrated response – not only to enhance benefits and protection for all our clients, but also to support broader society during this challenging period.

Our immediate response was geared towards addressing the pressing needs of our employees and all stakeholders in a way that reflected our core purpose and Group values. In doing so, we worked closely with business units across the Group to actively manage stakeholder needs by repositioning certain products, introducing new benefits and implementing steps to mitigate the business and societal impacts of COVID-19.

Leveraging the trust established in the Discovery brand, we introduced an information hub that, from the outset, provided expert-led content on developments around COVID-19. Our strong brand equity also enabled us to partner with leading multi-national companies to support South Africans during the global pandemic. For example, we partnered with Vodacom to deliver a free virtual healthcare platform to all South Africans. Various Discovery brand ambassadors also assisted in driving our purpose-led brand message and added considerable value in building deeper connections through the Group's established channels.

*More information on how the Group responded to COVID-19 is detailed in our business reviews from **page 68***

OUR STRATEGIC APPROACH

Our brand is a strategic asset and crucial differentiator in our pursuit of Ambition 2023. Building the Discovery brand in the markets where we operate, while leveraging Vitality as a leading global behaviour-change platform, is one of our key strategies.

During the year, we made significant strides towards defining our one-brand architecture and positioning the Group as the leader in the category of shared value. Our work in this space has enhanced the visibility of our value proposition, and provides a compelling competitive differentiator for the Group, one that supports our ability to attract global business partners and the potential to expand into adjacencies.

Our objective is to intensify our focus on refining our brand message for all stakeholders; highlighting how our Shared-value Insurance model can monetise client behaviour to create societal value, and enable our ambition to transform financial services globally.

Our brand focus: building brand equity

The Discovery brand is among the strongest brands in South Africa, and is recognised for its disruption to the financial services sector both locally and globally. This positions the brand as a key asset within the Group – the value of which is evidenced in times of economic stress when consumers look for leadership in brands they trust. Our commitment to innovation and quality continues to position Discovery as a brand of choice that enhances client experiences and offers solutions that respond to changing client needs. We are also committed to continue making the Discovery brand and Vitality behaviour-change platform attractive for global insurance partners through our differentiating Shared-value Insurance model.

Building on our strong brand equity, we are deliberate in our brand and marketing partnership choices with various institutions and stakeholders in our primary and partner markets. Our sponsorship strategy, which informs our partnerships and associations, aims to proactively promote and elevate our brand message of enabling behaviour change that promotes health and wellbeing. We continue to manage and increase brand equity through our sponsorships and brand ambassador strategies, and remain cognisant of any experience that could adversely impact the trust in and equity of our brand.

Tactical and business support initiatives, including our public relations strategy, social media policies and communication protocols, guide our brand messages across various digital platforms and other communication channels, while ensuring that critical messages are amplified and that our brand equity is always protected. To achieve complete consistency in our brand assets and messaging, we introduced a centralised asset-management system during the year. Once fully operational, this system will make all our brand guidelines and standard operating procedures centrally available.

Leveraging Vitality to lead shared value globally

We actively position Vitality (Health, Drive and Money) as the global leader in behaviour change to create shared value in insurance, investment and banking. We do this by integrating the Vitality platform into all Discovery product segments in both our primary and partner markets which, in turn, unlocks opportunities to grow our footprint globally. Over the space of only five years, Vitality UK, operating in the United Kingdom, has successfully built a distinctive financial services brand that achieves cut through in the crowded and unengaged categories of insurance and investments. Over this time, the distinguishing pink Vitality UK branding and Stanley the dachshund, used in targeted brand awareness campaigns, have become synonymous with insurance and investment products that reward clients for positive behaviour change, making the brand a key enabler of Vitality UK's direct-to-consumer distribution capabilities.

INITIATIVES TO SUPPORT THE GROUP STRATEGY AND BUILD BRAND EQUITY

One-brand architecture

Discovery has seen significant growth over the past 28 years, starting with Discovery Health as an administrator of medical schemes and gradually evolving into a leading, diversified financial services group with a distinctive purpose and unique business model. This rapid growth resulted in organic and focused branding decisions for each business unit. While this strategy was effective in supporting growth and creating brand equity for individual businesses, it resulted in a relatively complex brand architecture between products, propositions and businesses.

We, therefore, identified the need to simplify our brand architecture, and will introduce our one-brand architecture during the first half of FY2021. This newly refined and strategic brand architecture, which will enhance our visual identity, will enable a more singular and impactful client experience, while maintaining a clear distinction between the products, propositions and services offered by each of Discovery's businesses. We believe that this presents us with the opportunity to amplify brand equity and aggregate the value we create and share across the business, and ultimately distil shared value into a clear business category for the Group.

Discovery Day 2020

Discovery has an established product innovation cycle across its various businesses and markets. Accordingly, new products and services are introduced to the market regularly. Discovery Day 2020 was hosted virtually in May, and was attended by more than 7 000 employees and financial advisers. During the event, our executive team outlined 35 new product enhancements and innovations. We also introduced a full spectrum of cover for COVID-19-related costs, including risk assessment, testing, treatment referrals, as well as a world-first comprehensive Severe Illness Benefit that addresses the unique multi-organ impact of COVID-19. As a purpose-led organisation with the aim to protect lives, we also introduced various mechanisms that utilise the assets generated through our Shared-value Insurance model to assist clients with affordability and ongoing cover.

Vitality Running World Cup

In 2019, together with Rand Europe, Discovery published a study highlighting the relationship between global economic growth and physical activity, including the significant economic and life expectancy benefits should global physical activity levels increase. In an effort to increase awareness of these benefits, we launched the Vitality Running World Cup in March 2020. As the latest Vitality Move More initiative, this global campaign included several international brand ambassadors and

Our brand *continued*

aimed to build brand awareness, linking directly to our global commitment to make 100 million people 20% more active by 2025.

Due to COVID-19, the majority of brand-building activities across all channels were either paused or cancelled. Despite this, global participants ran more than 2.2 million kilometres as part of the initial campaign, which resulted in more than 18 million impressions on social media channels. Furthermore, we were able to raise funding to vaccinate more than 300 000 children in need through UNICEF.

Differentiating Discovery Bank in the market

With Discovery Bank being the Group's latest start-up business, we aim to entrench the Discovery brand as an innovative leader in the retail banking sector. Leveraging the Vitality behaviour-change platform as the global leader in creating shared value, Vitality Money, Discovery Bank's behaviour-change programme, is a key mechanism in achieving positive financial outcomes.

We can already clearly demonstrate the value of responsible banking and how this differentiates Discovery Bank from its competitors. Leveraging the Discovery brand equity, we focus on increasing new business and client spend while driving deposits and, ultimately, rewarding responsible banking and managing money well.

Enhancing our capabilities to improve the brand experience

During the year, we invested in technology to enhance our marketing capabilities. Specifically, we aim to equip our intermediaries with a digital toolset that ensures the highest branding standards and enables high quality business growth.

We also continued to invest in new capabilities and strategic partnerships to increase our brand visibility on various digital platforms. With this, we used Artificial Intelligence (AI) to assess the effectiveness of our brand assets in reaching our audience and conveying our intended message.

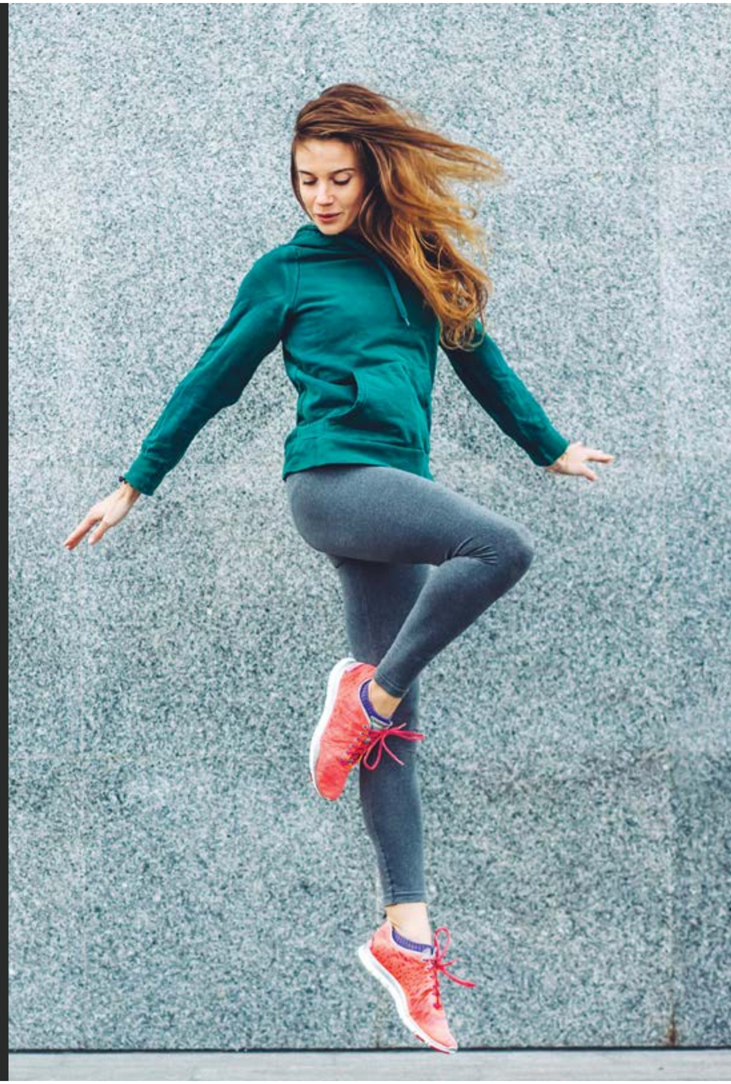
The delivery of a seamless client experience is key to protecting brand equity. During the year, we also applied AI and Machine Learning to enhance the user experience on our website, including the quote page that loads on mobile devices within milliseconds, and recommending certain next-best programmes or products that increase the value proposition for clients. We will continue to invest in these brand-enhancing assets.

Where we are headed

The path we were on before COVID-19 has enabled us to quickly adapt and respond to the global pandemic, and has highlighted the important role of financial services and the fragile nature of risk in society. We believe that our position as leaders in shared value has the potential to truly transform the financial services industry, aided by the accelerated importance of health, insurance and financial wellbeing.

Looking ahead, our focus is on further increasing our brand equity under our one-brand architecture, as well as driving positive behaviour change through the Vitality behaviour-change platform – ensuring that we own the shared-value category in financial services domestically and internationally. Furthermore, we will continue to support each business unit through focused and guided branding decisions that generate positive client experiences.

We will leverage international best practice and data to inform our branding strategy. As the digital landscape evolves, we will invest in tools and tactical projects to assist the Group to retain clients and tap into new markets.



OUR ENABLER REVIEWS

Our **people**

OUR PEOPLE AS A STRATEGIC ENABLER

Discovery has a unique culture, one that is fundamentally purpose-driven. Our core purpose guides everything we do, including our relationship with society, our business operations and leadership principles. The response from our people in the context of the COVID-19 pandemic has been a testament to the strength and resilience of the culture of the organisation and our commitment to living the values and delivering on our core purpose.

Our key highlights

Top Employers South Africa certification
(Top Employers Institute)

Recognised as an **employer of choice** by the South African Graduate Employers Association, ranking first in the insurance sector for the **fifth consecutive year**, and runner up in the healthcare sector

Deployed robotics process automation (RPA) technology to automate high-volume people transactional services, such as those relating to recruitment, creating efficiencies and optimising costs

Achieved top 3 placement for **LinkedIn Best Employer Brand** in South Africa

Implemented hypothesis building and scenario modelling through a retention model that empowers managers to proactively engage at-risk talent and critical skills

Launched a new **intranet and communications platform** across Vitality UK, strengthening employee engagement and collaboration

Launched a **new online learning hub** for employees across our Vitality UK businesses

Our key performance indicators

GLOBAL HEADCOUNT
12 980
(2019: 12 950)

MEN
43%
(2019: 43%)

WOMEN
57%
(2019: 57%)

BLACK SENIOR MANAGERS IN SOUTH AFRICA INCREASED TO
33.8% from
31% in 2019

ATTRITION DECREASED FROM
14% in 2019 to
13% in 2020

40%
OF WOMEN IN SENIOR LEADERSHIP POSITIONS, UP FROM 37% IN 2019

More than **11 700** of our employees completed varied forms of training during the year, averaging a total of **95 hours** per employee

INTERNAL MOBILITY DECREASED TO
8.7%
(2019: 9.2%)

Our people *continued*

Protecting our people during COVID-19

We moved quickly to keep our campuses and employees safe, and implemented a sophisticated methodology to identify and protect around 2 200 high-risk individuals across South Africa and the United Kingdom. While balancing employee safety with business continuity, we enabled over 11 000 employees around the world to work from home. In this time, we remained connected, informed and inspired, with over 50 000 total views of our daily interactive and recorded webinars facilitated by Discovery's executives, guest speakers and topical experts.

Our employees also have access to Discovery Healthy Company, Discovery's employee assistance programme (EAP). This programme provides various levels of support, from prevention and education to ongoing management, across physical, emotional and financial wellbeing, as well as legal support. The offering was further enhanced to enable personalised COVID-19 support for employees who require testing or for those diagnosed with COVID-19.

We were encouraged by our employees' response to Healthy Company, with 11% accessing support relating to financial wellbeing, 23% taking up support relating to their legal wellbeing, and 66% accessing support for their emotional wellbeing.

For essential employees who travelled to work and relied on public transport, we hired over 300 vehicles to keep them safe. We also implemented several measures in our buildings, including physical distancing, intensified cleaning and disinfecting protocols, and placing hand sanitisers in communal areas.

We also revised our leave policies to ensure we apply a considerate, but equitable, approach across the Group. In addition, we tailored the leave policy for clinically vulnerable employees to ensure that preventive measures and precautions were taken.

OUR STRATEGIC APPROACH

Building the best human capital capabilities is a material focus area for the Group. During the year, we completed a comprehensive materiality review and identified the following three key themes:

1. Building highly motivated teams that embody the Discovery culture
2. Leveraging the strength of diversity
3. Preparing our workforce for the future

1 Building highly motivated teams that embody the Discovery culture

Our people are a crucial resource and strategic differentiator for the Group. Through digital enablement, and challenging work and learning experiences, we encourage employee innovation and harness their passion for excellence to develop market-leading products, which contribute to our competitive advantage and ability to create value for our stakeholders.

Attracting top talent

We have a unique corporate culture, one with non-negotiable respect for and upholding of our organisational values. These values play a crucial role in attracting and retaining the right talent which, for us, is more than purely skills or experience. We believe that the right talent will be highly engaged, will contribute exponentially to business results, and will have a passion for extending the impact of our Shared-value Insurance model. We, therefore, ensure that our values are entrenched throughout our engagements, from recruitment, appointment and induction to performance management and career development.

Digitisation, as well as a human-centred approach to recruitment, is reshaping how we attract, source and select the best person for every job in Discovery.

Discovery's strong employer brand plays a significant role in attracting top talent, which is evident from the number of applications we receive in response to our recruitment initiatives. Over the past year, in South Africa, 50 629 individuals applied for career opportunities, submitting over 97 203 applications. Within the context of our organisational culture, we use the Discovery Person Equation to ensure that we identify the most suitable person for every role. Due to the impact of COVID-19 during the second part of the year, we experienced a slowdown in recruitment. Despite this, we have identified critical skills we need in the future and are proactively sourcing new talent.

To assist with building our talent pool of critical skills, we have dedicated graduate programmes in place through partnerships with top universities in the country. This year, we welcomed 44 graduates across the actuarial, technology, marketing and finance sectors. One of the programmes we offer is the Adrian Gore Fellowship Award, which focuses on recruiting and developing academically brilliant actuarial students who show leadership potential and align with Discovery's values. In this programme, the top 27 actuarial graduates from the top four universities in South Africa are nominated to complete an intensive evaluation, following which Discovery offers the best performers permanent employment. A Fellowship Award is also made to the top actuarial graduate, who receives personalised mentorship and fast-tracked development within Discovery. Since the start of the programme in 2013, Discovery has attracted and retained 69 talented actuaries who contribute significantly to the business.

This year, the 12th and largest Actuarial Conference was held virtually with participants from 19 countries. The conference helps to drive cutting-edge data science and actuarial practice, as well as stimulate new ideas and applications.

1

Building highly motivated teams that embody the Discovery culture *continued*

Employee engagement

Employee engagement is driven at a business unit level, with the leadership teams in each area being accountable for the actions they believe will have the most impact. Each business unit develops an employee-engagement plan, which is executed under the guidance of their executive teams. These engagement plans include regular group meetings, roadshows, focus groups and problem-solving sessions, as well as internal communication and team events.

Our Group employee-engagement survey, which is based on advanced employee-experience research, is key to understanding our employees' sentiments and engagement. Through this survey, we identify and respond to systemic opportunities and challenges to create an environment conducive to sustainable performance. Each business unit will utilise these results in developing their engagement plans to address relevant areas for improvement.

Our most recent survey indicated that levels of employee engagement for the Group improved across all measured categories year-on-year, with participation in the survey increasing to 84% (2019: 78%).

We will continue to build on this progress as we respond to specific improvement opportunities within our business units. Furthermore, we will continue to identify opportunities to improve engagement levels in business areas that have experienced significant changes. This will ensure that we build a greater employee connection to the Group's values and core purpose.

Employee wellness

Our employees' health and wellbeing are vital to our success, and we continue to drive increased awareness, engagement and use of our integrated wellbeing offering. During the year, we also focused on defining this employee-wellness journey, which begins with a single entry point to Vitality and Discovery Healthy Company to access holistic wellness services. We have made significant progress as we move towards an integrated wellness ecosystem, which we expect to implement across the Group during FY2021.

Vitality forms part of this offering, and take-up for our employees across the Group is currently 72.5% (2019: 75%). We aim to increase this to 75% during FY2021, in line with the Group's average attrition rate. To achieve this, and to promote the general wellness of our employees, we will leverage our existing product assets, Healthy Company and Vitality, to drive wellness campaigns and initiatives.

We continue to make progress on equalising our employees' Vitality Age with their actual average age. While there is a 2.1 year gap between the two measurements (2019: 2.8 years), we are pleased with the consistent downward trend and hope to align it more closely in the year ahead. In FY2021, we will explore further opportunities to drive physical wellness.

We strive to be the model employer for employee wellness in the United Kingdom. Our strategy encompasses five elements crucial to cultivating a healthy workforce – physical, mental, financial, social and lifestyle. We focus on driving engagement in all five areas, and our employees have access to several programmes. For example, they can enter sponsored events such as the London Marathon for free, and have access to Vitality's Mental Health Panel.

In the United States, we aim to promote employee health, mental wellbeing and a sense of community through Vitality, with the vision of creating a healthy working community of engaged and connected individuals. Through the social and wellness function, we offer various initiatives and programmes, including free gym membership, to support the mental and physical wellbeing of employees.

Our people *continued*

2 Leveraging the strength of diversity

We aim to create an exceptional employee experience that is consistent across race, gender and people living with disability. We actively seek to enhance the diversity of the Group and prioritise the appointment of female, African and Coloured candidates in South Africa, while driving region-specific diversity initiatives to ensure equitable inclusion of minority groups in other geographies. Furthermore, we have a particular focus on attracting people living with disabilities.

Our top leadership teams are responsible for the equity composition of their business units, which directly impacts their short-term performance incentives. Our workforce, therefore, continues to move towards being demographically representative of the countries we operate in. This past year, 69.7% of new employees in South Africa were African, Coloured and Indian; 55.6% were female; 54% and 58% of new employees at management and senior management levels, respectively, were female.

*For more information on diversity at Board-level, refer to our **Governance Report***

Demographics of our South African employees

Race	2020	2019
African	**41%**	42%
Coloured	**14%**	13%
Indian	**18%**	18%
White	**25%**	25%
Foreign national	**2%**	2%

Pleasingly, employee perception of diversity and inclusion continued to improve, as measured through our annual employee engagement survey. Of the consolidated responses, 94% (2019: 82%) of our South African employees believed that Discovery provides a working environment accepting of racial (91%) and gender differences (94%), and of people with disabilities (95%). This outperformed South African norms.

In the United Kingdom, our focus on enhancing gender diversity is yielding pleasing results, and we are on track to realise our goal of gender parity at senior management level by 2025. While we still have relatively few women in senior positions, our average gender pay gap reduced by almost 6% to 25.8% over the past two years, while our median pay gap of 15% is low in comparison with industry standards. To further support our efforts, we are focusing on equalising parental leave entitlements and adopting a more flexible approach to working. In terms of racial diversity, in the year ahead, we will extend our focus to recruit and employ black, Asian and ethnic minority candidates.

Within Vitality Group, our focus on diversity and inclusion also extends to Vitality USA. This business has established a working group – comprising a diverse group of employees, both demographically and in terms of roles – to focus on promoting diversity and inclusion. This group will set up multi-year priorities to ensure long-term, meaningful progress. Vitality USA has also partnered with the Kaleidoscope Group, a leading consulting firm, to establish benchmarks and support the roll out of initiatives.

Looking ahead, we will continue to create awareness around unconscious bias and how this relates to diversity and inclusion, and encourage conversations on opportunities and challenges in the workplace.

3 Preparing our workforce for the future

Employee development

The continued success of Discovery depends on our people realising their full potential. We believe that development is a combination of challenging experiences in the general flow of work, reflecting on these experiences with the help of leaders and mentors, as well as formal training programmes. This allows for the transfer of learning and for building skills that improve individual performance, and support career development outcomes.

Continuous learning is essential to ensure that our employees future-proof their skills and thrive throughout their careers. Accordingly, access to educational material is easy and on-demand. Furthermore, as the new world of work unfolds, we are exploring alternative platforms to reach our employees and we have made significant investments to provide engaging content through Udemy and LinkedIn Learning. Our engagement data show an activation rate of 74%, with over 47% of employees returning to these platforms every month.

We continue to encourage self-driven development in our employees, supported by their managers. We use toolkits that enable meaningful, quality conversations on career development, which leads to an alignment between our employees' key deliverables and the priorities within their area of operation.

Each business unit has identified its specific needs for development and progression. Accordingly, we focus on leveraging the talent bench available for promotions or filling leadership roles. This year, 5.9% of our employees were promoted internally.

While COVID-19 has affected our ability to recruit new talent, it has created opportunities to increase internal mobility and to place a focus on our existing talent pool.

Initiatives during the year to support employee development:

REACHED

12 939 **employees in**
7 482 **business skills sessions**

(2019: 3 061 employees in 263 business skills sessions)

DEVELOPED

202 **learners and**
74 **interns,**

(2019: 186 learners and 63 interns)

with 51% of the learners and 82% of the interns finding permanent employment

(2019: 91% learners and 87% interns)

Our people *continued*

3

Preparing our workforce for the future *continued*

Leadership development

Our core purpose and values, along with our leadership charter, are the foundation from which we develop leaders in Discovery. We believe that great, ethical leadership begins with a sense of self-awareness, and intersects at the level of our responsibility of leading others, leading the business sustainably, and displaying visible integrity towards society.

For more information on ethical leadership, refer to page 18 of our ***Governance Report***

Our leadership induction programme is our flagship programme. It facilitates dialogue between leaders on themes of strategic importance to Discovery, including the nobility of purpose, entrepreneurial energy, nation-building, and understanding a complex environment. We are consulting with Discovery executives to ensure that the format and content of this flagship programme remain relevant to current leadership challenges.

Following a successful pilot project, Lead the Discovery Way is being introduced to leaders at all levels of the organisation. This programme intends to enhance our line manager and leadership capabilities to lead our people effectively. Our Leader as Coach programme is another way we develop leaders that embed coaching as an organisational practice to support performance and career development.

Where we are headed

Looking ahead, we will continue to develop our people to equip them with the skills and capabilities to navigate a complex environment. With our deliberate focus on talent development, we will upgrade our learning services and technology infrastructure to meet these demands. Furthermore, we will upskill our employees in anticipation of further process automation as we roll out robotics process automation technology across the Group.

We aim to maintain recruitment excellence through a positive and inspiring candidate experience. We will also ensure consistent, fit-for-purpose talent-management practices, while embedding meaningful and continuous performance conversations into career development.

OUR ENABLER REVIEWS

Technology

TECHNOLOGY AS A STRATEGIC ENABLER

Technology is one of the greatest enablers for change and a strategic imperative for Discovery. We leverage technology to remain at the forefront of digital trends to continue to grow, innovate and, in turn, create value for our stakeholders.

Technology is a critical pillar in our Shared-value Insurance model with the aim of creating an integrated experience for our clients across all businesses. Our strategy is supported by a market-specific technology platform in our primary markets and by a single global technology platform in our partner markets.

Discovery's use of data has positioned the Group as a global leader in behaviour change linked to insurance. Across our businesses, we use data to enhance and support health and life insurance outcomes, and driving, investment and financial behaviour change. Over the past two decades, our access to and analysis of data enabled us to validate the positive impact of physical activity and other behaviours on insurance risk, and to refine the behavioural nudges that we use to incentivise behaviour change. Our data-science platform enables, among others, critical client sentiment analysis, detecting possible fraud, and recommending next-best actions or products.

Our key highlights

Established a **Group-wide data governance** capability

Implemented a data-centric cybersecurity model to improve performance, enhance security and anonymity, and to integrate real-time data-science models into our operations

Introduced new customer servicing channels, focusing on digital and virtual agent capabilities

Strengthened our Artificial Intelligence (AI) capabilities in the intermediary space

Formalised an internal, service-orientated commercial model, enabling Discovery to benchmark services in terms of quality and cost

Our key performance indicators

We use a range of metrics to monitor and measure the following internal key performance indicators:

- Successful contribution to business and product launches
- Efficiency in service operations
- Management of cyber and business continuity risks

At least 33% of developers focused on digital efforts

Over 350 data scientists and actuaries globally

Technology *continued*

Leveraging technology in our response to COVID-19

Our response to the challenges of COVID-19 reinforced the agility of our technological capabilities and infrastructure. Globally, more than 11 000 employees transitioned to working from home, and we were able to provide access to our systems and several digital tools to ensure Discovery remained operational across the markets where we operate. In doing so, we were able to test our disaster recovery and business continuity processes in real time. This, in turn, allowed us to adapt the way we operate in response to changes in our environment.

Since transitioning the majority of our employees to work from home, we have seen significant growth in our digital capabilities. We procured an additional 2 400 laptops to enable our employees to work remotely. In the United Kingdom, we provided internet telephony to frontline employees, and laptops with secure network connections to a large number of employees two weeks before their lockdown period. Globally, our unified communications platform performed well with significantly increased volumes, including more than 43 000 video sessions and calls each day.

We also enhanced our digital health capabilities to meet the requirements of medical scheme members and healthcare professionals. In South Africa, together with Vodacom, we introduced a free virtual healthcare platform to all South Africans, leveraging DrConnect.

For more information, refer to the Discovery Health business review on ***page 68***

Remote working presented the Group with new cybersecurity risks. In response, we enhanced our security, privacy and data loss perimeters without disruption to our operations. We also intensified data and cybersecurity awareness training for financial advisers and our employees, and extended modules, such as cyber-bullying, to their families.

OUR STRATEGIC APPROACH

Harnessing the power of technology is a material focus area for the Group. We concentrate on two aspects, namely data stewardship, and technology and innovation. Integrated into our operational systems, it supports our goal to improve synergies between data, the end-user experience, and enhanced or new products.

Data stewardship

We have a fiduciary duty to protect the data we collect and, therefore, we have implemented appropriate measures across the Group to support data integrity, privacy and security. Our primary risks relate to the security of data, cyber threats and cybersecurity, as well as the increasing digitisation of our business.

Our Group Risk and Compliance Committee, supported by our Group Chief Information Officer (CIO) and Group CIO Forum, is responsible for technology and information governance. We regularly report to the Board, which supports initiatives that drive our strategic shift towards a data-centric cybersecurity model. In addition, our Board and Executive Committee oversee our compliance with the standards of the European Union General Data Protection Regulation (GDPR) and the Protection of Personal Information (POPI) Act in South Africa.

This year, we reviewed and updated the mandate of our Group CIO Forum to align more closely with King IV™ practices and the emphasis on data governance and privacy. We classify risks under the ISO27001 information security standard and the National Institute of Standards and Technology (NIST) Cybersecurity Framework, which both drive the security programmes we implement to enhance our systems and processes.

Our privacy statement explains how we collect, use, share and otherwise process personal and other information, as well as the right of individuals to control their data in terms of access, rectification and deletion.

Our privacy statement is available on ***www.discovery.co.za/corporate/legal***

We continue to invest in systems and practices that enable robust assurance around data quality, consent, data lineage and data classification. Our investments in technology align with business requirements, and we work closely with assurance providers to identify and address any risks or compliance-related matters. This year, following a review, Discovery is satisfied with its cybersecurity cover, including provision for remedial work by insurer-approved experts in the event of a cybersecurity incident.

An independent external auditor reviews our security policies, systems and processes annually. Furthermore, our developers receive training on secure coding practices, and our employees and long-term contractors complete compulsory data privacy and cybersecurity awareness programmes every quarter. We tailor these programmes for financial advisers and Discovery business consultants who complete additional modules on data and compliance. We hope to extend this cybersecurity and privacy awareness training to service providers in the future. In the meantime, they provide comprehensive evidence of appropriate security practices. We apply strict data sharing and identity protection policies in our interaction with service providers, and we only share data with client consent and when necessary.

Technology and innovation

In our technology approach, we prioritise speed, innovation and flexibility. Therefore, we develop most of our solutions in-house and continually enhance our systems and processes in response to market needs and product offerings.

We have a dynamic technology environment to support the unique requirements of each business. Every business has its own CIO who is part of the Group CIO Forum, ensuring alignment with Group initiatives and data and cybersecurity standards.

Our Vitality1 platform is one of our most innovative technology assets. Launched in August 2018, this web-scale solution facilitates sophisticated global product delivery and market integration. A core asset within Vitality1 is the Vitality Device Platform. This platform offers a single point of entry for Vitality Group partners to integrate wearable devices and health apps into their offerings without establishing independent relationships with multiple device manufacturers.

The pace of disruption in enterprise IT is rapidly accelerating, propelled by client preferences and swift business innovation. We focus on the expansion of digital tools and technologies like Machine Learning (ML), AI and the Internet of Things (IoT). As early adopters of digital innovation, we are enabling new performance capabilities, for example, through our natural language processing technology.

Many products launched during the year were underpinned by our technology capabilities. Through our data-science platform, we introduced AI Quote and extended the use of Discovery Digital ID facial recognition beyond Discovery Bank. Through our Digital Lab, overseen by our Group Chief Digital Officer, the Group can apply digital best practices and identify opportunities for business collaboration in, among others, AI, automation or speech recognition.

The IoT underpins our approach to improving wearable device integration and increasingly sophisticated Vitality Health Checks. Our collaboration with Cambridge Mobile Telematics, a US-based company, has also been key to enhancing our Vitality Drive technology, features and rewards.

*For more information, refer to our business reviews from **page 68***

We invest significantly in skills development and work closely with universities to support the required skills development. For example, Discovery Graduate Hackathon for IT students (GradHack), invites third-year and honours IT students to submit ideas and to develop innovative solutions in small teams. The 2019 GradHack final hosted 36 graduates and 22 of them joined Discovery as full-time employees in January 2020; further supporting our aim to diversify and prepare our workforce for the future. We also launched a Group-wide learning academy to provide a curated set of online career paths for Discovery employees to promote career development and to create a pipeline of new talent.

*For more information on how we prepare our workforce for the future, refer to our people review on **page 60***

Where we are headed

We remain committed to leveraging our expertise in data science. COVID-19 has accelerated the adoption of online and digital tools, as well as certain cybersecurity risks. We will continue to invest in systems capabilities that allow continued agile performance and reinforced cybersecurity. Furthermore, we will enhance our digital and self-service channels to meet changing client needs. As part of our data-centric cybersecurity model, our focus will remain on implementing big data, ML, automation and AI technology to support our shared-value approach and actuarial capabilities.

Another main priority will be to attract, retain and grow talent in the technology space. We will focus on transformation and drive employment equity initiatives throughout our technology teams. Similarly, we will focus on growing our leadership capabilities, including strengthening the IT capabilities across the Group and all of its functions, including the Group Risk and Compliance Committee.

OUR BUSINESS REVIEWS

DISCOVERY HEALTH

Discovery Health is South Africa's leading medical scheme administrator and managed care provider, providing services to over 3.67 million* lives. We provide medical scheme members with access to high-quality, affordable healthcare on a sustainable basis, while contributing to the strengthening of the healthcare system for all South Africans.

We manage 39% of the total membership of medical schemes in South Africa, including Discovery Health Medical Scheme (DHMS) – South Africa's largest open medical scheme, with a 57% share of the open medical scheme market. Discovery Health also manages 18 restricted membership medical schemes, with a combined membership of 698 534 lives and a 17% share of the restricted medical scheme market.

Our key performance indicators

LIVES UNDER MANAGEMENT EXCEEDED
3.67 million*
(2019: 3.62 million)

NORMALISED OPERATING PROFIT INCREASED BY
5% to
R3 190 million
(2019: R3 044 million)

NEW BUSINESS ANNUALISED PREMIUM INCOME (API) DECREASED BY
9% to
R6 101 million
(2019: R6 695 million)

* Includes lives with non-medical scheme products

RESPONDING TO THE CHALLENGES OF COVID-19

Discovery Health led an extensive and coordinated response to the challenges presented by the COVID-19 pandemic. From the early stages, the business increased its spend on servicing and infrastructure to ensure greater support to clients. From the time that the first case was announced in South Africa, Discovery Health introduced several new benefits, services and initiatives to support medical scheme members.

From a health insurance perspective, Discovery Health supported DHMS and restricted membership medical schemes in launching a WHO Global Outbreak Benefit, which provides out-of-hospital funding benefits for diagnostic testing and COVID-19 management.

Discovery leveraged its resources to provide industry support and play a nation-building role. To this end, Discovery Health and Vodacom partnered to deliver a free virtual healthcare platform to all South Africans, leveraging our DrConnect digital healthcare capability. This digital platform, which was only available to Discovery clients, was extended to give all South Africans access to online healthcare consultations and medical advice, further protecting doctors from repeated exposure to COVID-19. The partnership resulted in a jointly created COVID-19 Healthcare Fund that covered the costs for the first 100 000 consultations. For members of medical schemes administered by Discovery Health, these online consultations were covered from their risk benefits or from the COVID-19 Healthcare Fund.

To assist DHMS members diagnosed with or awaiting test results for COVID-19 to self-isolate, Discovery Health partnered with reputable hotels to create specially managed facilities as an alternative to home-based isolation at a significantly reduced price. This initiative aimed to prevent further infections in households and to support individuals who may not have the help they need at home. Support provided in these facilities included nursing care, over-the-counter medicine and referral for online consultations.

To further assist DHMS members and employers addressing the impact of the economic downturn, members could use their positive Medical Savings Account balances to pay their total medical scheme contributions for up to three months. Furthermore, qualifying small and medium-sized enterprises could defer up to two months of their employees' medical scheme contributions or Primary Care premiums.

Discovery Health also launched various contact tracing, return-to-work and advisory services to support DHMS employer clients in ensuring the wellbeing of their employees, and to assist them in regaining productivity.

OUR PERFORMANCE AGAINST STRATEGY

Discovery Health's strategy is to deliver an integrated, value-driven healthcare system centred on meeting medical scheme members' needs. During the year, we focused on sustaining market share growth in a contracting medical scheme market; managing medical inflation while optimising cost and quality; reducing administration costs while maximising service; and ensuring the increasing financial strength and competitive position of DHMS.

Discovery Health delivered a resilient performance despite the prevailing challenging economic conditions. New business growth retracted as a result of slower employment growth and retrenchments. However, Discovery Health continued to increase market share in both the open and restricted medical scheme markets. Medical scheme withdrawals decreased by 20% relative to the prior year, driven by the recognition of the importance of excellent healthcare during a pandemic.

Medical schemes administered by Discovery Health experienced much lower claims during the first half of 2020, driven by the postponement of discretionary and elective healthcare procedures during the national lockdown period. Recovery of this discretionary and elective healthcare utilisation is expected after the peak of COVID-19 in South Africa. As a result, lower claims will likely result in a material operating surplus for these medical schemes in the first half of 2020. This surplus will be needed to fund COVID-19-related claims, as well as the rebound in discretionary and elective healthcare utilisation over the next 18 months.

The continued efficacy of the Shared-value Insurance model was evident over the period. Engaged Vitality members' hospital costs were 28% lower, and their lapse rate more than 3.6 times lower, than non-Vitality members. Furthermore, the business continued to invest in building its value-based care initiatives, with 53.9% of hospital payments now under risk-share contracts. Discovery Health's condition-specific care programmes continued to demonstrate value, with the total cost of care for a member on the Diabetes Care Programme being materially lower than it was for non-registered members living with diabetes.

Discovery Health continued to diversify its revenue streams through expanded product offerings, and non-medical scheme revenue grew by 23% year-on-year. Pleasingly, our Discovery Primary Care, Gap Cover options and Discovery Healthy Company offerings are gaining traction with a total membership of approximately 184 000 at year-end. During the year, Discovery Health also acquired Medical Services Organisation International (MSOI), the leading provider of healthcare networks and third-party claims administration for global insurers across Africa.

This year, Discovery Health invested over R258 million in digital technologies and automation to ensure best-of-breed service, to extract operational efficiencies, to drive down healthcare costs and to improve member experience. Several technology projects in development – including robotic process automation, natural language processing, speech-to-text conversion, optical character recognition, document interpretation, Artificial Intelligence (AI) virtual assistant technology and instant messaging chat-service channels – represent the prudent deployment of leading-edge

Discovery Health *continued*

technologies. These investments show a satisfying return on investment over time, with a 7.2% decrease in operational expenses on a per-member basis in real terms from 2016 to 2020, and a 31% decrease in call rates from 2015 to 2020 as clients choose to engage with the digital services.

We operate in a complex regulatory environment, and are supportive of a National Health Insurance (NHI) system that represents structural change to the healthcare system that leads to better access and quality of healthcare for all South Africans. Discovery Health participated in various engagements and debates around a sustainable healthcare system wherein public and private healthcare can work together. The NHI changes may present opportunities for growth and product innovation, and we strongly believe that there is an ongoing critical role for medical schemes and private healthcare providers going forward.

Throughout the period, Discovery Health dedicated much focus and effort towards ensuring continued compliance with all Council for Medical Schemes (CMS) circulars, instructions and conditions to the accreditation certification. In response to circulars 80 and 82, relating to low-cost benefit options and demarcation products, appeals were submitted through industry bodies, and parallel constructive engagement with the CMS is ongoing. We also engaged extensively with the CMS on its section 59 investigation into how Discovery Health investigates fraud, wasteful care and billings abuse. We presented the CMS with a detailed synopsis of our forensic processes, as well as a rigorous analysis of the outcomes of our investigation processes. Our analysis, which was verified by external independent reviews, clearly confirms that there is no evidence of either implicit or explicit racial bias in our fraud investigation processes. While we are confident that our processes are ethical and unbiased, we recognise that the section 59 inquiry is an important process.

Where we are headed

The impact of COVID-19 on the financial position of medical schemes in the coming years remains uncertain and will depend on factors such as the severity of the pandemic in South Africa, as well as the extent of claims for discretionary and elective healthcare procedures.

Discovery Health is working on a number of tailored campaigns to increase new business, with particular focus on concluding contracts with new restricted medical schemes over the next year. In addition, we aim to grow the number of lives covered through an increased take-up of adjacent and mass-market products. We will further improve our digital platforms for healthcare systems and service.

Going forward, Discovery Health will be able to expand several of its products and services through MSOI. This includes managing the international assistance function that was previously outsourced, extending the Discovery Healthy Company employee wellbeing product across Africa, and developing complementary service products for clients with a business footprint across Africa.

OUR BUSINESS REVIEWS

DISCOVERY LIFE

Discovery Life provides individual and business clients with comprehensive life, capital disability, income protection, severe illness, funeral and other risk protection cover. The business has 446 000 individual policyholders and more than 601 000 lives on Group Life.

Discovery's Shared-value Insurance model and product innovation are the main differentiators for Discovery Life in the highly penetrated South African insurance industry. These factors have increased Discovery Life's new business market share of the South African intermediated retail-affluent protection market to 32%.

Our key performance indicators

VALUE OF NEW BUSINESS (VNB) DOWN
54% to
R421 million
(2019: R923 million)

VNB MARGIN DOWN TO
5.8%
(2019: 10.2%)

NEW BUSINESS ANNUALISED PREMIUM INCOME (API) DECREASED BY
1% to
R2 286 million
(2019: R2 312 million)

NORMALISED OPERATING PROFIT INCREASED BY
25% to
R4 029 million
before the COVID-19 provision
(2019: R3 230 million)
AND DECREASED BY
8% to
R2 971 million
after the COVID-19 provision

STEADY GROWTH IN NEW BUSINESS MARKET SHARE TO
32%
in the retail-affluent segment

EMBEDDED VALUE DECREASED BY
3.6% to
R31.8 billion
(Discovery Life and Discovery Invest)
(2019: R32.9 billion)

RESPONDING TO THE CHALLENGES OF COVID-19

Discovery's core purpose of making people healthier and enhancing and protecting their lives has never been more relevant. Likewise, maintaining life insurance cover has become more critical during this time of uncertainty.

Our Shared-value Insurance model creates unique structures that can be leveraged to offer valuable support to clients experiencing difficulties, and we introduced a range of Premium Relief Options aimed at the most vulnerable groups to provide flexibility and support the sustainability of their cover. For example, our PayBack benefit allowed clients to unlock the financial value contained in their future good health. From May 2020, our clients whose incomes were severely impacted by the national COVID-19-related lockdown were able to drawdown from their accumulated Health or Vitality Integrator PayBack funds to pay their Discovery Life premiums for three months. For those clients who did not qualify for this Premium Relief Option, we made three additional options available. These included an underwriting-free servicing option, a partial suspended cover option, and a suspended cover option – all of which offered financial relief to our clients during this challenging time.

Discovery Life also enhanced its Severe Illness Benefit to offer the Multi-organ Benefit, which covers complications associated with COVID-19, and to give new clients comprehensive cover for any COVID-19-related claims. In line with our proactive approach, and where we had consent and access to medical information, Discovery Life tracked clients who were diagnosed with COVID-19 to seamlessly manage claims from their available Life Plan, Severe Illness Benefit and Income Continuation Benefit.

Discovery Life also ensured the safety of our employees, and supported more than 95% of them to work productively from home. Furthermore, the business ensured that our financial advisers were suitably equipped with a comprehensive toolkit that empowered them to provide virtual financial advice to clients. As part of this assistance, we adapted our processes to allow clients to provide digital consent to authenticate new applications.

*For more information on how we supported our employees, refer to our people review on **page 60***

OUR PERFORMANCE AGAINST STRATEGY

The outbreak of COVID-19 during FY2020 compounded an already challenging and volatile operating environment. This year, we focused on optimising the growth and quality of new business, driving positive operational experience variances, ensuring balance and correct correlations within the Shared-value Insurance model, and maintaining the relevance of our products through client value and engagement.

To further support the business strategy, we consistently tailor our products to meet the changing needs of our clients. To this end, we introduced the Smart Life Plan, designed to protect and reward young adults. By introducing this product to individuals under the age of 30, we can build a strong pipeline of clients and ensure the future growth of the business.

Discovery's client base is weighted towards the retail-affluent segment, which has been a factor supporting our resilience through severe economic conditions. Discovery Life performed strongly against Embedded Value (EV) assumptions, with improvement across key non-economic experiences. This included an improved claims experience through increased reinsurance, monitoring of lapse rates, and aligning the Vitality-status experiences with health outcomes. Policy alterations were, however, negatively impacted during the lockdown period.

During the last quarter of FY2020, lapses remained below expectation. Furthermore, the total claims recorded were also lower than anticipated, with 25 COVID-19-related lump-sum claims received. Discovery Life reserved R1 979 million for the potential impact of COVID-19 on claims and lapse rates that is projected to emerge in future periods. This reserve impacted profit by R1 058 million net of discretionary margins.

*For more details of this provision, refer to our Group Chief Financial Officer's review on **page 46***

Discovery Life was also affected by the material increases in long-term nominal and real interest rates in South Africa. This resulted in the use of materially different valuation rates to discount future cash flows, and emerged as economic assumption changes. These assumption changes manifested as a lower discounted value of future cash flows, despite the actual cash flows not being materially affected by the economic assumptions. Given that there is no bearing on operating performance, the effect of R3.6 billion is excluded in the reported normalised earnings.

*For more information, refer to our Group Chief Financial Officer's review on **page 46***

We continue to generate significant value for our clients through our Shared-value Insurance model. During the year, highly engaged Vitality members experienced significantly lower levels of premature mortality and lapses compared with non-Vitality members. Furthermore, during FY2020, we paid more than R1 249 million from our PayBack benefit, a critical innovation that returns a percentage of clients' premiums based on their Vitality engagement, thereby adding value and sustainability to each insurance policy.

Where we are headed

Looking forward, Discovery Life will focus on driving new business growth and market share without compromising the VNB margin. We will also emphasise the ease of writing new business with Discovery Life through the use of technology.

The business will continue to drive a positive EV experience by reducing claims volatility through increased reinsurance and improving the overall policy alterations experience. Economic pressures from COVID-19 and premium relief initiatives are expected to have a material adverse impact on policy alterations and lapses in the short term. Along with the established COVID-19 provision, we are extending product initiatives to existing business to encourage enhanced servicing.

As the world continues to become exponentially more digital and tech-centric, we will provide a comprehensive product offering that meets the complex needs of a wide-ranging client profile. More than this, we will focus on leveraging our technological capabilities to enhance the efficiency of our quoting processes.

OUR BUSINESS REVIEWS

DISCOVERY INVEST

Discovery Invest applies Discovery's Shared-value Insurance model to reward clients for investing longer, investing more, living well and managing their money wisely in retirement.

The business offers a comprehensive and flexible range of investment plans, assisting clients to invest for their retirement or to achieve other shorter-term or medium-term goals. Our investment opportunities extend across local and offshore investments.

Our key performance indicators

NET INFLOWS AMOUNTED TO
R7.6 billion
(2019: R8.4 billion)

NEW BUSINESS ANNUALISED PREMIUM INCOME (API) UP
2% to
R2 667 million
(2019: R2 604 million)

ASSETS UNDER ADMINISTRATION UP
8% to
R99 billion
(2019: R91.6 billion)

NORMALISED OPERATING PROFIT DOWN
14% to
R830 million
(2019: R966 million)

DISCOVERY LIFE COLLECTIVE INVESTMENT SCHEME WAS IN THE
top 5
net retail flow takers for the June quarter
(excluding money market and fund of funds)

These key performance indicators exclude the Discovery Invest Umbrella Fund business.

RESPONDING TO THE CHALLENGES OF COVID-19

Discovery Invest offered contribution holidays of up to six months to qualifying clients on their recurring contribution products to alleviate cash flow and liquidity constraints.

We also committed to supporting financial advisers throughout this period with special offers to improve their sales. These special offers included higher boosts to lump-sum retirement annuities and preservers for new clients, as well as offering new clients higher boosts on their Discovery Retirement Optimiser policies. In addition, new clients investing in Discovery-linked annuities received a boosted income.

To assist financial advisers further, we launched a structured product tranche and enhanced our conservation strategy by rolling out an extensive retention programme on our financial adviser portal. Through this portal, advisers had access to a comprehensive toolkit on how to provide virtual financial advice during COVID-19. We also made 54 continuous professional development (CPD) courses available with up to 70 CPD credits to help improve our advisers' industry knowledge.

OUR PERFORMANCE AGAINST STRATEGY

Discovery Invest is one of the fastest-growing retail investment providers in South Africa. The business model that creates and shares value, supported by strong asset management, has performed well in current market conditions; characterised by commoditisation and flows into conservative money market and income funds.

Despite an 8% increase in assets under administration to R99 billion, normalised operating profit decreased by 14% to R830 million; driven mainly by once-off investments in new digital and offshore initiatives, as well as higher lapses attributable to the maturity of a large block of the Capital 200+ Structured Product. Furthermore, changes to tax treatment reduced the initial profitability of certain recurring premium products. Operating profit was also affected by significant sales of Guaranteed Return Plans during a period of high volatility on the yield curve.

The second half of FY2020 was characterised by extreme volatility in asset prices, caused by the impact of COVID-19 and South Africa's sovereign credit rating downgrade by Moody's on 27 March 2020. For example, the JSE Top 40 Index reduced by 32.6% between 31 December 2019 and 19 March 2020 before rebounding 46.5% as at year-end – only 1.3% lower than in December 2019. Discovery Invest's performance was robust despite this, driven mainly by new business and the effect the investment boosts have on retention of assets under management. This was supported by product enhancements and special offers, discussed under our response to COVID-19, to ensure superior overall financial outcomes for our clients. Average asset-withdrawal rates remained relatively unchanged and engagement metrics are encouraging. Our clients are exhibiting 11% less drawdowns, up to 20% reduced withdrawals on linked annuities, and two times more ad hoc contributions to their retirement savings in the five years since June 2015 when our new model, addressing the issues inherent to retirement planning, was introduced.

In FY2020, the Association for Savings and Investment South Africa (ASISA) ranked Discovery Invest's unit trusts as the 4th net retail flow taker in the collective investment scheme (CIS) industry for the June quarter. The ranking was mainly supported by the Discovery Balanced Fund and Discovery Diversified Income Fund, which attracted the second highest net retail flows in the South African multi-asset, high equity sector, and the sixth highest net retail flows in the South African multi-asset income sector (excluding money market and fund of funds).

Innovation in the long-term savings market remained a strategic priority for the business. This year, we expanded our shared-value investment platform by creating the first international shared-value offering, with unique benefits and associations with some of the largest investment managers in the world, including BlackRock and Goldman Sachs. We also added unique features to our offering, such as allowing clients to invest offshore below the prevailing exchange rate. Furthermore, we provided our clients with access to a curated list of top global asset managers through Allfunds, the world's largest fund distribution network, and created a new structured offshore product. All of this was built on a best-of-breed global endowment plan, with access to an offshore trust at significant discounts. We also leveraged our technological capabilities to offer clients a seamless digital experience as they navigate the world of global investing.

Discovery Invest continues to enhance its digital capabilities. During the year, we launched a first-of-its-kind digital functionality, called Smart Verification, which makes global investing easier for clients, and essentially streamlines and expedites the investment process by removing the need for clients to submit several physical documents. We also introduced Invest AI Quote, a fast, tech-driven portfolio optimisation and quoting service that enhances the investment quoting and comparison process. This service, based on a rigorous, statistical fund selection methodology, allows us to envision a client's potential investment with Discovery in an optimised mix of funds and with our unique investment boosts.

Our Umbrella Fund business extends Discovery Invest's offerings to corporates. The offering is differentiated in the market by including substantial incentives for long-term investing, as well as having an attractive price point. We are driving business development within the Umbrella Fund in several ways, including investing more in our distribution strategy. We have further added unique benefits like free access to on-site clinics, executive wellness programmes and an employee assistance programme for qualifying clients with Discovery Health administered products. To enhance the sales process, we have been running a special offer of zero administration fees for qualifying Discovery Health clients with more than R10 million in assets.

Where we are headed

The business intends to continue investing in our digital capabilities to further increase client centricity while lowering operating costs. At our product launch in September 2019, we further enhanced our local offering with unique features linked to Vitality, as well as a range of special offers to support sales.

While we anticipate continued market pressures because of COVID-19, we will remain focused on growth and increasing our market share by capturing the opportunity presented by the independent financial adviser channel. Furthermore, we will continue with our conservation efforts, with a particular focus on retaining those clients who opted for a contribution holiday during the pandemic.

OUR BUSINESS REVIEWS

DISCOVERY INSURE

Discovery Insure has an expansive product offering through our car, home and business insurance. We provide our clients with flexible, market-leading, comprehensive insurance cover against modern and emerging insurance risks.

Our insurance is supported by our driver-behaviour programme, Vitality Drive, and is enhanced by innovative service features and technology.

Our key performance indicators

GROSS WRITTEN PREMIUM EARNED INCREASED BY
^ 14% to
R3 666 million
(excl. commercial)
(2019: R3 211 million)

GROSS NEW BUSINESS ANNUALISED PREMIUM INCOME (API) INCREASED BY
^ 5% to
R1 089 million
(excl. commercial)
(2019: R1 041 million)

94%
COMBINED RATIO,
favourable and within budget and trending towards our long-term target
(2019: 95%)

NORMALISED OPERATING PROFIT INCREASED BY
^ 59% to
R246 million
(excl. commercial)
(2019: R155 million)

RESPONDING TO THE CHALLENGES OF COVID-19

Since the start of the national lockdown, we saw a significant decline in the number of kilometres driven by Discovery Insure clients. As part of our Shared-value Insurance model, we tailored our products and benefits to remain relevant and to address the changing needs of our clients. We were one of the first short-term insurers to adjust our premiums and rewards criteria for clients who were driving less during the various alert levels of lockdown. For example, using our unique telematics insights, we reduced motor vehicle insurance premiums for May 2020 by up to 25% for clients who drove fewer than 500 kilometres during April. We subsequently extended this distance-based cash back, regardless of the lockdown alert level, through a unique feature called Dynamic Distance cash back, which continues to reward clients with monthly cash back for driving less. In addition to this benefit, clients were able to fund their Vitality Drive premiums from the Excess Funder Account or from future cash back on fuel.

In terms of Discovery Business Insurance, we developed a comprehensive set of core and additional COVID-19-related support services to assist employers. We launched product enhancements that provided clients with cash back on specified perils to reduce the risk of exposure and by extending cover we provided peace of mind during this period. Furthermore, we provided our clients with access to capital. Through our business funding partner, Merchant Capital, clients could get a cash advance of up to 80% of their turnover (between R50 000 and R1 million) to assist them with cash flow. Clients could also receive between 15% and 50% of their annual insurance premium in cash back.

OUR PERFORMANCE AGAINST STRATEGY

Over the past nine years, Discovery Insure has evolved into the fastest-growing insurer in the short-term insurance industry and the sixth-largest insurer in the personal lines industry. Discovery Insure's strategy is to increase its scale as a top personal lines insurer in terms of market share and profitability, and to grow our commercial insurance operation.

Discovery Insure showed significant resilience during a difficult second half of the year. Despite the circumstances, new business increased by 5%, peaking in June with record new-business levels. Lapse rates were much lower than anticipated given some of our clients' financial constraints, possibly as a result of the initiatives we introduced to assist them in meeting their premium payments. The trade-off between essential need and affordability, however, meant that while lapse rates were much lower than expected, motor downgrades did increase over the period compared with normal levels. Motor claims were significantly below expectations but will continue to return to normal levels as travel and other restrictions ease. The quality of our book, which continues to improve, is encouraging, with our Shared-value Insurance model leading to improved selection and positive behaviour change.

Evidence of the efficacy of our model continued to emerge during the year, presented through loss ratios by Vitality Drive status and driver scores improving over time. Improved efficiencies across the business, supported by increasing policies per employee headcount, continued to drive margins. Furthermore, we continued to realise cost savings through our digital capabilities, with up to 44% of claims captured digitally and an increasing proportion being automatically processed using Artificial Intelligence (AI). The actuarial dynamics of our Shared-value Insurance model in commercial insurance remain robust, with rewards components tailored to suit the market. Discovery Business Insurance experienced exceptional growth and strong financial adviser support over the past 18 months. A key priority was developing a specialist-tied adviser force dedicated to writing insurance for businesses. The first 19 financial advisers started in February 2020 and, by year-end, we had a total of 37 financial advisers supporting the business.

Discovery Insure continued to focus on innovation to enhance our product platform and offer unique benefits for our clients in every life stage and segment. Accordingly, during the year, we introduced Vitality Drive 65+ to reward our clients in this age group for good driving. We also launched Discovery Insure Vehicle Warranty, the first telematics-based warranty that provides comprehensive mechanical breakdown and electrical failure cover. Furthermore, we launched AI Quote – a world-leading digital service platform that allows financial advisers to provide clients with an insurance quote in seconds. The business also partnered with a leading national brokerage, who transferred over R100 million in annualised premium income from personal and commercial lines policies to Discovery Insure. We developed bespoke products to meet the needs of their client base, and this partnership bodes well for future new business growth.

Within Discovery Business Insurance, our multi-peril cover is the first in the market to provide expansive protection for all major and modern insurable risks, including cyber liability for first and third-party cyber losses. To provide our financial advisers and clients with added value and support, we introduced several new partnerships and enhancements to our products this year. Our clients can get up to 50% cash back on their monthly data spend with MTN for managing their business risks well. Furthermore, based on their Vitality Drive status, clients can get a discount of up to 50% on any purchase from Tiger Wheel & Tyre.

In line with our strategic objective to extend our model into international markets, and following the successful launch of Avis SafeDrive in South Africa, Discovery Insure is developing programmes in two international markets that are expected to launch during FY2021.

Where we are headed

Going forward, Discovery Insure will continue to leverage our Shared-value Insurance model to create a nation of good drivers. We believe that this will enable us to achieve our ambition of R500 million in operating profit in FY2023.

In light of challenging market conditions, the business will focus on driving client engagement, which will be enhanced by the implementation of a new mobile app strategy. Recognising that the pandemic may influence client driving patterns beyond the short-term restrictions we are facing, we are currently investigating new insurance solutions that meet the dynamic needs of our clients.

A key objective of Discovery Insure's strategy is the expansion of Vitality Drive into international markets, with two markets already identified for launch during FY2021.

OUR BUSINESS REVIEWS

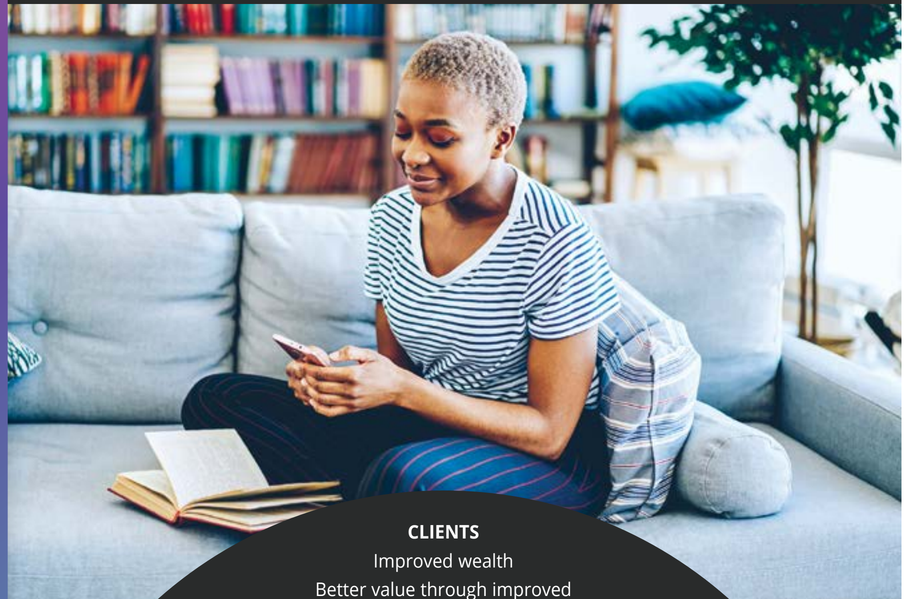
DISCOVERY BANK

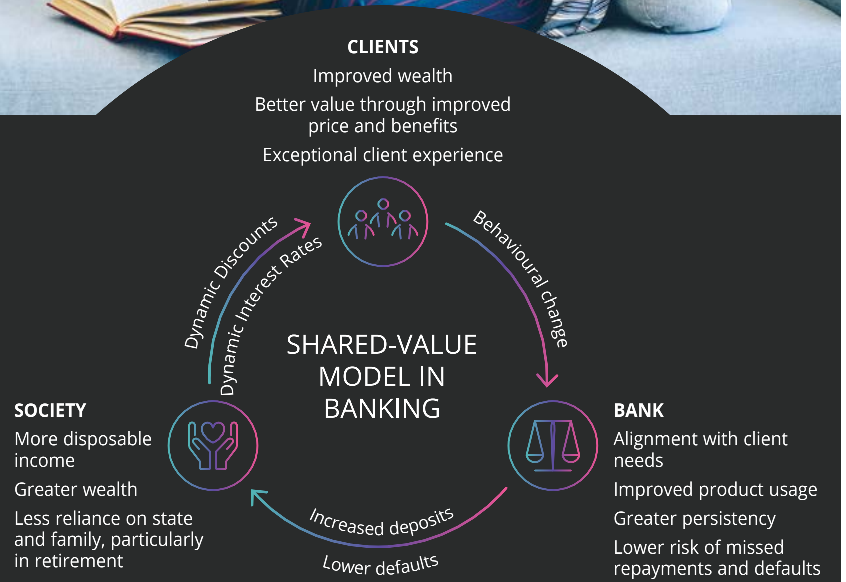
Discovery Bank combines innovative technology and leading edge digital capabilities with Discovery's proven understanding of risk and behaviour change to firmly position itself in the category of shared-value banking, applying the Discovery Group's unique model that shares value between clients, the business and society.

The resultant Shared-value Banking model, underpins Discovery Bank's value proposition to deliver a fully digital banking experience with personalised solutions that encourage clients to manage their money well, and enable and reward financial wellbeing.

Value stems from clients presenting a lower risk to the banking system, with higher retirement and personal savings, investments, and a lower chance of financial default. Together, this creates economic value for Discovery Bank, which is used to give clients better rates of interest on savings, lower rates of interest on debt, and greater rewards. By driving positive financial behaviour and encouraging financial wellbeing, Discovery Bank creates a virtuous shared-value cycle that aligns the interest of the Bank with those of its clients.

As Discovery Bank grows, its aim is to be South Africa's preferred fully digital retail bank. Its innovative banking model, with the Vitality behaviour-change platform at the centre, and its leading mobile-first capabilities are key differentiators for Discovery Bank.





Our key performance indicators

OVER
200 000 clients
(2019: over 22 000 clients)

OVER
370 000 accounts
(2019: Over 50 000 accounts)

RETAIL DEPOSITS OF OVER
R2.4 billion
(2019: R193 million)

TOTAL CREDIT FACILITIES OF OVER
R5.4 billion
available, of which
R2 billion is being utilised
(2019: R900 million/R271 million)

The comparative indicators for 2019 were extracted as at 3 September 2019.

RESPONDING TO THE CHALLENGES OF COVID-19

When the national lockdown in South Africa was announced, Discovery Bank focused on assisting our clients in maintaining their financial health – leading to various new initiatives to increase client value and to boost their rewards. Clients received up to 100% back in Discovery Miles on their HealthyLiving (HealthyFood, HealthyCare and HealthyGear) purchases. Furthermore, recognising the importance of physical activity during the lockdown period, Vitality members were rewarded with Discovery Miles in their Discovery Bank accounts as they exercised – transforming their activity levels into tangible financial benefits of 1 Discovery Mile for every 1 Vitality fitness point earned. In addition, clients could convert their Discovery Miles to cash at a R1 to 10 Discovery Miles exchange rate, purchase data and electricity at discounted rates, and clients in need of financial assistance could contact Discovery Bank directly to discuss payment relief options, which were decided on a case-by-case basis.

Discovery Bank also developed an in-app functionality that enabled our clients to make donations directly to the Solidarity Fund. We also reduced our clients' weekly Vitality Money goals to ensure they could still earn the maximum rewards, while accommodating limited spending associated with the stay-at-home period.

OUR PERFORMANCE AGAINST STRATEGY

Discovery Bank aims to be the leader in shared-value banking, providing world-class banking solutions that improve South Africans' financial health to positively impact society. This past year, the business focused on demonstrating the appealing client proposition that behavioural banking creates, on leveraging key strategic advantages to build a retail heavy bank of scale, and on increasing the number of clients.

The Discovery Bank build, testing and running were achieved largely within budget while delivering a number of innovations, such as mobile onboarding in less than five minutes, Health Banking, a smart payment solution to instantly settle medical co-payments, and a completely new Discovery Miles programme. With the enhancements, Discovery Miles offer a more valuable rewards system when used within the Discovery Bank partner network, and clients can exchange their Discovery Miles for cash at a competitive rate, donate them to a cause of their choice or transfer their Discovery Miles instantly to someone with a Discovery Bank account at no extra fee.

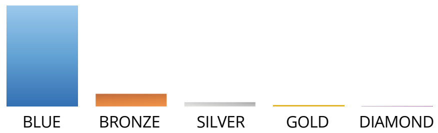
Our fully digital 24/7 onboarding process continued to attract new clients with 44 965 first-time clients (no previous credit card accounts) joining Discovery Bank during the period. The Bank also made significant progress with the migration of the Discovery Card client base from the FNB joint venture to Discovery Bank, which we completed in July 2020, with the migration of over 220 000 clients and 350 000 accounts. During the fourth quarter of FY2020, we activated Discovery's financial adviser channels to bring new clients onboard through transactional accounts and deposit accounts.

The Discovery Bank Integrator benefit, which received recognition in the Efma Customer Insight and Growth Banking Innovation category, furthered the integration benefits of clients with multiple Discovery products. Through the Discovery Bank Integrator benefit, clients can receive a discount of up to 15% on their Discovery Life insurance premiums, and up to three years of their bank fees paid back to them depending on their Discovery Bank product, engagement with Vitality Money and their Vitality Money status.

During the year, substantial work was done to simplify the user experience on the behaviour-change platform, Vitality Money, and to streamline the service environment and online support functionality. Client engagement is pleasing, and our client base is exhibiting appealing spend, credit, arrears and deposit behaviour, which is an early indication that the Shared-value Banking model is working. Strong correlations are being observed between a higher Vitality Money status and responsible credit utilisation, higher deposits, and a lower risk of defaults across the client base. Engagement and correlations were even stronger for clients with multiple Vitality products.

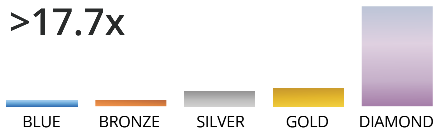
ARREARS RATE*

99% lower



DEPOSIT LEVELS*

>17.7x



SPEND*

>4.6x

* Diamond Vitality Money status compared with Blue Vitality Money status.

Pre-COVID-19, clients who previously had a Discovery Card (on the FNB platform), were using their cards to pay for over 50% of their purchases, while Discovery Bank clients were spending three times as much as the rest of the market, using their Discovery Bank Card Accounts.

The COVID-19 lockdown restrictions had a negative short-term impact on client acquisition and credit card spending. However, we are seeing a steady recovery in spending habits, which has increased to 86% of pre-COVID-19 lockdown levels. The average number of new clients joining Discovery Bank in June recovered to 83% of the levels achieved in the first two months of 2020. Growth in deposits remained resilient during the period, driven by our Dynamic Interest Rates, which are, on average, 2% above the market average, and linked to clients' Vitality Money status. We are closely monitoring the impact of COVID-19, ensuring that the business is fit-for-purpose with sufficient liquidity even under extreme stress scenarios. The Discovery Bank client base has displayed a strong ability to fulfil financial obligations and generally have high credit-rating scores (obtained from Experian credit reporting), and we expect the business to remain resilient during the COVID-19 pandemic in comparison with the rest of the market.

Where we are headed

Discovery Bank's success is critical to the Discovery Group. We are committed to building an exceptional Bank that continues to disrupt the South African banking market and dazzles our clients at every opportunity.

Streamlining our banking model and highlighting its value will continue to be a priority. Looking ahead, we will continue to be at the forefront of product innovation, and will focus on providing a superior user experience, while establishing excellence in the mass-affluent market. We also aim to reach our medium-term goal of having 500 000 to 600 000 clients. We are confident that Discovery Bank will gain significant scale and earn the required return, ensuring that it becomes a composite maker for Discovery.

OUR BUSINESS REVIEWS

VITALITY UK

VITALITYHEALTH

VitalityHealth provides a unique, comprehensive health and wellbeing solution, servicing individuals, small- and medium-sized businesses, and corporates, directly or through financial advisers. VitalityHealth has an 11.2% share of the Private Medical Insurance (PMI) market in the United Kingdom.

Our key performance indicators

RETURN ON CAPITAL DECREASED TO

12.3%

(2019: 13%)

EARNED PREMIUMS UP BY

8% to

£497 million

(R9 813 million)

(2019: £460 million/ R8 429 million) before the additional unearned premium reserve

NEW BUSINESS ANNUALISED PREMIUM INCOME (API) DOWN BY

15% to

£62.7 million

(R1 238 million)

(2019: £73.5 million/ R1 346 million)

NORMALISED OPERATING PROFIT INCREASED BY

2% to

£42 million

(R830 million)

(2019: £41.4 million/ R758 million) after the additional unearned premium reserve

OUR PERFORMANCE AGAINST STRATEGY

By applying the Discovery Shared-value Insurance model, VitalityHealth aims to be the best and most trusted health insuretech company in the UK, contributing to a million additional years of life for our members by 2023. This year, in pursuit of this objective, we focused on maintaining exceptional quality of new business, delivering personalised healthcare pathways through digital capabilities and ensuring service quality.

We have a considered approach to our brand positioning, how members experience both Vitality and delivery of care, and how we engage with our members throughout their policy year. This year, our efforts to provide excellent customer service were recognised as we placed first in the Top 50 Companies for Customer Service Awards – the UK's largest customer service benchmarking programme, considering over 300 companies across a range of sectors.

VitalityHealth continued to deliver strong results in a challenging sales environment characterised by economic uncertainty and aggressive competitor activity. Driven by the excellent retention capabilities of the business, total lives covered reached 681 659, a 6% increase from FY2019, and our members continued to place a high value on the benefits of PMI – especially in light of growing National Health Service (NHS) waiting lists and the accelerated adoption of digital healthcare.

The business saw lower lapses than our pre-COVID-19 expectations, potentially due to a combination of good retention capabilities, valued products, premium relief options, lower claims from the postponement of elective treatments, and the NHS co-opting private hospitals to support COVID-19 treatment. We believe that elective treatments have mainly been deferred during the lockdown, rather than being cancelled altogether. Therefore, we expect an increase in claims as hospital utilisation escalates following the lift of the lockdown. To offset the anticipated increase in claims, VitalityHealth has set up an additional premium reserve of R713 million, which will be fully released during FY2021. This is included in the Group's reserve for potential future COVID-19 impacts.

*For more details of this provision, refer to our Group Chief Financial Officer's review on **page 46***

Data science is at the core of VitalityHealth's strategy. We continue to apply sophisticated Machine Learning (ML) to improve our business. For example, in our call centre operations, we built ML models that can predict which policies are most at risk of lapsing, enabling us to proactively contact clients for retention purposes. The insights into the predictions by these models also assist us in personalising any retention conversations with our clients. The results are compelling, and we are applying learnings from these ML models throughout the Vitality UK business.

During the year, both our Healthy Workplace and Vitality Essentials products were rebranded under the Vitality at Work banner. We enhanced the rewards offered by Vitality at Work Enterprise (previously Healthy Workplace) to allow employers to better understand their employees' wellbeing and engagement in this new world of work. Similarly, Vitality at Work Business (previously Vitality Essentials) now provides a combination of Vitality behaviour-change and healthcare benefits, such as personal healthcare pathways, virtual GP consultations, diagnostic tests, and prescriptions, for a small premium.

Where we are headed

Going forward, we will leverage VitalityHealth's robust cash-generative model to ensure the resilience of our UK composite. Furthermore, we will continue to build on fundamentals to strengthen our direct-to-business competencies and create personalised healthcare pathways through digital capabilities.

We believe that our Vitality at Work Enterprise and Vitality at Work Business products will become increasingly relevant in light of the COVID-19 pandemic. Accordingly, during the next financial year, we will further extend our Vitality at Work offerings to include corporate PMI clients.

OUR BUSINESS REVIEWS

VITALITY UK

VITALITYLIFE

VitalityLife provides long-term life, serious illness and income protection cover for individual clients and business protection cover for businesses.

Our key performance indicators

NORMALISED OPERATING PROFIT DECREASED BY

52% to

£15 million

(R297 million)

before the COVID-19 provision

(2019: £31.6 million/ R578 million)

and decreased to a normalised operating loss of £13.8 million

(R272 million) after the COVID-19 provision

ANNUALISED NEW BUSINESS MARGIN DOWN TO

3.2%

(2019: 5%)

INDEXED PREMIUM NEW BUSINESS MIX INCREASED FROM

24% in 2014 to

42.2% in 2020

(2019: 41%)

TERM ASSURANCE NEW BUSINESS PROPORTION REMAINED RELATIVELY STABLE AT

96%

(2019: 96%)

OUR PERFORMANCE AGAINST STRATEGY

Over recent years, the UK experienced unprecedented interest rate volatility and uncertainty. Our focus this year has been on stabilising the impact of external factors on the business, addressing non-economic variances through the quality of new business and retention, and right-sizing the business for the environment.

In October 2019, we decided to protect VitalityLife's yield-sensitive back book against further interest rate decreases through a 25-year interest rate hedge implemented in October 2019.

Refer to our Group Chief Financial Officer's review on ***page 46*** *for details on this hedge and IFRS valuation strain in VitalityLife. The negative impact of £60.5 million net of the hedge has been normalised out of VitalityLife's result*

New business annualised premium income (API) decreased by 10% to £63.6 million (R1 257 million) and earned premiums increased by 11% to £288.8 million (R5 705 million). Lives covered and in-force policies both grew by 8%, to 621 215 and 470 923, respectively.

We implemented various strategies to right-size the business and protect VitalityLife in a volatile environment to ensure the success of the UK composite. We focused on three key areas – capital and liquidity, our expenses, and the quality of new business. To further support the impact of interest rate volatility on the business, we deferred the Part VII transfer of business written on Prudential Assurance Company's licence by three years and adapted the legal structure of VitalityLife. To curb our expenses, we reorganised the franchise distribution channel and combined key elements across Vitality UK, such as the retention function of VitalityLife and VitalityHealth. We will also leverage VitalityHealth's expertise to eliminate negative lapse experience variances and achieve the right mix of quality new business.

While we saw unfavourable experience variances, driven mainly by lapses, we identified those financial adviser firms with significantly higher than expected lapse rates to extend commission clawback terms. While lapses showed no increase specifically related to COVID-19, a provision has been made for a possible future increase in lapses driven by the economic stresses caused by the pandemic. Claims volumes were higher than our pre-COVID-19 expectations, driven primarily by mortality claims related to the pandemic. The provision for future COVID-19 impacts in VitalityLife totalled R569 million. We continue to monitor the situation.

Where we are headed

While VitalityLife continued to face rising pressure from external factors, we believe that the explicit decision to enter into an interest rate hedge position, along with actions taken to right-size the business, will position VitalityLife to perform better in the future.

Going forward, we will focus on managing VitalityLife in a low interest rate environment, stabilising experience variances and returning the business to robust profit during FY2021.

VitalityLife remains committed to providing excellent service and encouraging positive behaviour change for the benefit of our clients. With a focus on innovation, we are exploring several opportunities to further enhance our products.

OUR BUSINESS REVIEWS

VITALITY UK
VITALITYINVEST

VitalityInvest offers long-term savings and investment products. Providing a holistic investment offering, we combine savings with wellness and behavioural economics to encourage positive behavioural change that benefits client investments.

Our key performance indicators

NEW BUSINESS ANNUAL PREMIUM EQUIVALENT (APE) OF
£20.5 million
(R404 million)
(2019: £5.7 million/R104 million)

TOTAL FUNDS UNDER MANAGEMENT OF
£202 million
(R4 331 million)
(2019: £43 million/R773 million)

OUR PERFORMANCE AGAINST STRATEGY

This year, VitalityInvest focused on new business growth and product development, achieving substantial progress in both areas. The business launched new product propositions in January 2020, including a fund range in partnership with SEI, one of the world's largest manager-of-managers, and a range of blended funds that bring together index-tracking and actively managed solutions. Total funds under management at the end of the financial year was £202 million (R4 331 million), nearly double that of the six months prior, despite COVID-19. Underpinned by our shared-value model – a combination of the Vitality behaviour-change platform and VitalityInvest's market-leading transactional capabilities – new business growth gained traction, reaching a 17% month-on-month increase during the first half of the year.

VitalityInvest also ranked as a best performing provider, achieving joint first place in the categories of product and proposition, and new business servicing in the 2020 Defaqto Pension Service Review.

In light of the potential impact of COVID-19 on new business, VitalityInvest implemented an 18-month strategy towards the end of the financial year to preserve cash on the back of lower new business and activity levels, including a number of cost reduction initiatives.

Where we are headed

VitalityInvest has a unique product proposition that we believe will continue to make an impact in the UK savings market and grow our composite model. Following the right-sizing of the business, going forward, we will focus on growing new business volumes to build up the funds under management. With this, we will focus on increasing VitalityInvest's footprint in the wealth adviser space.

VitalityInvest will continue to focus on increasing new business through the franchise channel, which is primarily on a variable basis, allowing the business to benefit from any recovery in the investment new business market.

RESPONDING TO THE CHALLENGES OF COVID-19 IN THE UK

The safety of our employees has been a top priority for the business. Our interventions focused on two critical areas, namely developing and implementing sophisticated initiatives to protect 220 of our high-risk employees across the UK; and balancing our employees' safety with business continuity. We enabled all 2 084 UK-based employees to work from home to protect them from potential exposure to COVID-19.

In March 2020, the National Health Service (NHS) contracted the private healthcare sector at cost to provide additional capacity for the treatment of COVID-19 patients. In terms of the agreement, the private sector provided additional hospital beds, ventilators and the services of medical practitioners. Improving our members' wellbeing and making sure they receive the best quality care is crucial, and Vitality UK therefore worked closely with both the NHS and private healthcare providers to ensure patients were prioritised in order of clinical need. While private facilities continued to provide elective treatments, albeit on a reduced basis, we expect that this will steadily increase going forward.

We also tailored our products and benefits to maintain relevancy and address the needs of our members. VitalityHealth, for example, introduced a special cash benefit of up to £5 000 to all members with Private Medical Insurance (PMI), should they be admitted to hospital as a direct result of COVID-19. VitalityHealth also extended its general practitioner (GP) advice line to VitalityLife and VitalityInvest clients, giving them access to clinical support and information. The GPs providing the service received additional training on COVID-19, including testing eligibility, guidance on self-isolation, as well as the mental and physical impacts of isolation. All Vitality UK clients had 24/7 access to this service through the Vitality member zone on the website.

In addition, both VitalityHealth and VitalityLife introduced premium relief options to support clients facing financial difficulties. For example, VitalityLife allowed clients to temporarily reduce both their cover and premiums by 25%, 50% or 75% for three months, following which their cover and premiums automatically reverted to original levels without any underwriting. Both businesses also offered clients the option to defer premiums for up to three months while keeping their cover in place.

OUR BUSINESS REVIEWS

VITALITY GROUP

Vitality Group is responsible for expanding Discovery's Shared-value Insurance model beyond South Africa and the United Kingdom (UK) through partnerships and joint ventures with global insurers. Vitality Group also provides wellness solutions to corporate clients and other industries in the United States of America (USA).

Our key performance indicators

(excluding Ping An Health)

INTEGRATED ANNUALISED PREMIUM INCOME (API) BY INSURANCE PARTNERS INCREASED BY

^ 18% to **US$1 billion (R15.8 billion)**

(2019: US$853 million/ R12.1 billion)

REVENUE* INCREASED BY

^ 11% to **US$72.3 million (R1.1 billion)**

(2019: US$65 million/ R922 million)

* excluding revenue from service fees and rewards income

PROFIT INCREASED BY

^ 73% to **US$19.6 million (+91% to R308 million)**

(2019: US$11.4 million/ R161 million)

INSURANCE PARTNER AND FRANCHISE MEMBERSHIP INCREASED BY

^ 29% to **1.8 million (2019: 1.4 million)**

Approximately 30 000 new activations monthly

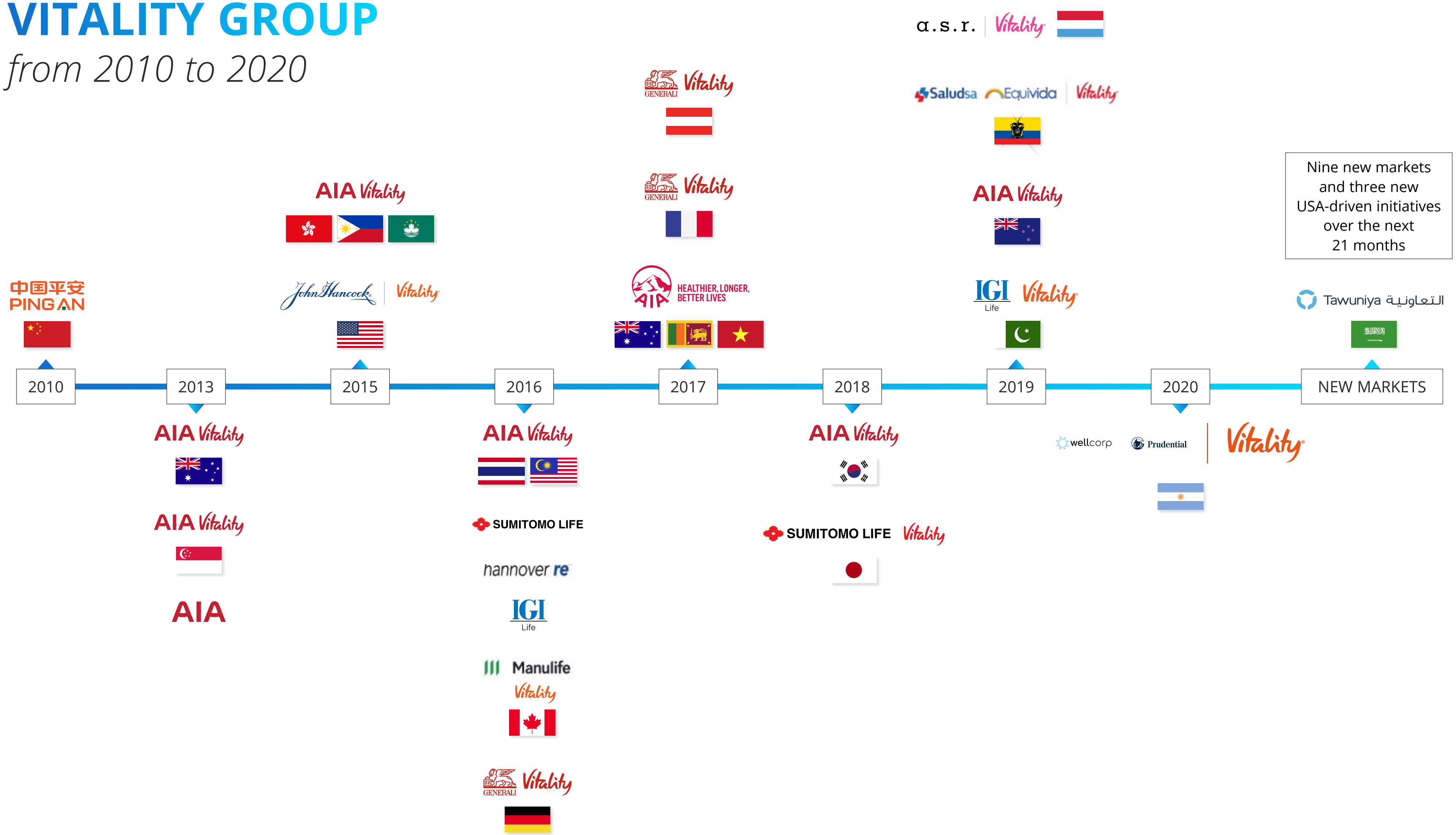
OVER **1.5 million** ACTIVE CLIENTS ENGAGED ON THE VITALITY1 PLATFORM

(2019: Over 1.5 million active clients*)

* includes clients on freemium program terminated in the 2020 financial year

*Refer to **page 86** for the Ping An Health business review*

GROWTH OF VITALITY GROUP
from 2010 to 2020



Vitality Group *continued*

Vitality Group currently operates in 22 markets, excluding South Africa and the United Kingdom, and is organised into the following primary profit centres:

1 NATIONAL CHAMPIONS

Exploit latent potential and scale in the largest insurance markets through a fully integrated Vitality Shared-value Insurance offering

AIA
Manulife
John Hancock
GENERALI
SUMITOMO LIFE

2 FRANCHISE MARKETS

Rapid market expansion and penetration in smaller markets by providing a lighter, less operationally complex version of Vitality

Saludsa
Equivida
a.s.r.
IGI Life
Tawuniya التعاونية
Prudential

3 POWERED BY VITALITY

Shared-value adjacencies and partnerships, including white labelling solutions for healthcare plans and leading consumer brands

attain by aetna
Orangetheory FITNESS
CRUNCH
Walgreens

4 VITALITY HEALTH INTERNATIONAL (VHI)

New business unit to intensify focus and expand global health insurance initiatives

中国平安 PING AN
AIA HEALTHIER, LONGER, BETTER LIVES
Vitality
quantium

The expansion of Vitality Group is enabled by Vitality1, a cloud-based platform built specifically to support our diverse and continuously growing set of global partnerships and programmes. The platform supports multiple market programmes on the same infrastructure, allowing for better performance and decreased costs of shared services. Vitality1 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.

RESPONDING TO THE CHALLENGES OF COVID-19

In response to the worldwide call for social distancing, the Global Vitality Network (GVN) pursued partnerships for at-home exercise, and held discussions with several global exercise and home wellness providers to create a menu of leading home-exercise partners. Furthermore, we refined our research agenda, which now includes a focus on COVID-19 resilience and the overlap between health and retirement planning.

To support our clients, employers and broader community, we provided tools and resources to help navigate the outbreak of COVID-19. For companies, we offered toolkits, COVID-19 risk reports, and insights into employee sentiment and shifts in engagement. For our clients, we offered support in tracking at-home workouts to earn Vitality Active Rewards, guidance on how to achieve their goals, and partner offerings and engagement through our social media channels, such as online workouts on Facebook.

The impact of COVID-19 led to the mid-event postponement of the Vitality Running World Cup. The event, which was in its semi-final stages, had more than 390 000 runners and helped raise funding to vaccinate more than 300 000 children through UNICEF. While postponement was a difficult decision, our priority was the health and wellbeing of all participants, and we hope to resume the tournament in the future.

OUR PERFORMANCE AGAINST STRATEGY

Vitality Group finds itself in a significant period of growth, which is centred on our strategy of building the world's largest and most sophisticated behavioural platform linked to financial services, with disciplined execution. Most significantly, we established Vitality Health International, a new business unit within Vitality Group that will coordinate and intensify our focus on and resource allocation to Discovery's emerging, global health insurance initiatives.

Vitality Group achieved sound results despite the varying levels of lockdown imposed due to COVID-19. The business is well diversified across geographies, with a significant part of its earnings being US$-based, and revenue arrangements consisting of a blend of fixed and performance-based fees. We expect a negative impact on sales volumes due to employers reducing their workforce, and increased lapses as businesses close down. However, we believe that, together with our partners, we are well placed to capitalise on an increased focus on health and wellness in a post-COVID-19 environment, and to demonstrate support and strong leadership during this time.

Our Vitality1 platform forms the foundation of the continual expansion of Vitality Group – in only 23 months since inception, 11 markets have launched on Vitality1, servicing more than 1.5 million active members. As at 30 June 2020, we have invested R910 million in the development of the Vitality1 platform.

With a focus on unlocking latent potential and scale, all national champions generated strong membership and new business growth during FY2020. As at year-end, AIA Korea, Sumitomo Life, IGI Life, Saludsa, Equivida, Manulife Group Benefits, a.s.r., Prudential Argentina and Generali in Germany, France and Austria; and gym chain Orangetheory Fitness have all launched their localised Vitality programmes on Vitality1. During the year, the Harvard Business Review recognised AIA as one of the top 20 global business transformations over the past decade for its evolution from a traditional insurance provider to a collaborator with consumers through AIA Vitality. Through a partnership with Onduo, John Hancock launched the first-ever life insurance product for people with diabetes in the USA, which won a gold award for Most Innovative Product Feature of the Year in the 2019 Best in Biz Awards.

The franchise model has allowed for rapid market expansion and penetration. Vitality Group's partnership with Hannover Re has resulted in agreements with insurers in eight countries, of which four are live, to expand Shared-value Insurance offerings into next-tier markets from inception. Vitality Group's first partnership in Latin America produced excellent results, with Ecuador ahead of the business plan. Similarly, the Netherlands is showing early indications of success with higher-than-projected sales. There is a strong pipeline of countries under final due diligence and discussion to further expand our footprint.

Vitality USA delivered a pleasing set of financial results with strong growth in profits and membership. The increase in membership was supported by the launch of Apple Watch Engage, a version of Vitality Active Rewards in partnership with Apple and several consumer-facing brands. Building on the positive response to the Attain rewards programme (a joint effort with Aetna, Apple and CVS Health to expand Discovery's behaviour-change platform), Vitality USA expanded to a limited number of Orangetheory Fitness and Crunch Fitness chains as a precursor to a national rollout. Further new business was driven from the strategic partnership with Trustmark, an employee-benefits company headquartered in Illinois, which has begun offering Vitality's behaviour-change platform to its clients.

In 2017, myOwn was formed by Discovery, in conjunction with AIA Australia and GMHBA Ltd (a non-profit Australian private health insurance company). Following a robust strategic review, we endeavoured to change the business trajectory with a refocused sales plan. This included relaunching the myOwn brand as AIA Health, as well as on-the-ground deployment of Discovery resources to facilitate the transfer of health assets and knowledge.

Where we are headed

Going forward, we envisage that Vitality1 will provide the platform to deliver Vitality to all international markets across multiple business lines. We believe that this projected pipeline will drive significant scale, with nine new markets and three USA-driven initiatives going live over the next 21 months. Furthermore, existing markets are gradually migrating to Vitality1 to leverage this fit-for-purpose technology to enhance their product proposition and client experience.

We will continue to explore opportunities to expand the offerings of our current partnerships by driving penetration with national champions in existing and new countries, extending Vitality to new adjacencies using the composite model, and continuing geographical growth through our franchise markets.

Taking advantage of Discovery's intellectual capital, we aim to grow Vitality USA, our corporate wellness business, through new distribution channels, and to pursue new blue-sky initiatives while building a global health business.

OUR BUSINESS REVIEWS

PING AN HEALTH

Ping An Health, in which Discovery has a 25% equity stake, is one of the three largest specialised health insurers in China.

By combining Discovery's leading product development, systems, data and risk management assets, and Vitality expertise, with Ping An Group's distribution network, scale and technological capabilities, the business strives to meet the increasing demand for private healthcare in China. This strategic partnership has positioned Ping An Health to capture opportunities in the private health insurance market in China as they emerge.

Our key performance indicators

PING AN HEALTH REVENUE INCREASED BY
56% to
RMB13.4 billion
(R29.8 billion)
(2019: RMB8.6 billion/ R17.7 billion)*

DISCOVERY OPERATING PROFIT FROM PING AN HEALTH (AFTER TAX) INCREASED TO
R182 million
(59% increase to US$11.9 million)
(2019: R106 million/$7.5 million)

145%
INCREASE IN THE NUMBER OF USERS OF THE PING AN HEALTH APP TO OVER
29.7 million
(2019: Over 12 million users)

PING AN HEALTH EARNED PREMIUM INCREASED BY
76% to
RMB8.1 billion
(R18 billion)
(2019: RMB4.6 billion/R9.6 billion)

33%
INCREASE IN NEW BUSINESS PREMIUM
RMB6.5 billion
(R14.3 billion)
(2019: RMB4.9 billion/ R10.1 billion)

OVER
8 million
HELLORUN CLUB REGISTERED USERS
(31 December 2019: over 5.5 million users)

* Revenue includes policies written on Ping An Health's (PAH) own insurance license, as well as policies written on Ping An Life's license and directly reinsured to PAH based on the reinsurance treaty terms.

RESPONDING TO THE CHALLENGES OF COVID-19

Over the past two years, Ping An Health invested significantly in scaling its online operations and enhancing its app, as well as improving its sales and technology capabilities. These investments have been key to positioning the business to meet and respond to the increased demand for digital interactions during the COVID-19 lockdown period.

Ping An Health's full mobile user functionality meant that the end-to-end sales process of several products, including eShengBao, could be completed online. This enabled business to continue during the COVID-19 lockdown period, either through financial advisers or the direct-to-consumer sales channel, leveraging Ping An Health's own app. This online readiness also meant that Ping An Health could rapidly and proactively offer multiple initiatives to increase health awareness, including informative articles and videos, and provide online health services to its app users, such as video doctor consultations. This shift towards online interactions is a key driver in the strong growth of the Ping An Health app – as at year-end, usage increased by 145% to 29.7 million users.

OUR PERFORMANCE AGAINST STRATEGY

During FY2020, our strategic focus was to support Ping An Health's ambition of being the leading health insurer in China, while driving the quality of new business, and continuing to invest for growth and scale.

Ping An Health delivered a solid performance in FY2020 – total revenue increased by 56% to RMB13.4 billion (R29.8 billion) and new business premium by 33% to RMB6.5 billion (R14.3 billion). This growth was mainly driven by the flagship individual eShengBao high-deductible, low-premium product. This product, which is easy to understand and available to purchase online, performed well throughout the COVID-19 lockdown period in China. Furthermore, positive investment returns drove strong profit performance for the period under review.

Ping An Health continued to develop and leverage its technological capabilities to enhance claims processing, claims risk management, underwriting, servicing and sales. For example, Ping An Health's Artificial Intelligence (AI) technology – which provides an alternative to in-person call servicing – reached 70% this year, a 25% increase year-on-year. Individual client renewal rates increased by 8.3% year-on-year, driven by strategies such as automatically linking premium deductions to banking details, as well as increasing utilisation of a specialised reapplication tool for sales agents.

HelloRun Club, Ping An Health's digital only version of Vitality, continues to be a key strategy for the Ping An Health app. The programme, which is free to all app users and online clients, attracts new users to the app, drives engagement among existing clients, and increases sales. As at 30 June 2020, HelloRun Club had more than 8 million registered users. Ping An Health continues to operate Ping An Run Vitality, which offers Vitality Active Rewards to policyholders of Ping An Life.

Ping An Health has received several awards, including Best Health Insurance Brand of the Year, Socially Responsible Insurer of the Year and Product Innovation Excellence Award, a pleasing recognition of Ping An Health's commitment to serving its clients and communities in China.

Where we are headed

Ping An Health remains committed to achieving significant scale in China. After exceeding its written premium target of RMB10 billion for the 2019 calendar year, it has set its next premium target at RMB100 billion. Substantial resources will be invested in growing the business to support this ambition.

Ping An Health continues to look for opportunities to embed the Shared-value Insurance model more deeply. In March 2020, the China Banking and Insurance Regulatory Commission (CBIRC) issued new regulations that allow the sale of long-term medical reimbursement products which, in turn, enable health insurers to expand their current product ranges. In August 2020, Ping An Health obtained regulatory approval to sell a 20-year, premium-adjustable medical reimbursement product with dynamic pricing based on the health status of the policyholder. This marks an important integration of Vitality into a Ping An Health product. The shared-value pricing structure is key to the long-term actuarial success of this product.

On 1 July 2020, Ping An Health transitioned from the Ping An Group's insurance business cluster to its healthcare ecosystem and technology business cluster. This transition will provide opportunities for synergies between Ping An Health and other companies within the healthcare ecosystem, such as Ping An Good Doctor – China's largest online healthcare services platform – and Ping An HealthKonnect, which provides services to China's social health insurance (SHI) system.

CORPORATE GOVERNANCE OVERVIEW

06

Preserving our unique entrepreneurial spirit while ensuring good governance

We see governance as a critical component of value creation, and 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 protects value by ensuring responsible and ethical behaviour, and by enhancing accountability, leadership, risk management, performance management and transparency. As the highest governing body, our Board is committed to good governance in the pursuit of value creation. 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.

For more information on our Board's key focus areas this year, refer to ***page 94***

KING IV™ FORMS THE CORNERSTONE OF OUR APPROACH TO GOVERNANCE AND, AS SUCH, WE SUPPORT ITS OVERARCHING GOALS, BEING THE CREATION OF:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

For more information on how we achieve these four goals, refer to our ***full online Governance Report***

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.

Each year our employees are required to 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. Furthermore, employees are encouraged to report any unethical behaviour 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

Our core purpose, strategy, Shared-value Insurance model, performance, sustainable development, and risks and opportunities are inextricably linked, and crucial to creating value for our stakeholders.

Our Board meets with executive management at least annually, as well as with the heads of control functions, to review the Group's strategy, associated risks and proposals for any acquisitions, investments, disposals, and products or services. The Board approves the strategy, and 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 the implementation thereof.

The Board and executive management also perform an annual assessment of the Group's strategy, business model, performance and sustainable development to ensure these areas are driven by and aligned with our core purpose. Regular reports are provided to the Board on the sustainability of the Group 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 evaluated annually by the Group Chief Executive, based on agreed performance targets.

Ensuring effective control

The Board is the focal point and custodian of corporate governance within Discovery. To this end, it 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 and is reviewed periodically to ensure it is aligned with King IV™, and other regulatory and legislative requirements. The Board, in turn, holds all Directors accountable for their integrity, competence, responsibility, fairness and transparency.

Delegation of authority to management is clearly defined to ensure effective exercise of authority and responsibilities. The Board has approved and implemented an appropriate delegation of authority framework, which details the powers delegated to each Board Committee and clearly indicates the matters reserved for the consideration of the Board and the Group Chief Executive. The roles 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.

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 a need to appoint a Director, such appointments are made with the assistance of the Nominations Committee, a newly 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. The duties of the Nominations Committee end here. Board members collectively deliberate on these recommendations before putting names forward. Thereafter, Directors are appointed through formal, transparent processes by ordinary resolution at any shareholder meeting or the Annual General Meeting (AGM).

Non-executive Directors are appointed for a period not exceeding three years and are subject to re-election on a rotational basis. The re-appointment 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 declare if they have any direct or indirect interest in any matter for consideration by the Board, which is recorded by the Company Secretary. Moreover, the Board is required to declare any conflicts of interest and recuse themselves from any such discussions during Board or Committee meetings.

Our remuneration philosophy is reviewed annually to ensure that our employees and the Board are remunerated fairly, responsibly and transparently. Our philosophy is aligned with our strategy and linked to individual performance through appropriate objectives that are reviewed by the Remuneration Committee. Bi-annual 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 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 IT Governance Charter, which guides the structure and mandate of technology within the company, and is aligned with the requirements of the Board Committees, King IV™, assurance providers and regulators.

Maintaining legitimacy

Balancing the best interests of the company with the interests and expectations of our stakeholders is paramount to the Board. Our Social and Ethics Committee is tasked with ensuring an inclusive approach to stakeholder engagement, and assists the Board in monitoring our relationships with our stakeholders as a standing agenda item. Our stakeholder engagement framework sets out Discovery's strategy 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.

For more information on stakeholders, refer to ***page 24***

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.

The Board recognises that responsible investment requires the recognition, evaluation and incorporation of material environmental, social and governance (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 now a signatory to the Principles for Responsible Investment (PRI). The Board has also approved a Group Responsible Investment policy in September 2020 to further support our commitments.

Discovery is committed to complying with all statutory tax obligations of the regions in which we operate. While tax responsibility ultimately resides with our Board, our Audit Committee has been delegated the task of overseeing the Group's tax function.

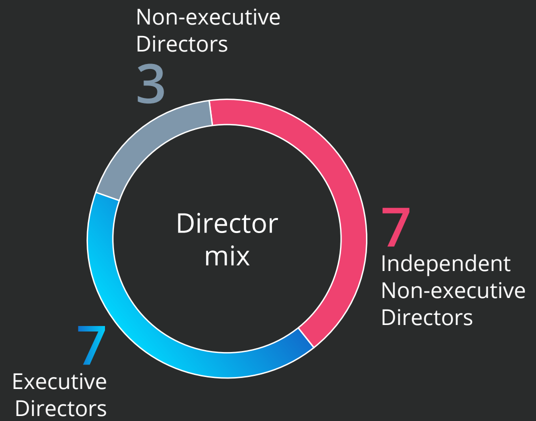
We closely monitor climate change developments, including best practice initiatives among global financial institutions, with the aim of embedding these principles across our primary markets. To this end, we support the objectives of the Sustainable Development Goals, and have also set out to adopt and implement the recommendations of the Task Force on Climate-related Financial Disclosures. Our Social and Ethics Committee is responsible for reviewing overall climate-related and general sustainability matters, including the environmental and climate change strategy, and will make recommendations to the Board as needed. The Risk and Compliance Committee provides oversight of the management of climate-related risks and opportunities and relevant disclosures.

Given our broad geographic footprint and the requirement to adhere to various local and international laws, rules, codes and standards, compliance is built into our corporate governance structures and frameworks. The Board is committed to developing and maintaining a strong compliance culture and compliance management capabilities, while providing appropriate protection to policyholders, clients and stakeholders. Furthermore, the Group's level of compliance with applicable legislation, rules, standards and codes is monitored by an independent Group Compliance function, established to support the Board, executives, management and employees to embed compliance into the Group's culture, business principles, operational and management processes. This function is also responsible for designing an effective compliance management and control system, and for monitoring and reporting on the operational effectiveness of the system.

Our leadership

Our Board comprises 17 Directors – 10 Non-executive and seven Executive, with our Chairperson as an Independent Non-executive Director. 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, UK and partner markets.

The Board has oversight of the Board Committees, Group Executive Committee, Management Board Committees and Constituted Boards. Vitality UK, Vitality Group, Discovery Life, Discovery Insure, Discovery Invest and Discovery Bank each have a Board and governance structure that operates independently of the Group. Focus is given to ensuring the strength of our Management Board Committees and Constituted Boards to entrench strong governance throughout the Group. The Board is satisfied with the composition of these structures.



DIVERSITY

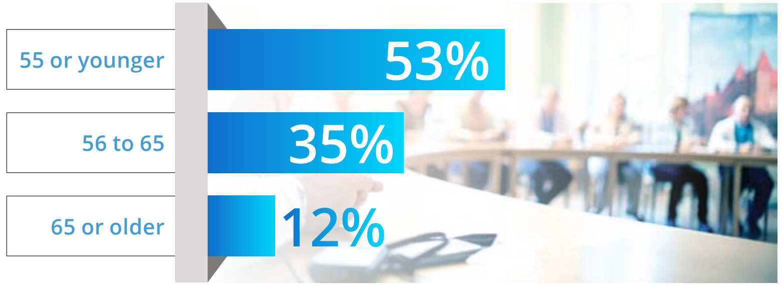
*For more information on the primary skills, experience and expertise of our Board, refer to **page 12***

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

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.

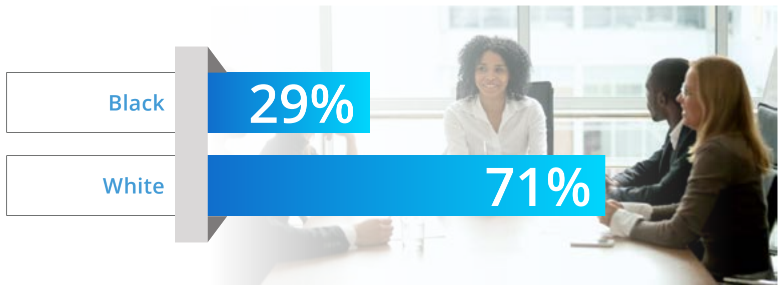
We have set voluntary minimum targets of 35% black and 25% female Board representation over the next three years. Currently, our Board comprises 29% black Directors and 18% female Directors. The Board, recognising that our current representation is below our voluntary minimum targets, has tasked the Nominations Committee with the responsibility of identifying suitable Board candidates. In addition to improving the gender and racial composition of our Board, we aim to further strengthen the actuarial, data and technological knowledge capabilities of our Board.

AGE OF DIRECTORS



GENDER DIVERSITY

RACIAL DIVERSITY



BOARD TENURE

The composition and succession planning of the Board are reviewed regularly and, where necessary, recommendations are made. The members of the Board are evaluated to ensure an appropriate balance of knowledge, skills, experience, diversity and independence.

For Directors who have served on the Board longer than nine years, the Board assesses 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 decisions, notwithstanding tenure.

While the Board is comfortable with the independence of its Directors, it is also aware that stakeholders require committed focus on increasing independence through the review of and potential addition of new Board 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 to deliver robust governance and leadership.

TENURE OF NON-EXECUTIVE DIRECTORS

Our Board

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

The Board also has the authority to convene additional meetings as and when required. Due to COVID-19, the Board convened two additional meetings to discuss the impact of the pandemic on the Group, as well as Discovery's response to it. From March 2020, all Board meetings were convened virtually to support Government's call to work from home.

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.

KEY FOCUS AREAS OF OUR BOARD IN 2020

The impact of COVID-19 on the Group

COVID-19 caused significant disruption in the countries in which we operate, affecting communities, our employees, financial advisers and other stakeholders. During the year, our Board spent significant time considering Discovery's strategy to ensure that we respond adequately as the situation unfolds, while keeping our stakeholders informed of material impacts through trading statements and SENS announcements.

Our Board remained committed to protecting our people while ensuring business continuity, supporting and protecting our clients and our country, and maintaining financial resilience. In doing this, we instituted a dedicated COVID-19 leadership team, a clinical response team, a compliance officer, and a relief programme for all of our clients across all of our businesses, as well as a fully mobilised risk management team headed by the Chief Risk Officer (CRO) and Head of Group Facilities. The Group Executive Committee, as well as the Executive Committees of South African operations, Discovery Health and Group Risk, were extensively involved in developing Discovery's response to the pandemic. We also ensured close coordination across our international operations.

*For more information on the impact of COVID-19, refer to **page 34***

Strengthening diversity

The Board approved a Board Diversity Policy with specific race and gender targets.

*For more information on Board diversity, refer to **page 92***

In addition to the Board's efforts in strengthening its diversity, the Board also oversaw the restructuring of the Group's Executive Committee to increase its diversity and ensure excellence. A number of steps have been taken to achieve this, including the appointment of three women, increasing female representation at Group Executive Committee level from 0% to 13%. The Board acknowledges that there is still substantial work to be done in transformation at senior management level. However, continued improvement in this area is expected, given the work already done to advance transformation through internal promotions and the implementation of development plans for certain roles.

Key focus areas of our Board in 2020 *continued*

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 always endeavour to ensure that our Remuneration Policy reflects the expectations of our stakeholders, while ensuring that we liberate the potential of our people as we strive towards Ambition 2023.

At our 2019 AGM, 88.66% of our shareholders voted in favour of replacing our cash-settled long-term incentive plan (LTIP) with an equity-settled LTIP. The introduction of an equity-settled LTIP will facilitate minimum shareholding, improve alignment with shareholders and eliminate the need for costly hedging structures.

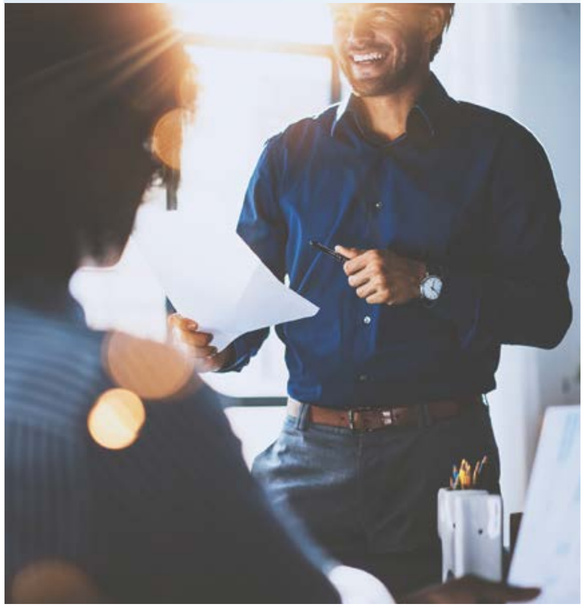
Through the Remuneration Committee, Discovery's Board continues to ensure that our remuneration practices remain competitive to attract and retain the best talent in the markets where we operate. Furthermore, we believe that our pay practices drive a culture of ownership and greater alignment with shareholder expectations.

*For more information on our remuneration practices, refer to **page 99***

Our purpose-driven strategic intent

The Board continues to give significant attention to the relevance of our strategy in supporting the wellbeing of our clients and other stakeholders. The Board held an annual strategy session which, this year, specifically focused on Discovery's COVID-19 response and how this would impact our Group strategy and target of scale. Among these considerations, the Board ensured that the Group is well positioned to support the strategies of our established businesses to pursue growth, and to achieve scale with our emerging businesses and Discovery Bank.

*For more information on our strategy, refer to **page 35***



The table below reflects Board attendance at meetings during FY2020:

Board member	Attendance*
Non-executive Directors	
M Tucker (Chairperson)#	6/6
HL Bosman	6/6
Dr B Brink#	6/6
SE De Bruyn#	4/6
R Farber	5/6
F Khanyile#	6/6
D Macready# (appointed with effect from 3 February 2020)	4/4
Dr TV Maphai#	5/6
HP Mayers **	5/6
AL Owen# (retired with effect from 14 February 2020)	3/3
SV Zilwa#	6/6
Executive Directors	
A Gore	6/6
HD Kallner	6/6
NS Koopowitz	6/6
Dr A Ntsaluba	6/6
A Pollard	3/6
B Swartzberg	6/6
DM Viljoen	6/6

* An additional Board meeting was convened during the year to approve the appointment of David Macready as Independent Non-executive Director and Chairperson of the Audit Committee. This is not reflected in the table above.
** Transitioned from an Executive Director to Non-executive Director effective 28 November 2019.
# Independent

*For more information on our Board of Directors, refer to **pages 08 to 16** of our full online Governance Report*

Our Board Committees

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

The Board is ultimately responsible and accountable for the governance, performance and strategy of the Group. 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. There is a clear balance of power to ensure that no individual, directly or indirectly, has undue decision-making powers.

*Refer to **page 30** of our full online Governance Report for more information on our Board Committees*

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 functions.

The Audit Committee met six times during the year and comprised the following members as at 30 June 2020:

Name	Board status	Appointment to Committee	Number of meetings attended
D Macready (Chairperson)[1]	Independent Non-executive Director	February 2020	3/3
SE De Bruyn	Independent Non-executive Director	November 2005	5/6
AL Owen (former Chairperson)	Independent Non-executive Director	August 2008	4/4
SV Zilwa	Independent Non-executive Director	August 2003	6/6

1 David Macready was appointed as Chairperson of the Audit Committee in February 2020, following a controlled handover from Les Owen prior to his retirement.

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 twice during the year, and comprised the following members as at 30 June 2020:

Name	Board status	Appointment to Committee	Number of meetings attended
SE De Bruyn (Chairperson)	Independent Non-executive Director	August 2016	2/2
HL Bosman	Non-executive Director	July 2014	2/2
F Khanyile	Independent Non-executive Director	November 2019	1/1

Our Board Committees *continued*

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 the Group's policies and processes are adequate to ensure compliance with the required legislative and regulatory requirements.

The Risk and Compliance Committee met five times during the year, and comprised the following members as at 30 June 2020:

Name	Board status	Appointment to Committee	Number of meetings attended
HL Bosman (Chairperson)	Non-executive Director	April 2015	5/5
Dr B Brink	Independent Non-executive Director	April 2015	5/5
R Farber	Non-executive Director	April 2015	5/5
J Ferreira	Chief Compliance Officer (Group)	June 2019	5/5
HD Kallner	Executive Director	December 2015	5/5
D Macready	Independent Non-executive Director	February 2020	3/3
A Rayner	Chief Risk Officer and Chief Actuary (Group)	April 2015	5/5
DM Viljoen	Executive Director and Group Chief Financial Officer	May 2017	5/5
D Wilcocks	Chief Information Officer (Group)	August 2018	5/5
SV Zilwa	Independent Non-executive Director	April 2015	3/5

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 eight times during the year, and comprised the following members as at 30 June 2020:

Name	Board status	Number of meetings attended
P Tripe (Chairperson)	Independent expert actuary	8/8
R Farber	Non-executive Director	6/8
HD Kallner	Executive Director	8/8*
R Lee	Independent expert actuary	8/8
HP Mayers	Non-executive Director	8/8*
D Macready	Independent Non-executive Director	3/3
KS Rabson	Group Executive	8/8
A Rayner	Chief Risk Officer and Chief Actuary (Group)	8/8
DM Viljoen	Executive Director and Group Chief Financial Officer	8/8
R Williams	Independent expert actuary	8/8

* Attended in person or by proxy

Our Board Committees *continued*

SOCIAL AND ETHICS COMMITTEE

Purpose

The Social and Ethics Committee assists the Board in implementing and monitoring strategies that facilitate sustainable social and economic 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 2020:

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	4/5
F Khanyile	Independent Non-executive Director	May 2018	5/5
DM Viljoen	Executive Director and Group Chief Financial Officer	May 2018	5/5

* The Social and Ethics Committee was reconstituted in May 2018 with members officially confirmed.

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 newly constituted Nominations Committee formally met for the first time after year-end, due to the Board's focus on addressing COVID-19-related matters. All relevant matters during FY2020 were dealt with by an ad hoc Nominations Subcommittee.

The Nominations Committee comprised the following members as at 30 June 2020:

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

REMUNERATION REPORT

07

Remuneration report

REPORT BY THE CHAIRPERSON: REMUNERATION COMMITTEE

On behalf of the Remuneration Committee (RemCo), I am pleased to present our remuneration report, which is structured as follows:

PART 1

BACKGROUND STATEMENT OF THE FACTORS INFLUENCING THE REMUNERATION STRATEGY AND REMUNERATION OUTCOMES FOR THE FINANCIAL YEAR

PART 2

OUR REMUNERATION POLICY

PART 3

IMPLEMENTATION OF THE POLICY

PART 1 BACKGROUND STATEMENT

RESPONDING TO THE CHALLENGES OF COVID-19

The normal business of the RemCo continued throughout the year, despite the implementation of a national lockdown in South Africa in response to the COVID-19 pandemic. The impact of the pandemic created considerable economic uncertainty and market volatility and required the creation of a significant provision for expected future COVID-19-related impacts on claims and lapses. This affected the RemCo's approach to decisions on salary increases, short-term incentive payments and the vesting of the long-term incentive, in addition to business priorities shifting dramatically. The impact of this, our response and the outcomes are summarised alongside.

Remuneration items and the RemCo's response

Salaries

The RemCo and the Discovery executive team acknowledged the potential financial impact of the pandemic on employees, their families and society and approved below inflation-linked salary increases for employees and management based on inflation information at the time. Executive Directors did not receive a salary increase in 2020. In addition, and in response to the call by the President of South Africa, all South African Executive Directors, and certain Non-executive Directors and foreign-based Executive Directors, committed one third of their gross salaries and Board fees for three months to add to Discovery's contributions towards the Solidarity Fund and other COVID-19-related causes.

Short-term incentives

Our short-term incentive schemes are designed to be fit-for-purpose and recognise the responsibility and contribution of our management teams. For more senior management, incentives are strongly linked to business performance with a larger percentage of their short-term incentives linked to the group normalised operating profit (profit pool portion). For Executive Directors, 50% of their on-target short-term incentive comprises the profit pool portion (with the exception of NS Koopowitz whose on-target % split is two-thirds individual, one-third profit pool). Due to COVID-19-related provisions, the normalised operating profit hurdle rate was not achieved in FY2020 and therefore the profit pool was zero for all Executive Directors. The individual management incentive portion for Executive Directors paid out between 86% and 104.4% (refer to page 115 for more details on how our Executive Directors performed).

For our lower levels of management, below Executive Director, incentives are more weighted to individual performance targets (individual management incentive portion). We believe this structure offers the appropriate remuneration outcomes for the respective roles. While the short-term incentives for Executive Directors significantly reduced during the year, as outlined in our implementation report, short-term management incentives below Executive Directors for FY2020 showed an increase in many areas, recognising the outstanding individual contributions and reflecting on the successful achievement of targets. This is also due to the lower proportionate exposure to the profit pool component of short-term incentives compared to Executive Directors, and the half-year profit pool element at these levels that is not applicable to Executive Directors. In addition, the overall short-term incentives at this level of management increased due to growth in headcount and promotions within the participant base, to support the Group growth ambitions and was also impacted by foreign currency translation effect.

Long-term incentives

The performance conditions for long-term incentives are measured on a compound basis over the vesting period of the awards. Similar to the short-term incentives, the vesting outcomes in respect of our main LTIP were significantly affected by the COVID-19 provisions in our established businesses in the second half of FY2020 for all vesting tranches in issue. The RemCo decided to not adjust for these impacts which will result in this year's vesting tranches paying out at approximately 30% of the performance-based portions of the awards across all tranches in issue. Awards for Executive Directors are 100% performance based, which reduces to 15% of the total award at the lowest levels of management.

PART 1 • Background statement *continued*

SHAREHOLDER ENGAGEMENT AND FEEDBACK

As part of our annual workplan, we engaged with our shareholders ahead of the 2019 Annual General Meeting (AGM) and considered input and comments on various items. The issues raised during these engagements and the RemCo's responses are outlined here:

Long-term incentive performance conditions are overly weighted towards operating profit and there are no measures of capital allocation or specific targets for investment in new initiatives.

RemCo response

The revised growth model moved away from a single headline earnings per share (HEPS) measure which was not appropriate for an organically growing group. This approach aligns with Discovery's growth methodology and is suitable for a group embarking on a strategy of substantial investments impacting the income statement to achieve long-term growth. A return on equity (ROE) measure is included, as well as measures for progress with new business development, to create a link between the operating profit and shareholder value creation. The relative weightings of these measures are under consideration.

Perceived lack of disclosure of performance against specific targets, comparator groups for benchmarking, and outcomes of metrics and targets.

RemCo response

The individual measures and targets for Executive Directors contain information that is considered to be commercially sensitive and are aligned to the strategic thrust of the Group over a performance period. Discovery is committed to improving disclosure where possible to demonstrate the link between remuneration and the achievement of performance conditions linked to the business strategy, and we have improved this disclosure in the current year's report.

Salary benchmarking for Executive Directors is conducted on an ad hoc basis against a peer group that includes the JSE Top 40 financial services and banking firms. The benchmarking exercise is used as a check on the appropriateness of our remuneration levels rather than a target pay level.

High Board Chairperson fees.

RemCo response

The fees for all Non-executive Directors and the Chairperson were established with the help of an external remuneration adviser. The Board Chairperson is UK-based and remunerated in GBP, therefore, his fee is above the ZAR denominated peer group. This is in line with the policy for other Non-executive Directors who do not reside in South Africa. The Chairperson fee is lower than that of comparable companies with offshore operations (including dual listed companies) due to the current mix of local and offshore operations.

PART 1 • Background statement *continued*

POLICY AND IMPLEMENTATION ADVISORY VOTES

Following shareholder engagement, the supporting advisory votes regarding our remuneration policy and implementation report, from the proportion of shareholders represented at the last annual general meeting (AGM), have improved from the prior period. This progress is indicated in the table below.

	Advisory votes in favour			Dissenting advisory votes		
	2017	2018	2019	2017	2018	2019
Remuneration policy	76.7%	84.5%	85.8%	23.3%	15.5%	14.2%
Implementation report	77.3%	68.4%	84.2%	22.7%	31.6%	15.8%
Non-executive Director fees	84.9%	89.6%	85.8%	15.1%	10.4%	14.2%

There were no significant changes to our remuneration policy over the past year, apart from the change of the vesting period on our Discovery Limited equity-settled long-term incentive plan (LTIP). This changed from a two- to five-year vesting arrangement to a three- to five-year vesting arrangement, and we updated the weightings for the incentive multipliers for Prescribed Officers and Heads of business units to provide for a balanced approach between the performance of their business units and Group performance.

We will be presenting the remuneration policy and the implementation report, as set out in part 2 and part 3 of this report, for two separate, non-binding votes on 26 November 2020. In the event that 25% or more of the shareholders vote against either the remuneration policy or the implementation report or both, Discovery will include a note in its SENS announcement for the AGM, inviting dissenting shareholders to engage with the Group on their reasons for voting against one or both of these resolutions. The precise method of shareholder engagement will be decided by the RemCo, but may include:

- Email and teleconference
- Investor roadshows (where feasible)
- One-on-one meetings with shareholders
- Combined meeting of shareholders (where deemed appropriate).

The results of the next shareholder engagement, and the RemCo's response to shareholder engagements, will be published in the remuneration report for the next financial year.

FOCUS AREAS FOR FY2021

As a result of the impact of COVID-19 on remuneration outcomes, the RemCo is concerned about the reduction in the retention value of our long-term incentive plans and overall incentive structures. In the year ahead, the RemCo will focus on the following areas to ensure that we remain competitive across all elements of remuneration to attract, retain, motivate and reward key talent:

INCENTIVE STRUCTURES

What it means

The Group will review its short-term and long-term incentive plans to ensure that:

- The pay mix between the two remain optimal.
- The measures used to determine the outcomes provide a balanced view of the performance of the business.
- There is a strong pay-for-performance link throughout the incentive structures.

RETENTION LEVELS FOR KEY TALENT

What it means

Following the impact of the recent economic slowdown on the compound performance outcomes for vesting of LTIPs, the Group is concerned about the diminishing levels of retention value for key talent and will be conducting a review of the LTIP structure to mitigate the emerging retention risks.

FAIR AND RESPONSIBLE PAY

What it means

The RemCo will continue with the fair and responsible pay analysis initiated during FY2020.

PART 1 • Background statement *continued*

REMUNERATION GOVERNANCE

The RemCo formally met twice during FY2020 with full attendance by its members. We also held informal engagements with executive management in response to the emerging crisis resulting from the COVID-19 pandemic.

	Aug 2019	Jun 2020
S De Bruyn (Chairperson)	✓	✓
H Bosman	✓	✓
F Khanyile*	N/A	✓

* F Khanyile was appointed to the RemCo in November 2019

All RemCo members have the relevant skills and experience to perform their duties. RemCo members are also members of key committees that enable them to monitor risk trends across the Group. Members of executive management and an independent remuneration expert attend RemCo meetings by invitation.

Executive Directors do not participate in discussions about their own remuneration and they are not able to vote at the meetings.

In conducting its work over the period, and in addition to the retained independent remuneration expert, the RemCo considered advice and input from the following sources:

- PwC for remuneration trends, our fair and responsible pay analysis and other remuneration-related matters.
- PwC REMChannel for salary and incentive benchmarking information.
- Vasdex for adoption of good remuneration governance practices.

The RemCo is satisfied that the input from these sources is credible, independent and objective.

The Group's UK subsidiary companies (Vitality UK) are directly regulated and effectively supervised in the UK. The Discovery Holdings Europe Limited Remuneration Committee, under the chairmanship of Sir Andrew Foster (senior Non-executive Director of various UK subsidiaries), oversees the remuneration of these subsidiaries. Similarly, Discovery Bank has appointed a Directors Affairs Committee under the chairmanship of Nolitha Fakude (Independent Non-executive Director of Discovery Bank). The Group RemCo fulfils a high-level oversight role of these Committees.

We will continue to work towards ensuring that our remuneration philosophy is aligned to our business strategy and shareholder expectations, while still delivering competitive and fair outcomes for our employees. The RemCo and the executive team continually challenge themselves to apply creativity and innovation to our human resources and remuneration practices, without breaching risk tolerances, governance and the compact with our shareholders.

We remain comfortable that the application of the remuneration policy over the past year was in alignment with the stated objectives.

We again invite you to engage with us on your views, comments and contributions on our policy and its implementation and appreciate the input we received during the year that has helped us to align our policy with the interests of our stakeholders.

S De Bruyn

CHAIRPERSON: REMUNERATION COMMITTEE

PART 2 REMUNERATION POLICY

REMUNERATION PHILOSOPHY

At Discovery, we believe that great people are the foundation of our success. We offer an environment that provides challenging and meaningful work, where our people are liberated to grow and take advantage of opportunities. It is through liberating the best in our people that we will be able to achieve our ambition of leading a global transformation of 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 interest of shareholders
- Provide an environment that encourages **innovative thinking and extraordinary performance**
- Bring **consistency, transparency and equity** to pay principles which will increase trust and employee engagement
- Foster Discovery's **owner-manager culture**

We **balance a flexible approach** that recognises differences in individual performance, value and contribution to the Group, **with a consistent framework** that ensures fair and responsible pay principles.

REMUNERATION PRINCIPLES

- To succeed, we must have the right people in the right positions, and strive to offer pay packages that are **competitive in the market**.
- **Pay for performance** is at the heart of our remuneration philosophy and we encourage all employees to set and achieve ambitious goals which are aligned with the objectives of the Group. Exceptional performance is recognised and rewarded.
- **We believe in pay that is right and fair** and we conduct regular salary surveys both internally and externally to ensure fairness and consistency across the business.
- We recognise that **remuneration is not the only reason** why our employees join and stay at Discovery, but it is of significant concern if it is not right or equitable.
- We are a **non-discriminatory** organisation and all remuneration policies and practices are free from discrimination based on race, gender, age, religion, marital status and ethnic or social origin.
- We employ a **total cost to company** approach to guaranteed remuneration.
- Our **short-term incentive schemes** encourage, recognise and reward performance and are based on rigorous objective setting and measurement, while allowing sufficient flexibility to respond to different business needs.
- Our **long-term incentive schemes** create a sense of ownership in the company and specific schemes are designed for start-ups to encourage an entrepreneurial mind-set and retention.
- Our remuneration policy **empowers managers** to make educated and defensible pay decisions.
- Remuneration policies and practices are governed by the **Remuneration Committee**, a sub-committee of the Board, with support from the **Internal Remuneration Committee**, an executive management body with delegated responsibilities for remuneration governance.

FAIR AND RESPONSIBLE PAY

The Remuneration Committee (RemCo) remains committed to ensuring that remuneration is externally competitive and internally fair and free of any prejudice by race, gender or any other basis. Management processes, including job grading, an annual salary benchmarking exercise and an annual income differential analysis ensure that remuneration is primarily determined by market relatedness for the role size, and administered internally on an equitable basis.

To ensure that pay is administered responsibly, the RemCo mandated a committee of executive management to assist in its role, and with day-to-day management of remuneration. This committee has no mandate to engage on executive and non-executive remuneration, holds itself to the same standards as the RemCo and reports to the RemCo at every meeting. Remuneration awards for Executive Directors are approved by the RemCo. The RemCo ensures that performance-linked pay is directly attributable to the efforts of management, and in reviewing incentive designs, the RemCo strives to avoid remunerating for a "rising tide" effect. When reviewing proposals for new incentive schemes or amendments to existing incentive schemes, the RemCo ensures that proposals have a fair outcome and that potential incentive payouts are capped to avoid management benefiting from any windfall gains.

Extensive consultation and interviews were held with relevant individuals at Discovery in order to formulate a fair and ethical pay framework setting out various principles, which will assist and guide the RemCo in determining and setting remuneration. As part of the fair and ethical pay framework and to provide further guidance to the RemCo, various measurement tools will be used to monitor Discovery's commitment to fair and responsible remuneration. We engaged PwC to assist with a fair and responsible pay analysis, determining a Gini coefficient, Palma ratio, and a gender and wage gap analysis. This analysis was interrupted by the COVID-19 pandemic which necessitated a shift in the RemCo's workplan. The Committee still aims to complete this analysis in FY2021.

PART 2 • Remuneration policy *continued*

REMUNERATION STRUCTURE

We adopt a total rewards approach, which encompasses both financial and non-financial elements of reward. The different elements of reward are summarised below:

TOTAL REWARDS

	Guaranteed pay	Variable pay			Non-financial
	Cost to company	**Monthly performance-based salary**	**Short-term incentive scheme**	**Long-term incentive plans**	**Employee experience**
Description	• Basic salary • Compulsory benefits (medical aid, provident fund, pension fund and group life cover) and optional benefits (gap cover)	• Productivity and sales-based performance pay for operations and sales areas	• Quarterly, bi-annual or annual incentive schemes measured against agreed targets which may be at individual, team and business unit level	• Performance-linked Phantom Share Scheme • Business unit-specific long-term incentive schemes • Equity-settled LTIP (introduced in FY2020 and replaces Phantom Share Scheme)	• Challenging and meaningful work • Development and training • Discovery culture and environment • Opportunity to work with great people • Career opportunities • Recognition
Objective	• To attract and retain talent through competitive base pay and life-stage relevant benefits	• Align individual performance to company goals and continuously drive improvement	• To reward employees for superior performance over the financial year	• To align the interests of management and shareholders over the long term	• To create a work experience that positions Discovery as a preferred employer
Eligibility	• All	• Generally, employees up to team leader level, as well as some management and executive level employees in sales environments	• All (excluding participants of monthly incentives)	• Management and executive level employees	• All

Remuneration elements

Our financial rewards include four remuneration elements, although not all employees participate in all of these elements:

- Guaranteed monthly salary
- Monthly performance-based pay
- Short-term incentive (within one year)
- Long-term incentive (usually applicable only to Deputy General Manager level and above, and selected Manager and Divisional Manager level employees). New awards in the Discovery Limited LTIP vest in three tranches over three to five years instead of two to five.

Guaranteed monthly salary

Our **total cost to company** approach provides employees with flexibility and choice when it comes to compulsory benefits. All permanent non-sales employees, irrespective of level, receive a guaranteed component of remuneration, consisting of:

- A basic salary
- Compulsory benefits (medical aid, provident and pension funds, group life cover).

The flexibility of our reward structure ensures that employees at different life stages and with different lifestyle needs can select a remuneration structure and benefits that best meet their needs. Employees are therefore able to vary the cash portion of their remuneration (within limits), enrol on a suitable medical aid plan and vary their risk cover and retirement contributions.

PART 2 • Remuneration policy *continued*

Employees select:

- The Discovery Health Medical Scheme plan that best suits them (membership is compulsory for all employees unless they are a dependent on their spouse's medical scheme). Employees below a certain salary threshold are also offered the opportunity to enrol on Primary Care.
- Their contribution level to the provident fund, ranging from 7.5% to 20% of their guaranteed package or base pay.
- The structure of their provident fund portfolio, with a choice of conservative, moderate and aggressive funds.

The compulsory contribution to the pension fund is set at 5% of an employee's salary.

Employees who work in sales environments typically receive a variable monthly remuneration linked directly to their sales productivity, relative to targets. The expected monthly salary, or "deemed salary" is used as the basis to calculate benefits.

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

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

We use independent advisers to ensure we pay employees competitively. Salary benchmarking against other financial services companies are completed at least annually to keep track of market movements. These reviews consider factors such as company size (revenue, profit, number of employees) and availability of skills.

As many of our roles at Discovery are unique, we use market data to assist in making remuneration decisions, but it is not the only reason for our remuneration structures. We do not differentiate pay on arbitrary grounds and strive to ensure that our employment processes do not result in unfair pay differentials.

Annual salary review process

The annual salary review process provides an opportunity to adjust salaries in line with the market, and takes place between April and June each year, with increases effective from 1 July. The RemCo determines the overall percentage increase to the salary bill while considering benchmarking to understand market trends, particularly for scarce and critical skills, changes to the national cost of living, and business performance and affordability. Performance is primarily rewarded through the incentive structures, not through the salary increase process. Typically, an employee has to be employed for a minimum of three months to be part of the review process, and any increase may be moderated for length of service and time in the role.

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

- Successful internal recruitment into a higher paying role.
- Achieving a higher qualification, for certain skills.
- Promotion to a higher level.

Monthly performance-based pay

Pay for performance is at the heart of our remuneration philosophy and, as a result, most permanent employees also have an opportunity to earn performance-based pay.

We offer competitive guaranteed rewards (at the market median), with opportunities in many roles to earn additional variable pay-for-performance incentives that lead to above-market median total rewards for top performers.

In many of the operational areas of the business where performance is highly measurable, monthly pay is made up of:

- A guaranteed monthly salary
- Performance-based pay (on par).

The on par portion of remuneration may apply from staff level up to Deputy General Manager level. A target amount is established by role and performance against agreed monthly targets and may result in the on par portion of remuneration being flexed up or down from the target amount to reflect the operational outcomes against the agreed targets.

The performance element ensures alignment between business goals and individual performance, and allows top performers to significantly enhance their earnings. Targets are reviewed and adjusted as required and at the discretion of management to drive continuous improvement.

Short-term incentive schemes (STIs)

STIs encourage and reward performance at every level. Within an overall framework, different business units have incentive schemes based on business priorities, and therefore incentive scheme structures (payout percentages, pay periods and calculations) can vary.

The sales team participates in production-related incentives applicable to their roles. Generally, short-term incentive schemes span three to 12 months. To receive this payment, an employee must have been employed for a minimum of three months in the period, and must still be employed at the time of the payment.

All incentive schemes are based on performance and reward delivery against agreed stretch targets which may be at an individual, team or business unit level. The targets and the final payout amounts for all incentive schemes are determined within scheme guidelines, by either management or the RemCo, depending on the level of the incentive scheme. Final approval is at the discretion of the RemCo.

Employee incentive schemes

- At staff and team leader levels, payments may be made quarterly, bi-annually or annually, depending on the incentive scheme. Measures are set by management and aligned with business goals and continuous improvement.

PART 2 • Remuneration policy *continued*

Management incentive schemes

- At Manager and Divisional Manager levels, employees participate in a bi-annual management incentive scheme which takes performance against both personal and business objectives into account.
- The short-term incentive scheme for Deputy General Managers, General Managers, Prescribed Officers and Executive Directors comprises two elements, namely, the individual management incentive portion and the profit pool portion.
  - The individual management incentive portion takes into account performance against personal and business objectives, as contained in each individual's scorecard.
  - The profit pool portion awards management for the achievement of normalised operating profit growth above a predetermined target.
  - The individual management incentive and profit pool portions for General Managers and above are subject to malus and clawback provisions with effect from 1 July 2019. The clawback period applies for three years after the payment date.
  - The on-target split, applied to each employee's cost to company salary, between the individual management incentive and profit pool components for different levels of management, is:

	% OF TOTAL COST TO COMPANY		
Employee category	**Individual management incentive portion**	**Profit pool portion**	**Total % of cost to company**
Executive Director*	50%	50%	100%
Prescribed Officers	42.5%**	42.5%**	85%
General Manager	25% – 42.5%**	15% – 42.5%**	40% – 50%
Deputy General Manager	20% – 30%	10%	30% – 40%
Manager/Divisional Manager	15% – 30%	–	15% – 30%

* NS Koopowitz's STI comprises one third profit pool with two thirds attributed to the individual management incentive portion.

** The incentive multipliers were changed to 42.5% with effect from 1 January 2020 to ensure that Prescribed Officers and the Heads of business units were aligned with the Executive Directors on equal weightings between the performance of their business units and Group performance.

- Following a market benchmarking exercise, an additional short-term incentive, linked to stretch performance targets, was introduced for key senior banking employees in January 2019, with the first payment made in September 2019. This is a six-monthly incentive scheme and the measures are linked to the key strategic initiatives being driven across Discovery Bank.

INDIVIDUAL MANAGEMENT INCENTIVE PORTION

Executive Director scorecards, and the applicable measures, are linked to their respective business unit performance and individual roles and responsibilities. The table below reflects the relevant key performance measures and respective weightings for each of the Executive Directors. Each measure has a weighting which is applied to the score. The sum of the weighted scores results in the overall modifier that is applied to the cost to company salary and multiplied by the on-target percentage for the individual management incentive portion. If a score of below 50% is achieved for any individual measure, the weighted outcome for the indicator will be zero.

Each individual measure has a maximum score of 150%, except for profitability measures and new business, which have a maximum of 200%. Accordingly, the maximum modifier may exceed 100%, but would never reach 200%.

	Growth	**Product and innovation**	**Financial and operational performance**	**Promotion of diversity targets within the SA Group**	**Environmental, social and governance**	**Capital and funding**
A Gore	20%	25%	25%	15%		15%
DM Viljoen			25%	15%	10%	50%
HD Kallner	10%	15%	60%*	15%		
Dr A Ntsaluba		10%	35%	15%	40%	
B Swartzberg	10%	30%	35%	15%		10%
NS Koopowitz**	30%	10%	50%			10%
A Pollard	25%	50%	25%			

* Includes performance related to the overall business performance in South Africa.

** Measures include performance related to financial, operational and governance outcomes across four sub-scorecards equally for VitalityHealth, VitalityLife, VitalityInvest and Group.

NS Koopowitz participates in an additional discretionary STI scheme (outperformance scheme), to a maximum value of £500 000 per annum linked to the achievement of the UK Group business plan which provides for challenging stretch targets. The business plan is an important tool for the Discovery Group and many of the Group's strategies, funding and other plans are predicated on achieving the business plans in all of its businesses and is linked to long-term shareholder value creation. A 60% payout is allocated upon achieving measures related to the business plan; and the remaining 40% is allocated upon exceeding the stretch targets which, if achieved, will support a significant change in the future of the business unit.

PART 2 • Remuneration policy *continued*

PROFIT POOL PORTION

The Discovery Group profit pool incentive scheme shares a portion of profits above an agreed threshold growth level with executive management. This ensures ongoing alignment and focus on operating profit across the Group. The incentive scheme is based on a single measure – growth in normalised operating profit, excluding certain start-ups – and runs on an annual basis based on audited financial results. The following approach is used to determine the profit pool portion of the executive management's short-term incentive:

STEP 1:

The value of the required pool is determined at the beginning of the financial year based on the number of participants, their employee level and their salaries. The pool is determined so that, at target normalised operating profit growth as agreed by the Board, the actual value of the pool is equal to the required value. Target normalised operating profit growth is considered to be commercially sensitive; however, disclosure of overall performance and achievement against the target is available in the implementation report.

STEP 2:

The pool starts to accumulate once normalised operating profit growth exceeds an agreed hurdle value (for FY2020, this was set at CPI x 1.5 adjusted for certain investments in new initiatives). Below this threshold, the value of the pool is zero and no payment is made. From this point, the payout curve is linearly related to the normalised operating profit growth to the target level and a consistent percentage of profit growth above the target level.

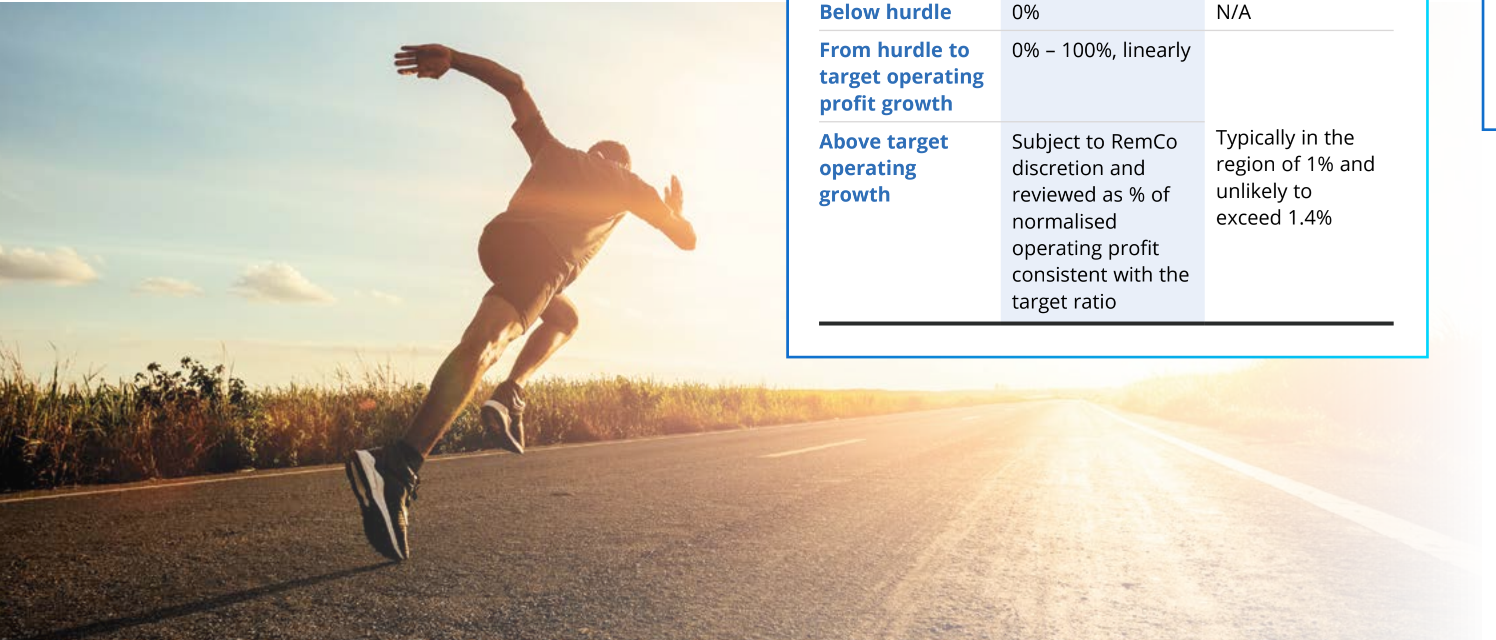
Normalised operating profit	Payout	Pool as % of normalised operating profit
Below hurdle	0%	N/A
From hurdle to target operating profit growth	0% – 100%, linearly	
Above target operating growth	Subject to RemCo discretion and reviewed as % of normalised operating profit consistent with the target ratio	Typically in the region of 1% and unlikely to exceed 1.4%

STEP 3:

The total value of the pool is determined at year end, based on audited financial results. Individuals participate in the final pool in the proportion of their individual on-target profit pool as a percentage of the total on-target profit pool.

$$\frac{\text{Individual CTC x on-target \%}}{\text{Total on-target pool}} \times \text{Actual pool}$$

Payments are split, and made in March and September, with the September balance based on audited results. Executive Directors are only paid in September as they receive their full profit pool award based on full year audited results. For managers below Executive Directors, the profit pool payment in respect of the first half year is paid in March and is not subject to forfeiture in terms of the scheme rules.



Long-term incentive plans (LTIPs)

LTIPs encourage alignment with long-term shareholder interests and are used to drive longer-term performance, retain key people and create opportunities for individuals to share in the success of the Group. These incentive schemes are restricted to executive managers, with awards offered in certain circumstances to individuals at lower levels performing critical roles, and aligning their interests with the longer-term strategic goals of the Group.

The Group's main long-term incentive scheme is the Discovery Limited Long-term Incentive Plan, which was approved at the 2019 AGM. This incentive scheme is equity- settled and replaced the previous Phantom Share Scheme, which was cash settled on vesting.

Awards under the LTIP are subject to malus and clawback provisions. Malus applies from the date of the award until vesting and the clawback period applies for three years from the date of vesting.

Discovery Limited Long-term Incentive Plan (LTIP)

Under the main long-term incentive scheme, the RemCo approves the total allocation value annually as well as the individual Executive Director allocations. Allocations below Executive Director level vary by role, level and individual performance. Guidelines are provided by role and level, and each business unit CEO recommends the participants and the associated allocations. The RemCo reviews and approves the participants, the allocations as well as the performance measures set for each allocation to vest. Awards vest in three equal tranches from year three to year five, subject to performance conditions and settlement is in Discovery Limited shares. Performance is measured from the year of the award on a compound basis for each vesting period.

As provided for in the table alongside, a portion of the awards to General Managers, Deputy General Managers, Divisional Managers and Managers is not subject to specific performance, but largely aimed at retention and remaining aligned with the market from a total pay perspective. These awards remain subject to share price increases and decreases. Awards to Executive Directors and Prescribed Officers are fully subjected to the performance measures for vesting and share price movement for value, with no provision for retention awards.

	DISCOVERY LIMITED LTIP VESTING PROPORTION	
Employee level	**Retention awards**	**Performance awards**
Executive Directors	–	100%
Prescribed Officers	–	100%
General Managers	60%	40%
Deputy General Managers	85%	15%
Managers/Divisional Managers	85%	15%

The applicable performance conditions are aligned to the organic growth methodology and the overall business strategy of Discovery:

	CAGR OVER MEASUREMENT PERIOD (THREE, FOUR AND FIVE YEARS)			
Performance measure	**Weighting**	**Minimum**	**On target**	**Outperformance**
Established businesses operating profit	70%	CPI	CPI + 5%	CPI + 7%
Emerging businesses operating profit	12.5%	CPI + 5%	CPI + 20%	CPI + 25%
New business investment and development	7.5%	Majority of objectives underperformed	All objectives materially met	All objectives significantly exceeded
Return on equity (ROE)	10%	Risk-free rate	Risk-free rate + 10%	Risk-free rate + 13%
	100%			

CAGR: COMPOUND ANNUAL GROWTH RATE

Overall vesting remains capped at 100% of the allocation. Where the performance criteria are not fully met, vesting of the percentage not achieved will lapse in the respective years. As the overall vesting is capped at 100%, outperformance in one measure may only contribute towards mitigating underperformance in another measurement category, but is subject to the relative weighting of the over- and underperformance and to a maximum of an additional 25% (preweighting) in the outperforming category. In all instances, such outperformance "subsidy" is subject to approval of the RemCo.

Following shareholder engagement and in line with market expectations, the RemCo approved a change from a two- to five-year measurement and vesting period to a three- to five-year period as indicated in the table below:

Measurement and vesting period

NOVEMBER 2020 AWARD

September 2023 (Year 3) | September 2024 (Year 4) | September 2025 (Year 5)

TRANCHE 1
33.33% vesting
three-year compound measurement period

TRANCHE 2
33.33% vesting
four-year compound measurement period

TRANCHE 3
33.33% vesting
five-year compound measurement period

Legacy Phantom Share Scheme

Prior to implementation of the equity-settled Long-term Incentive Plan, Discovery operated a cash-settled Phantom Share Scheme. Awards under this legacy incentive scheme will continue to vest until 2023. Subject to vesting conditions, payments are made in cash on the second, third, fourth and fifth anniversaries of the allocation.

Historically, the compound annual growth rate (CAGR) in normalised headline earnings per share (HEPS) had to exceed a target level for payment to be made in any year. From 2018, the RemCo approved a vesting condition linked to the Group's organic growth methodology. This new performance assessment applies to phantom share awards from 2018 as well as unvested portions of the 2015, 2016 and 2017 awards.

For unvested portions of pre-2018 awards, the transitional arrangement is that the overarching performance condition of normalised HEPS growth of CPI + 1.5% compounded over the measurement period remains in place. If the overarching HEPS growth measure is met on a compound basis over the vesting period, the tranches will continue to vest as originally agreed at the time of the historical award. If the overarching HEPS growth measure is not met on a compound basis over the vesting period, the tranche will be tested in terms of the new growth methodology to determine to what extent, if any, vesting is achieved. To the extent that the tranche fails, or partly fails, the growth methodology test, the unvested awards will lapse. This is a transitional measure for awards made prior to 2018 only and will therefore expire by 2022.

International businesses' Phantom Share Schemes

Vitality UK and Vitality Group operate Phantom Share Schemes with vesting criteria linked to the performance of those businesses.

- Vitality Group Cash-Settled Share Plan entitles participants to an incentive, based on the valuation of Vitality Group, and including our share of Ping An Health. The Plan vests over the same period as Discovery's main LTIP and is subject to operating profit hurdles. Recipients are senior executives within Vitality Group.
- The VitalityHealth and VitalityLife Long-term Incentive Programme vests in thirds, starting from the second to the fourth anniversaries from the date of award. Vesting is subject to attainment of embedded value (EV) and profit targets, measured for each tranche over the vesting period. Recipients include executives, senior leadership and key specialists.

Targeted long-term incentive schemes

From time to time, the RemCo may decide to implement a specific long-term incentive scheme to drive a particular business result. For example, this may be associated with the start-up of a new venture or the delivery of strategic stretch business targets.

Participation is at the discretion of the RemCo and is limited to key employees who drive value in the new initiative. Payout under incentive schemes for a start-up is typically linked to value creation and profitability.

For all incentive schemes, the RemCo retains discretionary override where deemed necessary. We have disclosed the incentive schemes under which awards will be made in the next financial year and all those that impact Executive Directors. However, there are outstanding awards in terms of a number of previously operated incentive schemes that are currently in run-off.

Discovery Bank executives participate in a start-up long-term incentive plan linked to the value created by the Bank over a period of seven years with options for early exercise under certain circumstances. This incentive scheme structure 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 the building of the bank. The incentive paid during FY2020 became payable following the successful public launch of the bank.

*Refer to **page 117** in the implementation report*

PART 2 • Remuneration policy *continued*

ILLUSTRATION OF THE EARNING POTENTIAL OF EXECUTIVE DIRECTORS FOR MINIMUM, ON-TARGET AND MAXIMUM PERFORMANCE OUTCOMES

The potential FY2021 remuneration outcomes for Executive Directors at minimum, on-target and stretch remuneration levels are disclosed alongside These are hypothetical values, and we have made the following assumptions for the illustrations:

1

Minimum remuneration level assumes that the performance conditions for minimum payment of the management incentive scheme, profit pool and LTIPs have not been met and that only the fixed remuneration is payable. Salaries at 1 July 2020 have been used for the illustrations.

2

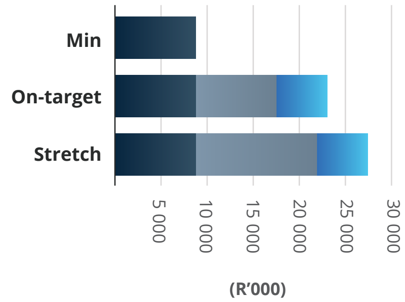
The on-target remuneration level assumes that in addition to the minimum assumptions, the individual portion of the management incentive pays at 100%, the profit pool portion pays at 100% and that all vesting tranches for LTIPs do so at 100% and at the ruling share price as at 30 June 2020.

3

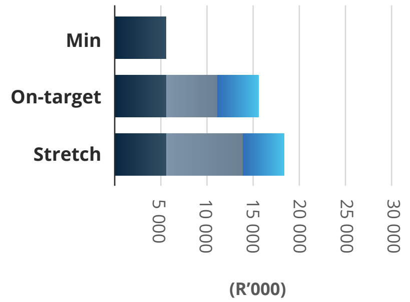
The stretch remuneration level assumes that, in addition to the on-target assumptions, the individual portion of the management incentive pays at 150% and the profit pool pays out at 150% and that all vesting tranches for LTIPs do so at 100% and at the ruling share price as at 30 June 2020.

The scenarios are illustrated alongside for the current Executive Directors on the basis of cash payable during the period.

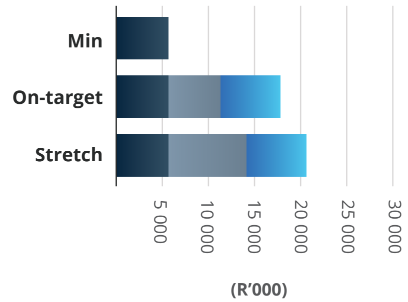
A Gore
Group Chief Executive



DM Viljoen
Group Chief Financial Officer

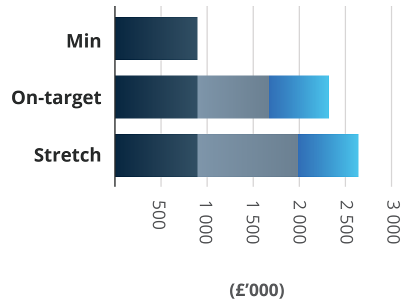


Average of other SA Executives*

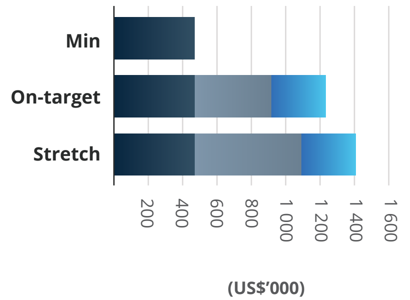


* Includes HD Kallner, B Swartzberg and Dr A Ntsaluba

NS Koopowitz
CEO UK operations



A Pollard
US Director



CTC STI LTI

PART 2 • Remuneration policy *continued*

MALUS AND CLAWBACK

The RemCo has the discretion, where defined trigger events have taken place, to invoke malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). The malus and clawback provisions and its application, are governed by the Discovery malus and clawback policy, which is a related policy to the Discovery remuneration policy. The Remco has the discretion to clawback the pre-tax proceeds of any variable remuneration (STI[1] and LTIP[2]) received, in the event of a trigger event as detailed below, for a period of three years from the date of payment or vesting.

Trigger events include the following:

- Material misstatement of financial results
- Assessment of metrics upon which award was made based on erroneous, inaccurate or misleading information
- Fraud, dishonesty or gross misconduct
- Events or behaviour that have caused reputational damage to Discovery.

1. From General manager level.
2. From Manager level.

MINIMUM SHAREHOLDING REQUIREMENT (MSR) POLICY

Executives are required to build personal holdings in Discovery shares to a minimum threshold level. They have five years from the date of introduction of the policy or appointment into their role to achieve the required holdings. The effective date of the MSR policy is October 2019.

We have set out the required holdings based on the level of the participant:

Role/Level	Number of Discovery shares
CEO	150 000
CFO and Executive Directors	87 500
Prescribed Officers	50 000

As at 30 June 2020, the Group Chief Executive's holdings significantly exceed the required holding. In addition, four of the other six Executive Directors already exceed the required holdings.

CONTRACT TERMS FOR EXECUTIVE DIRECTORS

All Executive Directors are employed on employment contracts that can be cancelled by between one month and 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

Our policy provides for no ex-gratia payments on termination of office of Executive Directors other than payments that are due under existing short- and long-term incentive schemes.

GUARANTEED BONUSES, SIGN-ONS, BUY-OUTS, RETENTION AND RESTRAINT OF TRADE PAYMENTS

Such payments will only be made when deemed necessary to attract and retain critical employees and will be approved by the RemCo and disclosed appropriately.

ADVISORY VOTE ON REMUNERATION POLICY

The Board will table the remuneration policy for a non-binding advisory vote by shareholders at the AGM on a yearly basis.

In the event that the remuneration policy is voted against by 25% or more of the votes exercised, Discovery, in its voting results announcement following the AGM, will invite dissenting shareholders to engage with us.

NON-EXECUTIVE DIRECTORS

Non-executive Directors receive a fixed retainer fee for their participation on the Board and Board Committees. Non-executive Directors do not receive annual incentive awards. The RemCo reviews the fees paid to Non-executive Directors annually taking into consideration the individuals' responsibilities and Board Committee membership.

The Board and RemCo Chairpersons are not present when their remuneration is reviewed.

From time to time, the fees are benchmarked to other local and international financial services companies and companies with similar market capitalisations to ensure the fees remain competitive. Recommendations are made to the Board for consideration and taken to the AGM for shareholder approval.

The Chairperson of the Board receives an all-inclusive retainer and does not receive any other fees or a retainer for attendance at Board or Committee meetings.

Non-executive Director fees are benchmarked every second year against a peer group. The latest benchmark exercise was conducted in 2019. The peer group review included Absa, Capitec, FirstRand, Nedbank, Standard Bank, Alexander Forbes, Liberty, Momentum Metropolitan Holdings, Old Mutual and Sanlam. 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 basis only with effect from FY2020.

There is no limitation on the number of times a Non-executive Director may stand for re-election. Proposals for re-election are based on individual performance and contribution, which is reviewed by the Board.

PART 3

IMPLEMENTATION REPORT

Executive Directors' performance and remuneration

FIXED REMUNERATION INCREASES

We award salary increases around CPI and have established a cost-to-company threshold, which falls above the national minimum wage in South Africa, below which increases awarded are notably higher than CPI. The threshold is currently R144 000 per annum and is reviewed annually. In line with Discovery's commitment to fair and responsible remuneration, employees below the threshold (as reviewed annually) have received increases of around 10% per annum for the past few years.

	1 July 2019	1 July 2020
CPI (June headline)	4.5%	**2.2%**
Executive Directors	5.0 – 5.5%	**0%**
Management and Executives	5.5%	**3%**
Employees	5.5%	**3%**
Minimum salary	10%	**10%**

FY2020 EXECUTIVE DIRECTORS' REMUNERATION

The Companies Act and associated regulations introduced the concept of Prescribed Officers and related remuneration disclosure. The RemCo considers the Act, obtains legal opinion and assesses this definition on an annual basis against the roles and responsibilities of its employees. Following the restructure of reporting lines and the formalisation of geographical composite strategies and leadership structure composites for FY2020, the RemCo resolved that the Executive Directors of Discovery Limited are the Prescribed Officers of the Group*.

The remuneration earned by the Executive Directors during the year is shown on the next page in a single figure format. It reflects earnings received and due to each, based on performance over the period under review, in accordance with the guidance of King IV™ principles. All remuneration components are summed into a single total figure, which is representative of the quantum of remuneration most closely linked to performance during the year. Actual cash remuneration paid to Executive Directors during FY2020, which may include cash payments in respect of the previous financial period's performance, is reflected in the Directorate from page 175 in the Annual Financial Statements.

* Should a leader, who is not an Executive Director, be appointed to head up any of the geographical composites, such individual will fall within the definition of Prescribed Officer.

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 is made up of individual and profit pool portions of the STI scheme as well as payments from an outperformance incentive scheme for the Directors in the United Kingdom.
- The LTIP is made up of the vesting tranches of prior year phantom awards that are measured up to FY2020, shown at closing fair value of shares as at 30 June. Where applicable, the following incentive schemes are also included: the Discovery Insure LTIP Scheme, the Vitality Group Cash-Settled Plan, the US TVG Stock Plan, and the UK Vitality Phantom Share Scheme. On vesting, these incentive schemes pay out at a price linked to the vesting date.

Elements of total remuneration package

Cost to company (CTC)

CTC increases are effective 1 July and is a total amount inclusive of the contribution to retirement funding and other benefits. The RemCo approved increases in CTC ranging from 5% to 5.5% effective 1 July 2019 for Executive Directors in South Africa with inflation-related increases awarded for international Executive Directors.

The reduction in FY2020 CTC for Executive Directors reflects only two of the three months of gross salary committed to add to Discovery's contributions to the Solidarity Fund and other COVID-19 related causes. A 0% increase was applied for Executive Directors effective 1 July 2020.

Short-term incentives

The Executive Directors participate in an annual incentive scheme that consists of two portions:

1. The profit pool portion
2. The individual management incentive portion.

Both portions of the short-term incentive scheme are subject to malus and clawback provisions.

Profit pool portion

Given that the normalised operating profit target was not achieved in FY2020, no profit pool portion will be payable to Executive Directors.

PART 3 • Implementation report *continued*

FY2020 Executive Directors' single figure remuneration

	Base salary	Retirement fund	Other benefits	Performance bonus[1]	LTIP reflected[2,3,5]	**Total**
SA EXECUTIVE DIRECTORS (ZAR)						
A Gore	6 766 895	1 087 504	413 404	4 193 057	1 287 568	**13 748 428**
DM Viljoen	4 419 433	722 446	89 496	2 762 992	447 426	**8 441 793**
HD Kallner	5 105 399	271 420	168 420	2 832 794	3 792 168	**12 170 201**
Dr A Ntsaluba	4 281 433	342 474	273 406	2 655 936	821 332	**8 374 581**
B Swartzberg	4 902 399	470 194	172 642	3 063 305	2 819 486	**11 428 026**
UK EXECUTIVE DIRECTORS (GBP)						
NS Koopowitz[5]	926 049	10 000	25 219	640 838	586 650	**2 188 756**
HP Mayers[4, 5]	542 977	54 116	56 184	201 227	517 752	**1 372 256**
US EXECUTIVE DIRECTOR (US$)						
A Pollard	451 298	11 341	17 114	216 637	198 670	**895 060**

1 Performance bonuses are based on Executive Directors' performance against their individual balanced scorecards only. Profit pool hurdles were not met 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 volume weighted average price (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 Novermber 2019, and his performance bonus and long-term incentive scheme were settled on a pro rata basis based on time served.
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 the current year as in terms of the definitions thereof, would have been included therein at the time of award. Refer to footnote 3 page 118.

FY2019 Executive Directors' single figure remuneration

	Base salary	Retirement fund	Other benefits	Performance bonus[1]	LTIP reflected	**Total**
SA EXECUTIVE DIRECTORS (ZAR)						
A Gore	6 909 999	1 036 455	390 774	6 020 233	5 036 315	**19 393 776**
DM Viljoen	4 509 995	688 044	77 262	4 390 734	893 509	**10 559 544**
HD Kallner	5 175 945	258 782	157 074	4 303 312	13 476 981[3]	**23 372 094**
Dr A Ntsaluba	4 337 529	325 292	252 210	4 386 786	3 384 060	**12 685 877**
J Robertson[2]	109 997	22 579	2 899	645 579	661 274	**1 442 328**
B Swartzberg	5 165 137	266 262	160 398	4 785 590	3 693 804	**14 071 191**
UK EXECUTIVE DIRECTORS (GBP)						
NS Koopowitz	908 949	10 000	23 859	963 855	694 279	**2 600 942**
HP Mayers	879 979	92 152	21 365	310 694	504 443	**1 808 633**
US EXECUTIVE DIRECTOR (US$)						
A Pollard	454 760	9 097	17 683	338 046	340 538	**1 160 124**

1 A portion of the profit pool payment (50%) has been deferred until 31 December 2020, however, the full award values are shown in the table.
2 Resigned as a Director on 31 August 2018. Values shown are two-month actuals for salary and benefits and the pro-rated performance bonus and LTIP.
3 Restated for tranche of out-of-cycle Phantom Share allocation made in April 2018 and first vesting paid in April 2020. In terms of consistent application of single figure remuneration definitions, this should be reflected in FY2019 given that the April 2021 vesting is reflected in the FY2020 table above.

PART 3 • Implementation report *continued*

Individual management incentive portion

The individual management incentive portion is based on a balanced scorecard of individual performance metrics.

The individual portions for the Executive Directors paid out from 86% to 104.4% of on-target.

We have set out alongside the Executive Directors and a brief overview of how they performed.

Target exceeded

Target met

Target not met/not achieved

(although target not achieved, scoring was >50%)

SUMMARY OF MEASURES AND ACHIEVEMENT DURING FY2020:

	A GORE	DM VILJOEN	HD KALLNER**	DR A NTSALUBA	B SWARTZBERG	NS KOOPOWITZ***	A POLLARD
	95.8%	99.8%	96.5%	102.4%	104.4%	86%	92.5%
Growth	Global expansion continued in the execution of Ambition 2023, within a complex operating environment.	The Group's growth strategy was enabled by a well-controlled capital plan and funding strategy, effectively delivered during the COVID-19 pandemic.	Growth in new business was below target overall for the South African (SA) businesses, although many gained market share. Agency distribution and direct channels were strengthened.		Significant increase in new Vitality Group partnerships, with several successful product launches. Maturing Vitality1 platform for existing markets with service levels exceeded in all markets.	Growth in new business was below target in a challenging macro environment.	Deepened integration of Vitality within specific insurance segments. Further progress is required to commercialise opportunities within other identified segments of the insurance market.
Innovation	Delivering Ambition 2023 requires continued innovation – Discovery was recognised as the most innovative insurer at Efma-Accenture awards.	Debt maturity profile restructured and capital optimised. Related forex hedge management.	Composite strategy enhanced by successful product launches (September 2019 and May 2020, during lockdown) across the full SA composite. Discovery was recognised as the most innovative insurer at Efma-Accenture awards.		Ideation and development of new products. Implemented new product features on Vitality1.	Composite strategy enhanced by the successful launch of Vitality Pink, a composite product offering providing enhanced benefits to members who hold multiple Vitality products.	Ideation of strong product differentiation feature for Vitality, currently in development.
Operational delivery	Resilient overall performance with the Bank migration completed and new initiatives gaining traction.	Significant progress with the development and readiness for IFRS 17.	SA business operational-linked performance, achieved positive non-economic variances for the SA operations, and Discovery Life, despite the negative effect of COVID-19 in the last quarter.	Regulatory initiatives and interventions with Government and Regulators. Operational performance linked to Discovery Health and Vitality UK.	Continued alignment with insurance partners, although lower than planned cash returns to Group.	Composite strategy interrupted by COVID-19 pandemic. Positive total UK non-economic experience variances, score impacted by negative variances in VitalityLife.	Implementation of new Vitality1 product features for adoption across multiple insurance markets.

PART 3 • Implementation report *continued*

Target exceeded

Target met

Target not met/not achieved
(although target not achieved, scoring was >50%)

SUMMARY OF MEASURES AND ACHIEVEMENT DURING FY2020: *continued*

	A GORE	DM VILJOEN	HD KALLNER**	DR A NTSALUBA	B SWARTZBERG	NS KOOPOWITZ***	A POLLARD
	95.8%	99.8%	96.5%	102.4%	104.4%	86%	92.5%
Financial outcomes	Reduction in normalised headline earnings mitigated by robust core operating performance in challenging environment.	Reduction in normalised headline earnings mitigated by robust core operating performance in challenging environment.	SA business linked financial performance, with Discovery Life's strong operational result and robust cash generation fully offset by the year-end COVID-19 provisions.	Linked to profitability of Discovery Health, Vitality UK, Vitality Group and Ping An Health (relative weighting according to direct involvement).	Strong Vitality Group profitability and excellent performance of Ping An Health including revenue over RMB10 billion in 2019.	A disappointing financial outcome for VitalityLife in challenging conditions, however controllable financial aspects were maintained and strengthened. VitalityHealth's performance was robust.	Vitality Group linked profitability.
Relevance	Excellent performance across all emerging businesses and further global market rollout, with continued significant organic investment into new businesses.		Vitality member engagement, operational and service metrics were in line with target, however membership was below.	Advancing the social compact work and Discovery's visibility in key national business initiatives.	The strategy to scale Vitality Group remains a key focus area, but has been enhanced by our partners' deepened belief and buy-in into the Shared-value Insurance model, with it embedded more centrally into their strategies.	Effective roll-out of COVID-19 benefits ensured the relevance of products.	Continued evolution of Vitality to attract customers.
	Achieved Level 1 BEE score.	Achievement of EE targets*.	Achievement of EE targets*.	Achievement of EE targets*.	Achievement of EE targets*.	Gender diversity.	

* The EE measurement is made up of two components:

1 The degree to which we achieve the targeted employment equity shape – the targets are stretch targets to drive decision-making where opportunities arise, this was impacted as a result of COVID-19 leading to fewer opportunities.

2 The perceived level of diversity and inclusion in the business, measured via the employee experience survey – the scores were met or exceeded by most business units, however this only accounts for 30% of the target.

** HD Kallner was appointed CEO of the SA composite with effect from 1 January 2020 prior to which he was the CEO of Discovery Life. Approximately 50% of his score is attributed to SA business operational performance for which he scored 104.8% for H2 2020.

*** For H1, NS Koopowitz's measures included performance related to financial, operational and governance outcomes across VitalityHealth. Following his appointment as Chief Executive of the Vitality UK Group, his measures were expanded to include performance related to financial, operational and governance outcomes across VitalityHealth, VitalityLife, VitalityInvest and Group.

PART 3 • Implementation report *continued*

Additional discretionary STI scheme

NS Koopowitz's discretionary STI scheme was linked to the achievement of the VitalityHealth business plan for the first five months of FY2020. Following his appointment as Chief Executive of the Vitality UK Group with effect from 28 November 2019, his STI scheme was expanded to include VitalityLife. The incentive scheme is structured to pay out 60% upon achieving the business plan with the remaining 40% allocated upon exceeding stretch targets. Given that the consolidation of the UK operations is ahead of schedule and various management actions were implemented to return VitalityLife to profitability during a period where COVID-19 created new challenges, he scored 79% of a maximum payout of £500 000.

Long-term incentive

The portions that vested based on performance measurements up to FY2020 in respect of our main LTIP, included awards from 2015, 2016, 2017 and 2018.

The performance conditions are measured on a compound basis over the vesting period of the awards. The vesting outcomes were affected by the significant COVID-19 provisions.

Despite these provisions technically relating to impacts of COVID-19 claims and lapses for future years, the Remco decided to not adjust for these impacts which will result in this year's vesting tranches being significantly impacted and paying out at only 30% of the performance-based portions of the awards. Awards for Executive Directors are 100% performance-based and therefore the remaining 70% of vesting tranches were forfeited. This will reflect in the Executive Directors' participation in the share incentive scheme in FY2021, while the table alongside relates to FY2020. This negative impact reduces to 40% and 15% of the total award at lower levels of management.

EXECUTIVE DIRECTORS' PARTICIPATION IN THE SHARE INCENTIVE SCHEMES

Executive Directors participate in the following long-term incentive schemes that have not yet vested. Cash value received during the year is reflective of performance measurements relating to previous periods. The LTIP awards relating to the current year under review are paid in the following financial year, and are included in the single figure remuneration tables on page 114 which are more reflective of the performance of the period under review.

	2019	2020					
	Opening number on 1 July 2019	Granted during 2020	Forfeited/ lapsed during 2020	Exercised/ settled during 2020	Closing number on 30 June 2020	Cash value received during the year	Closing fair value at 30 June 2020[1]
Name	Number of awards	Number of awards	Number of awards	Number of awards	Number of awards	ZAR	ZAR
A GORE							
Discovery Phantom Share Scheme	140 061	–	–	30 367	109 694	3 479 468	11 468 509
Discovery Phantom Options Scheme	23 857	–	–	16 629	7 228	156 928	–
Discovery Limited LTIP	–	76 399	–	–	76 399	–	7 987 515
DM VILJOEN							
Discovery Phantom Share Scheme	109 677	–	–	24 558	85 119	2 330 618	8 899 092
Discovery Phantom Options Scheme	44 899	–	–	11 225	33 674	–	–
Discovery Limited LTIP	–	48 340	–	–	48 340	–	5 053 947
HD KALLNER							
Discovery Phantom Share Scheme	438 500	–	–	117 917	320 583	10 572 823	33 516 926
Discovery Phantom Options Scheme	37 358	–	–	32 539	4 819	462 766	–
Discovery Limited LTIP	–	51 240	–	–	51 240	–	5 357 142
Discovery Insure LTIP[4]	25 879	7 408	–	19 544	13 743	4 058 157	1 436 788
DR A NTSALUBA							
Discovery Phantom Share Scheme	84 668	–	–	20 032	64 636	2 295 410	6 757 589
Discovery Phantom Options Scheme	55 370	–	–	20 952	34 418	104 621	–
Discovery Limited LTIP	–	45 253	–	–	45 253	–	4 731 201
B SWARTZBERG							
Discovery Phantom Share Scheme	59 704	–	–	18 379	41 325	2 106 066	4 320 372
Discovery Phantom Options Scheme	31 620	–	–	15 015	16 605	104 621	–
Discovery Limited LTIP	–	15 372	–	–	15 372	–	1 607 143
Vitality Group Cash-Settled Plan	504 898	287 542	–	63 561	728 879	955 487	12 689 783

PART 3 • Implementation report *continued*

Name	2019 Opening number on 1 July 2019 Number of awards	2020 Granted during 2020 Number of awards	Forfeited/ lapsed during 2020 Number of awards	Exercised/ settled during 2020 Number of awards	Closing number on 30 June 2020 Number of awards	Cash value received during the year ZAR	Closing fair value at 30 June 2020[1] ZAR
NS KOOPOWITZ							
Vitality Phantom Share Scheme	48 284	13 007	–	17 995	43 296	16 182 415	35 759 390
Vitality Phantom Options Scheme	19 978	–	–	19 978[3]	–	28 704 650	–
HP MAYERS							
Discovery Phantom Share Scheme	7 952	–	–	5 543	2 409	635 117	251 913
Discovery Phantom Options Scheme	15 905	–	–	11 086	4 819	104 621	–
Vitality Phantom Share Scheme	41 660	–	–	41 660	–	20 813 308	–
Vitality Phantom Options Scheme	19 978	–	–	19 978[3]	–	28 704 650	–
A POLLARD							
Discovery Phantom Share Scheme	22 492	–	–	5 642	16 850	646 489	1 761 667
Discovery Phantom Options Scheme	31 864	–	–	11 284	20 580	34 874	–
Discovery Limited LTIP	–	14 662	–	–	14 662	–	1 532 912
Vitality Group Cash-Settled Plan	391 468	278 536	–	61 402	608 602	1 168 735	10 595 761
TVG Stock Plan[2]	352 613	–	–	234 021	118 592	3 340 681	3 843 379

1 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 R104.55 at 30 June 2020 (2019: R150.38), adjusted for expected future dividends that will 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.
2 The opening number on 1 July 2019 has been corrected and restated. The TVG Stock Plan will end this year.
3 The Vitality Phantom Options Scheme in respect of NS Koopowitz and HP Mayers include the once-off vesting of special phantom options allocations linked to the final buy-out of Vitality UK in 2014, and therefore represent a multi-year scheme with single maturity. These special phantom allocations were designed to align with the VitalityHealth and VitalityLife minority interest share participation in which other UK senior management obtained physical minority share interests and where participants had to sell such options to Discovery Group Europe Limited after maturity. NS Koopowitz and HP Mayers were not participants in the physical share scheme, but were awarded phantom option shares that replicated the scheme and also forfeited the normal 2014 long-term incentive plan awards. The once-off and final amounts paid under this phantom scheme amounted to £1 453 400 each (R28.7 million). 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 the current year as, in terms of definitions, would have been included therein at the time of award.
4 The Discovery Insure LTIP Scheme was a three-year scheme which ran from 2015 to 2017 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 the payments were deferred and indexed to the Discovery share price.

PART 3 • Implementation report *continued*

TERMINATION OF OFFICE PAYMENT

There were no termination of office payments to Executive Directors during the period. HP Mayers's performance bonus and long-term incentive scheme were settled on a pro-rata basis, following his retirement as an Executive Director after a period of medical leave.

FY2020 NON-EXECUTIVE DIRECTOR FEES

Payments to Non-executive Directors for the year ended 30 June 2020 for services rendered were as follows:

R'000	Services as directors	Other benefits(1)	Total
ME Tucker[2]	5 448	–	5 448
AL Owen[2]	2 225	185	2 410
R Farber[3]	2 445	3 764	6 209
SV Zilwa*	1 832	–	1 832
Dr TV Maphai*	1 263	–	1 263
SE De Bruyn	1 364	–	1 364
Dr BA Brink	1 298	–	1 298
HL Bosman[4]	1 524	–	1 524
FN Khanyile[5]	769	–	769
HP Mayers	420	–	420
D Macready	693	–	693
TOTAL	19 281	3 949	23 230

1 "Other benefits" comprise medical aid contributions, travel, other allowances and fees from Group subsidiaries.
2 Directors' fees are paid in GBP.
3 Director's fees for services and fees for other consulting services rendered by R Farber were paid in AUD.
4 Director's fees for services rendered by HL Bosman were paid to Rand Merchant Investment Holdings Limited.
5 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 and have R18.6m loans outstanding to the Company.

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 interest in the ordinary shares of the Company at 30 June:

Directors	Direct beneficial	Indirect beneficial	Total 2020	Direct beneficial	Indirect beneficial	Total 2019
A Gore	–	50 496 775[1]	50 496 775	–	50 496 775	50 496 775
HL Bosman	–	77 027	77 027	–	77 027	77 027
Dr BA Brink	–	–	–	20 000	–	20 000
SE De Bruyn	1 800	–	1 800	65 800	–	65 800
R Farber	55 076	–	55 076	55 076	–	55 076
HD Kallner	100 398	–	100 398	100 398	–	100 398
F Khanyile	800	–	800	800	–	800
NS Koopowitz	–	962 004	962 004	–	962 004	962 004
Dr TV Maphai	1 919	407 395	409 314	1 919	407 395	409 314
HP Mayers[5]	36 948	7 699 716[2]	7 736 664	36 948	8 599 716	8 636 664
Dr A Ntsaluba	90 164	–	90 164	103 164	–	103 164
AL Owen[4]	–	–	–	33 747	–	33 747
A Pollard	1 193 099	–	1 193 099	1 193 099	–	1 193 099
B Swartzberg	3 384 227	22 733 115[3]	26 117 342	3 384 227	22 733 115	26 117 342
DM Viljoen	10 000	–	10 000	10 000	–	10 000
SV Zilwa	–	12 780	12 780	–	27 780	27 780
	4 874 431	82 388 812	87 263 243	5 005 178	83 303 812	88 308 990

1 Includes 42 400 000 ordinary shares which are subject to security.
2 Includes 7 699 716 ordinary shares which are subject to security.
3 Includes 10 200 000 ordinary shares which are subject to security.
4 On 14 February 2020, when Mr AL Owen retired, his direct beneficial holding was 33 747 shares in Discovery Limited.
5 Subsequent to financial year end, HP Mayers sold 3 000 000 shares (indirect beneficial) in September 2020.

PART 3 • Implementation report *continued*

NON-EXECUTIVE DIRECTORS' FEE PROPOSAL FOR FY2021

The proposed FY2021 fees will be tabled at the AGM for approval as a special resolution. A zero percent increase is proposed for all Non-executive Director fees.

	FY2020 Excl VAT (if applicable) Retainer only	Proposed FY2021 Excl VAT (if applicable) Retainer only
BOARD		
Chairperson	GBP 300 000	**GBP 300 000**
Member – SA based	R 480 000	**R 480 000**
Member – UK based	GBP 66 000	**GBP 66 000**
Member – AUS based	AUD 120 000	**AUD 120 000**
Member – USA and other non-SA based	USD 82 000	**USD 82 000**
AUDIT, RISK AND ACTUARIAL COMMITTEES		
Chairperson – SA based	R 455 000	**R 455 000**
Member – SA based	R 260 000	**R 260 000**
Chairperson – UK based	GBP 48 000	**GBP 48 000**
Member – UK based	GBP 16 200	**GBP 16 200**
Chairperson – AUS based	AUD 54 600	**AUD 54 600**
Member – AUS based	AUD 31 200	**AUD 31 200**
Chairperson – USA and other non-SA based	USD 37 600	**USD 37 600**
Member – USA and other non-SA based	USD 21 500	**USD 21 500**
REMUNERATION, SOCIAL AND ETHICS, NOMINATIONS AND ANY OTHER COMMITTEES		
Chairperson – SA based	R 364 000	**R 364 000**
Member – SA based	R 208 000	**R 208 000**
Chairperson – UK based	GBP 24 200	**GBP 24 200**
Member – UK based	GBP 13 800	**GBP 13 800**
Chairperson – AUS based	AUD 43 600	**AUD 43 600**
Member – AUS based	AUD 25 000	**AUD 25 000**
Chairperson – USA and other non-SA based	USD 30 100	**USD 30 100**
Member – USA and other non-SA based	USD 17 200	**USD 17 200**
NON-RESIDENT DIRECTOR TRAVEL ALLOWANCE	USD 2 795 per return leg	**USD 2 795 per return leg**

STATEMENT REGARDING COMPLIANCE WITH THE REMUNERATION POLICY

The RemCo is satisfied that the remuneration policy as detailed in the 2020 Remuneration Report was complied with and there were no substantial deviations from the policy during the year.

ADVISORY VOTE ON THE IMPLEMENTATION REPORT

The Board will table the implementation report for a non-binding advisory vote by shareholders at the AGM on an annual basis. Discovery will announce the voting results following the AGM.