Discovery

INTEGRATED ANNUAL REPORT

for the year ended 30 June 2023

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Navigating our reporting suite

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

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This icon refers to more information in this report

This icon refers to additional information available on www.discovery.co.za

Our reporting suite is best viewed in Adobe Acrobat for desktop, mobile or tablet.

Click to download or update to the latest Adobe Acrobat Reader

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

Our reporting suite

THIS REPORT

INTEGRATED ANNUAL REPORT

Our primary report to our shareholders, providers of financial capital and other key stakeholders, detailing how we created, preserved or eroded value for our stakeholder groups.

GROUP ANNUAL FINANCIAL STATEMENTS

Group audited consolidated financial results for Discovery Limited, the Embedded Value Statement and Five-year Review.

SUSTAINABILITY REPORT

An overview of the Group's performance against our Integrated Sustainability Framework and, where appropriate, against relevant standards and frameworks.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

Discovery's climate change response regarding governance, strategy, risk management, and metrics and targets related to the Group's environmental impact.

GOVERNANCE REPORT

Outlines our governance philosophy, leadership and compliance with the King Report on Corporate Governance for South Africa, 2016 (King IV™)*.

REMUNERATION REPORT

Outlines our remuneration policy and implementation approach and factors influencing our remuneration-related decisions.

TAX TRANSPARENCY REPORT

Communicates material tax disclosure information to demonstrate our commitment to tax transparency and operating as a force for good through our tax contributions.

ANNUAL FINANCIAL RESULTS PRESENTATION AND BOOKLET

NOTICE OF ANNUAL GENERAL MEETING (AGM)

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

Navigating and connecting our value creation story

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

For more information on our application of the Integrated Reporting Framework, refer to page 96.

Our resources and relationships (CAPITALS)

- FC Financial Capital
- HC People
- IC Data and innovation
- MC Technology and digital assets
- SC Relationships
- NC Environmental resources

Refer to page 96 for how we define the six capitals.

THE MATERIAL THEMES that guide our integrated reporting

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

OUR STAKEHOLDER GROUPS

- Government and regulators
- Employees
- Providers of capital
- Clients
- Healthcare providers
- Business partners
- Society

01

About this report

Our 2023 Integrated Annual Report details how we created, preserved or eroded value for our providers of financial capital, shareholders and other stakeholder groups during the year. We further share our progress against our strategic objectives, considering our material matters, which are informed by our external environment, risks and opportunities and our stakeholder concerns.

INTEGRATED THINKING

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

For more information on our application of the Integrated Reporting Framework, refer to Page 96.

REPORTING SCOPE AND BOUNDARY

This Integrated Annual Report provides a comprehensive view of Discovery Limited (hereafter referred to as Discovery or the Group) from 1 July 2022 to 30 June 2023 (FY2023). It also includes all material events up to the date of Board approval. Furthermore, this report includes both financial and non-financial information relating to the performance of our three composites: Discovery South Africa (SA), Vitality United Kingdom (UK) and Vitality Global.

Our integrated annual reporting boundary covers risks, opportunities and outcomes arising from:

- Our strategy Page 30.
- Our Shared-value model Page 10.
- The performance of our business units Page 76.
- Our material themes Page 14.
- Our governance Page 16.
- Our operating environment Page 49.

Our financial reporting boundary
(defined by control and significant influence)

DISCOVERY LIMITED

Joint arrangements | Subsidiaries | Investments (other forms)

OUR STAKEHOLDERS

Government and regulators
Employees
Providers of capital
Clients
Healthcare providers
Business partners
Society

Page 54.

FRAMEWORKS APPLIED

In preparing this report, we were guided by the:

- Integrated Reporting Framework
- Companies Act, No. 71 of 2008, as amended (Companies Act)
- JSE Limited (JSE) Listings Requirements and JSE Debt Listings Requirements
- King IV™ report
- International Financial Reporting Standards (IFRS)

FORWARD-LOOKING STATEMENTS

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

MATERIALITY

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

For more information on our materiality determination process, refer to page 14.

COMBINED ASSURANCE

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

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

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

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

BOARD APPROVAL

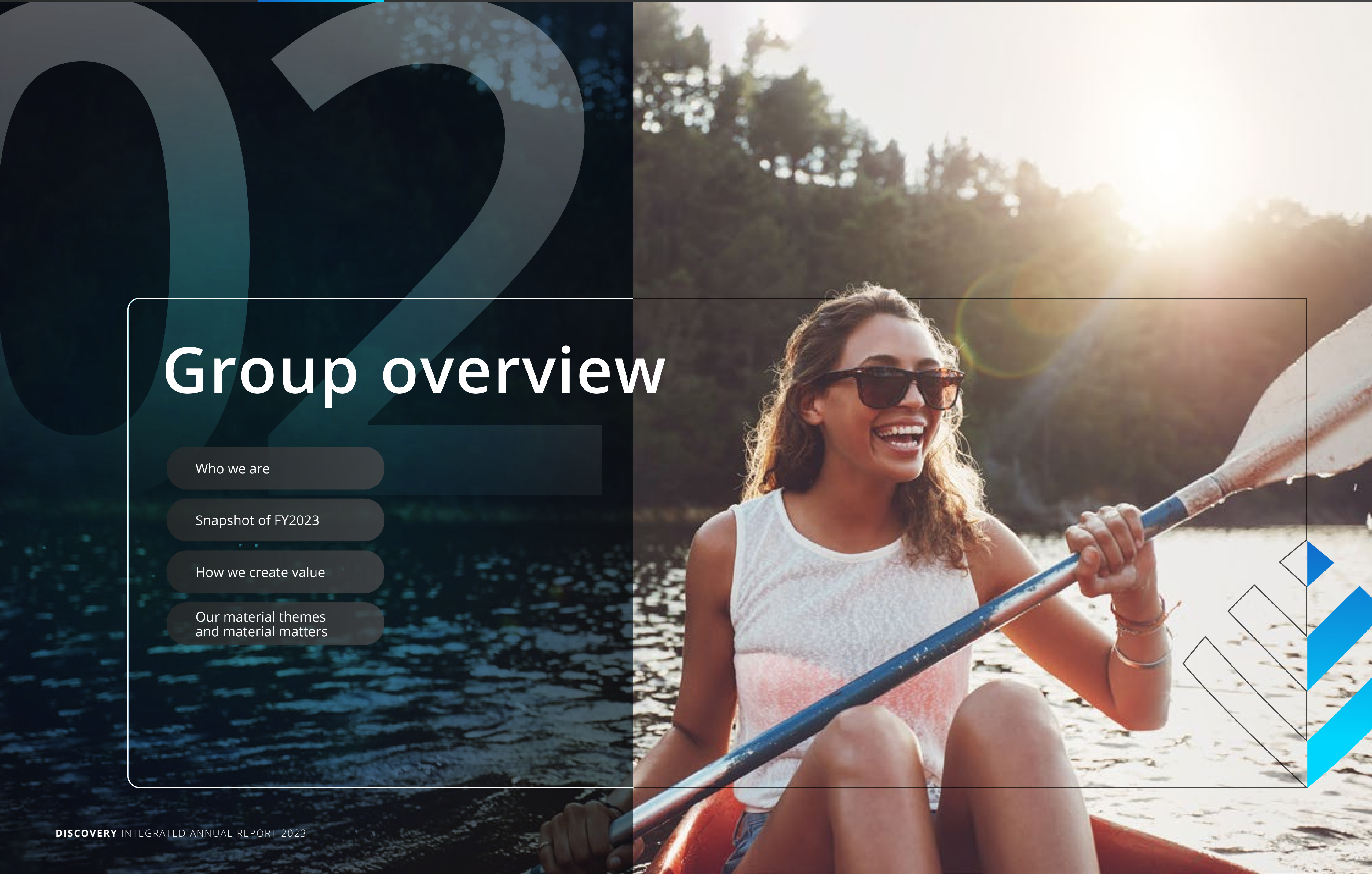
Discovery's Board of Directors is responsible for the integrity of this report. The Board confirms this report materially complies with the requirements of the frameworks outlined above. After reviewing this report, the Board believes it accurately and comprehensively explains how Discovery creates, preserves or erodes value for our stakeholders in the short, medium and long term. In doing so, our Board considered the Group's risks and opportunities, material matters and operating environment, and the impact thereof on Discovery's strategy, ambition and Shared-value model.

The Board unanimously approved this report on 13 October 2023.

Mark Tucker
Independent Non-executive Chairperson

Adrian Gore
Group Chief Executive

We welcome your feedback on our reporting suite.
For copies of this report or to submit any comments, email **askthecfo@discovery.co.za.**



02

Group overview

WHO WE ARE

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

Discovery has leveraged fintech, actuarial and behavioural science for more than two decades to deliver on its core purpose –

To make people healthier and enhance and protect their lives.

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

We build businesses at the intersection of three key global trends – the nature of risk, technology and social responsibility – that emphasise the increasing relevance of our Shared-value model.

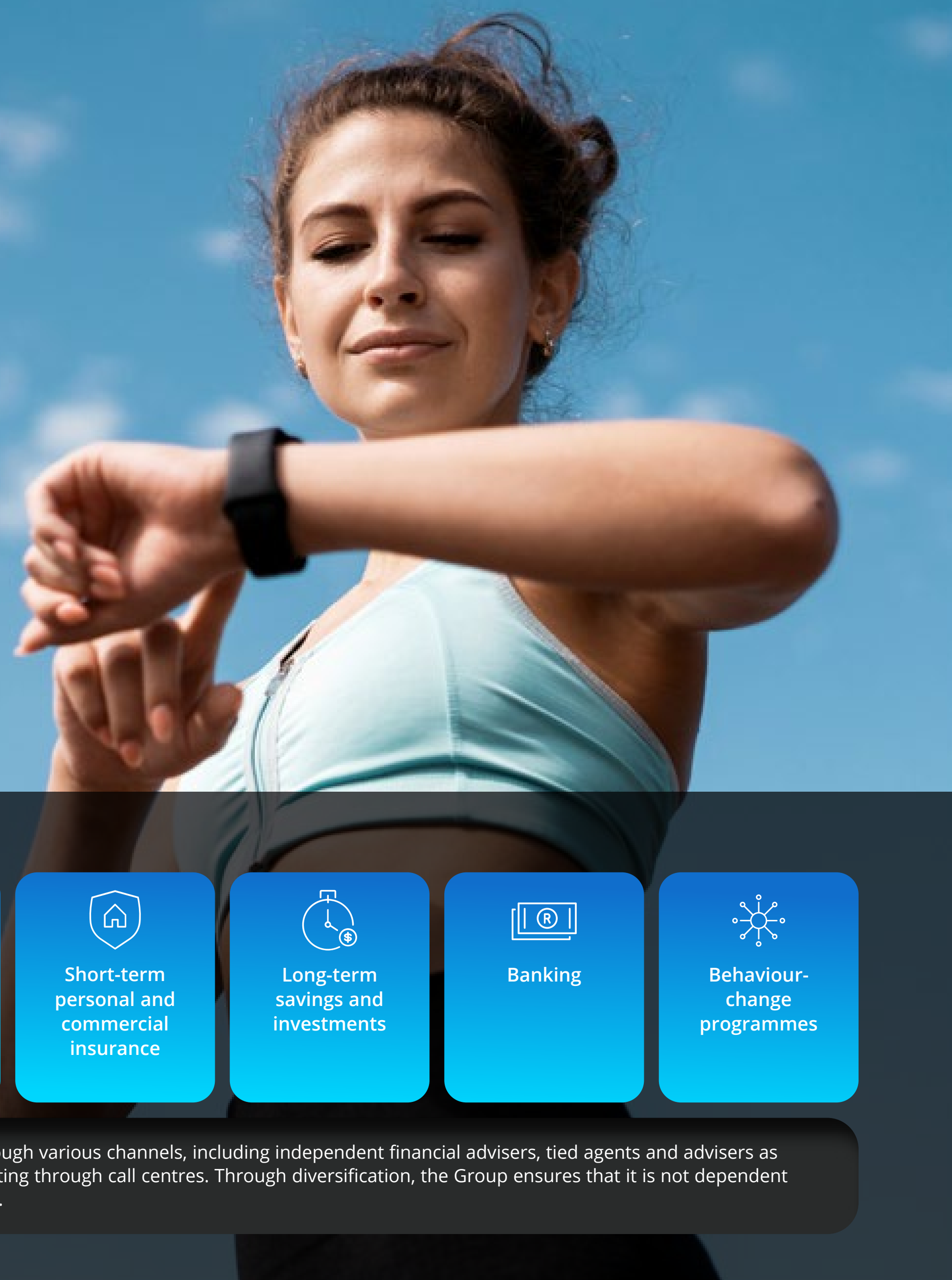
Refer to page 30 for more information on these three key global trends.

Operational in
39 ***markets globally***
(FY2022: 35)

Over
13 700 ***people***
employed across the group

Over
40.5 ***million***
lives impacted globally

Market capitalisation of
R98 ***billion***



Our products and services:

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

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

THE MARKETS WE OPERATE IN

WHY WE ARE IN BUSINESS

Changing behaviour that contributes 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 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.

HEALTH AND MORTALITY

Four lifestyle behaviours and four chronic conditions are responsible for

60% of preventable deaths worldwide

World Health Organization and Global Burden of Disease.

LONGEVITY AND RETIREMENT

Three investment behaviours and three financial conditions are responsible for

90% of South Africans having inadequate retirement funding

South African National Treasury.

CREDIT DEFAULTS

Four financial behaviours are responsible for

80% of credit defaults and retirement shortfalls in South Africa

Journal of Economics and Finance and other sources.

MOTOR ACCIDENTS

Five driving behaviours and three driving conditions are responsible for

60% of all fatal accidents worldwide

Road Traffic Management Corporation and US Department of Transportation.

CLIMATE CHANGE

Four lifestyle behaviours are responsible for

85% of personal emissions

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

Refer to page 11 for more information on our Shared-value model.

WHAT WE DO

We build market-leading businesses from the ground up through our disruptive Shared-value model. The organic growth of our businesses has the potential to transform the industries in which we operate. To achieve this, we maintain a founder's mindset, aiming to create a compelling value proposition for clients through innovative products that address complex issues.

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

Refer to our business reviews from page 76 for detailed descriptions of our businesses.

Refer to our strategy from page 30 for detailed descriptions of our short-, medium- and long-term objectives.

We create value and differentiate ourselves by integrating our medium-term ambitions with short-term goals and driving our operating model through new business ventures or partnerships across three market-specific composites.

Discovery

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

Discovery

SOUTH AFRICA

Perfect composite model powered by Discovery Bank, number one in every industry, and the Bank pivoting to growth

Discovery
- Health
- Life
- Invest
- Insure
- Bank

Vitality

UNITED KINGDOM

Best-in-breed products and operating as a fully integrated composite business

Vitality UK
- VitalityHealth
- VitalityLife

Vitality GLOBAL

Leading wellness and healthcare platform that provides pre-eminent life and health insurers globally with our Vitality shared-value and health management capabilities

Vitality Global
- Vitality Network
- Vitality Health International (VHI)

Vitality

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

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

OUR PRIMARY MARKETS

OUR PARTNER MARKETS

SNAPSHOT OF FY2023

Normalised profit from operations increased by
24% to
R11 661 ***million***
(FY2022: R9 384 million)

Core new business
(excluding products in run down of VitalityInvest and PAHI reinsurance business)
increased by
12% to
R22 788 ***million***
(FY2022: R20 304 million)

Income from non-insurance business lines increased by
44% to
R4 940 ***million***
(FY2022: R3 439 million)

Normalised headline earnings per share (diluted) increased by
32% to
1 160.9 ***cents***
(FY2022: 877.3 cents)

Normalised headline earnings increased by
32% to
R7 678 ***million***
(FY2022: R5 816 million)

Employed over
13 700 ***people***
(FY2022: 13 450)

We impact
40.5 ***million lives globally***
(FY2022: 39.7 million)

Operational in
39 ***markets globally***
(FY2022: 35)

Received the bronze
Global Innovator Award
at the 2023 Efma-Accenture Innovation in Insurance Awards

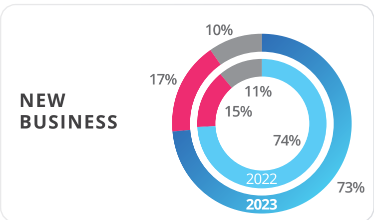
Maintained Level
1 B-BBEE

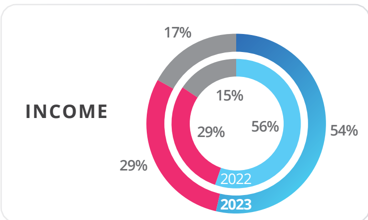
18.5%
reduction in Scope 1 and 2 carbon emissions against our 2019 baseline
(FY2019: 35 897 tonnes)

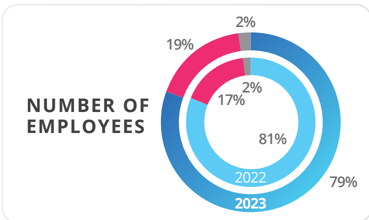
Embarked on a project to ***develop a transition plan to net zero by 2050*** or earlier with science-based targets

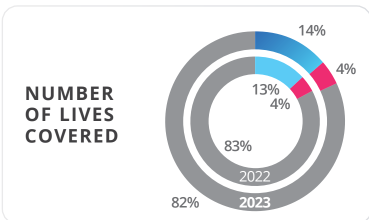
Continued engagement with South African government on the NHI Bill regarding material concerns about the sustainability and feasibility of the legislation

Together with over 130 CEOs of South Africa's largest companies, Discovery signed a pledge to work collectively to address the country's challenges, ***generate positive sentiment, and build an inclusive economy that creates jobs.***









South Africa | United Kingdom | Global markets

For more information on our performance and IFRS 17 results, refer to our Group Chief Financial Officer's review on page 66.

For information on our outlook for FY2023, refer to our strategy from page 30 and our business reviews from page 76.

For more information on our social and environmental impact, refer to our **Sustainability Report.**

HOW WE CREATE VALUE

We create, preserve and manage the erosion of value by using the resources and relationships at our disposal to provide products and services along three composites. To understand our business is to understand our Why, How and What.

WHY WE ARE IN BUSINESS

Our core purpose

To make people healthier and enhance and protect their lives.

HOW WE OPERATE

What sets us apart

Our core purpose manifests through our pioneering and bespoke Shared-value model across our three composites of Discovery SA, Vitality UK and Vitality Global – underpinned by our leading behaviour-change platform, Vitality, and supported by our unique foundation and operating model.

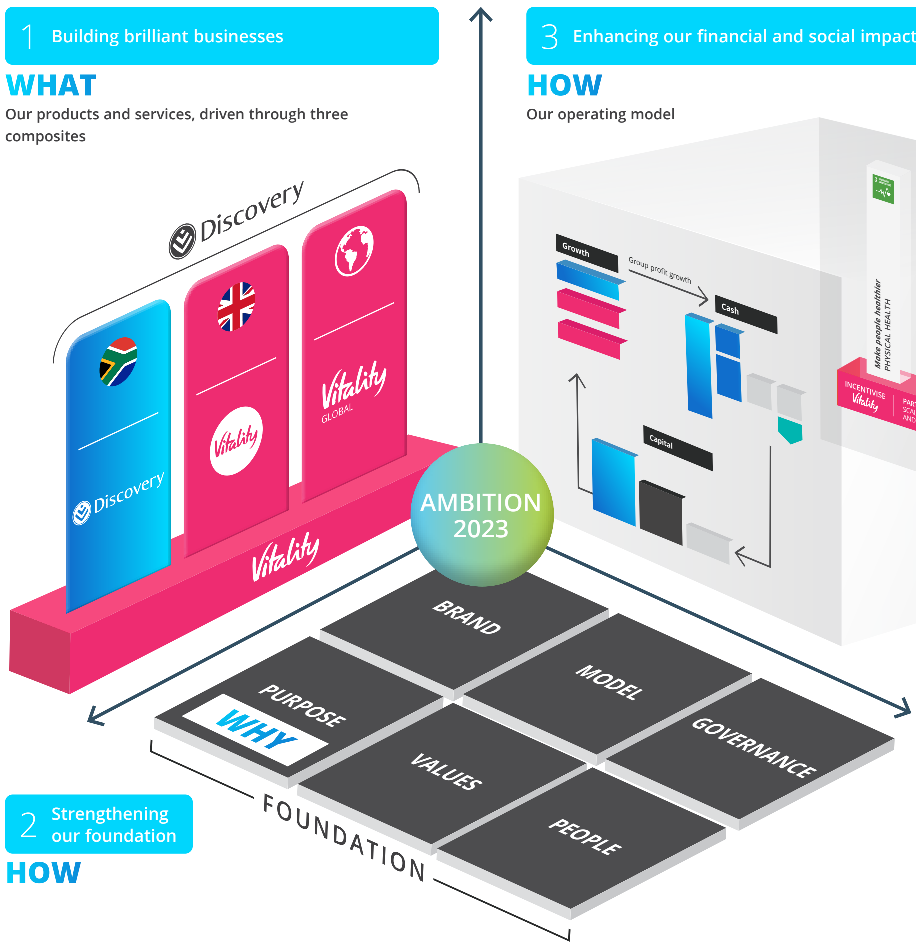
Our values

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

- Great people
- Liberate the best in people
- Intellectual leadership
- Drive, tenacity and urgency
- Innovation and optimism
- Business astuteness and prudence
- Customer, customer, customer
- Integrity, honesty and fairness
- Force for good

To deliver on our core purpose and strategy we focus on three strategic objectives:

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



AMBITION 2023

Our strategic focus

Being a leading financial services organisation globally, utilising an insurtech platform through the pioneering Vitality Shared-value model, positively influencing 50 million lives – with more than 10 million directly insured – and being a powerful force for social good.

Our WHY, HOW and WHAT are fundamentally linked to our integrated thinking and the resources and relationships that we rely on to create and preserve value for our stakeholders.

We unpack our performance against strategy on page 30.

For more information on our social and environmental impact, refer to page 38.

Enabling our HOW

Our operating model and foundation form the basis of the resources and relationships we rely on to create and preserve value in the short, medium and long term. Key **INPUTS** include:

Our Shared-value model

Our Vitality Shared-value model is built on the Vitality behaviour-change platform, which guides and incentivises people towards better health, driving and financial behaviour.

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

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

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

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

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

OUR OPERATING MODEL FC NC

Our operating model and integrated sustainability framework position us well for financial, social and environmental impact, and support how we execute our strategy and deliver on our core purpose. Our operating model further forms the basis for financial discipline and long-term financial stability through effective management of liquidity, solvency and financial leverage. Restoring the environment is a key element of our integrated sustainability framework. Maintaining an environment that enables and sustains good health is linked to our core purpose and we continue to work to reduce our own environmental footprint.

Equity/capital of
R63 974 million
(FY2022: R53 555 million)

Investment in new initiatives at
10.6%
(FY2022: 18%)

92 240 kl
total water withdrawn in South Africa
(FY2022: 87 465 kl)

Refer to our Group CFO's review on page 66 for more information on our operating model.

Debt of
R16 328 million
(FY2022: R16 308 million)

38 472 MWh
total energy consumed
(FY2022: 36 028 MWh)

Refer to page 38 for more information on our social and environmental impact.

Governance

For more information on our governance, refer to page 16.

Our stakeholders SC

Refer to page 54 for more information on our stakeholders.

Enabling our HOW *continued*

OUR FOUNDATION

OUR BRAND

SC

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

Our brand is a key enabler of our long-term strategic objectives. We aim to build the Discovery brand in South Africa and the Vitality brand globally, while leveraging Vitality as a leading global behaviour-change platform in all markets.

Discovery's brand strength enables us to take decisive action in a socially and environmentally responsible way across all markets. We leverage our brand equity through innovative marketing strategies that support our global growth across our three composites. Elevating the brand in each business increases equity, visibility and trust in the Discovery brand, enhancing our social and financial impact worldwide.

OUR PEOPLE

HC

Our people bring our Shared-value model to life and, to deliver on our long-term strategic objectives, we seek to employ the best person for every role and create a diverse and inclusive work environment. We foster a culture of collaboration, where we work together to meet the challenges of an increasingly complex world. To do this, we create an unrivalled employee experience that motivates and inspires our people to harness their passion for excellence, contributing to our competitive advantage.

We actively seek out thought leaders and action-oriented individuals who are passionate about driving product development, engaging in policy debate and innovative practices based on science. Our industry continues to rely on scarce critical skills, especially in the actuarial and technology sectors. We prioritise hiring and retaining people with humility and empathy (IQ > Ego) and the potential to collaborate and lead thoughtfully (EQ > IQ).

Over 13 700 employees
(FY2022: 13 450)
including our experienced leadership teams

OUR MODEL AND CAPABILITIES

IC
MC

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

Our data science expertise drives our efforts to transform the financial services industry. Our innovations are inspired by the societal challenges we face or opportunities we identify while our team employs data-driven strategies and technology to unlock value for our clients. We prioritise responsible data stewardship and have measures in place to support data integrity, protect client data and maintain trust with stakeholders.

Vitality1 platform
supporting single integration for wearable devices and health apps

Vitality Network with
3.8 million members and daily activities recorded from 1.9 million devices

Governance is a critical component of value creation, promoting strategic decision-making that balances short-, medium- and long-term outcomes to reconcile the interests of the Group, stakeholders and society. Our approach to governance, however, extends beyond compliance. We are committed to a values-based and ethical culture built on the principles of non-discrimination, fairness, integrity and transparency. Entrenching the principles of good governance and ethical leadership throughout the organisation enables us to deliver on our core purpose.

For more information on our governance, refer to page 16.

Our stakeholders are engaged at various points throughout our operating model and foundation. Discovery's continued growth and success depends on how we engage with, understand and respond to our stakeholders' needs, concerns and insights.

SC

Refer to page 54 for more information on our stakeholders.

Supporting our WHAT

WE CONDUCT OUR BUSINESS ACTIVITIES ACROSS THREE COMPOSITES:

Discovery

Discovery | Vitality | Vitality GLOBAL

Vitality

Refer to page 8 for more information on our composites.

OUR PRODUCTS AND SERVICES (OUR **OUTPUTS**) INCLUDE:

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

OUR MAIN OPERATIONAL **ACTIVITIES** ACROSS OUR BUSINESSES INCLUDE:

- Product development
- Predictive analytics
- Distribution support
- Client servicing and support
- Managed care services
- Credit extension
- Transactional services
- Payment of claims
- Funding and deposits
- Business support
- Capital and risk management

EMISSIONS AND WASTE (OUR **OUTPUTS**):

29 249 tonnes CO_2e
(scope 1 and 2)
(FY2022: 30 333 tonnes)

22 tonnes
waste to landfill (South Africa)
(FY2022: 19 tonnes)

Delivering on our WHY

We manage the material effects on our resources and relationships as a result of our business activities, products and services. Our core purpose and values underpinned every decision we made, ensuring a balanced approach to value creation, preservation and erosion. Key **OUTCOMES** include:

OUR OPERATING MODEL

FC NC

- Continued focus on organic growth strategies through our composites.
- Targeted growth in Group normalised operating profit of CPI+GDP+4% to CPI+GDP+8%, weighted by composite.
- Strong Group liquidity and solvency with financial leverage ratio less than our internally set guidance threshold of 28%.
- Continued implementation of our climate change strategy, reducing our own impact on the environment and leveraging our influence through products and services.
- Focus on innovation through Discovery Green.

Normalised return on equity
13.0%
(FY2022: 11.8%)

Waste to landfill
5%
of the waste generated on South African campuses
(FY2022: 8%)

OUR FOUNDATION

OUR BRAND

SC

Our Discovery and Vitality brands strengthen the relevance of our products and services by reflecting our core purpose and contribute to developing businesses expected to generate significant value for the Group. Our brand strength allows us to introduce new initiatives and start-up businesses quickly while gaining traction. Consumer trust supports client acquisition and retention, driving increased market share in our markets of operation. Our brand equity, marketing capabilities, client experiences and distribution support for financial advisers have driven growth in new business and sustained client retention.

86% **average score in the Ask Africa brand health tracker**
for Discovery businesses in South Africa
(FY2022: 86%)

OUR PEOPLE

HC

Discovery's entrepreneurial spirit is part of our culture and nurtured by employees at all levels, including leadership. Our employees' diverse perspectives drive innovation and we strive for exceptional performance each day. We encourage employees to participate in and share new ideas for product development and technological enhancements, leveraging their diverse backgrounds, thinking, and experience to build market-leading products and businesses. Our graduate programmes, including the Adrian Gore Fellowship Award and GradHack, assist in building a talent pool of critical skills.

R12 billion
in staff costs, including Executive Directors
(FY2022: R11 billion)

Women represent 58%
of our workforce
(FY2022: 57%)

78%
black South African employees
(FY2022: 76%)

OUR MODEL AND CAPABILITIES

IC MC

The data we collect provides insight into client behaviour across our businesses, supporting our shared-value approach. We offer personalised rewards to encourage positive change. Emerging and new businesses within the Discovery ecosystem have access to our expertise in data science and intellectual leadership, allowing them to gain immediate sophisticated insights and rapidly enter new markets globally. Vitality1, our cloud-based, feature-rich platform, is built to support and enable our diverse and growing set of global partnerships and programmes.

Data, privacy and cyber-security awareness training
for all employees

Obtained **ISO 27001:2013** certification

OUR MATERIAL THEMES AND MATERIAL MATTERS

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

The content in this report is informed by matters that could substantively impact our ability to create or preserve value for our stakeholders in the short, medium and long term, as well as those matters that could erode value if not managed effectively.

For more information on how we create value, refer to page 10.

Refer to our **Sustainability Report** for more information on the application of double materiality.

How we determine our material themes and material matters

In FY2023, we conducted a double-materiality review and assessment to identify, prioritise and validate the Group's material themes and material matters. To this end, we evaluated the magnitude of a matter's effect on Discovery's ability to create value, as well as Discovery's impact on society and the environment.

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.

- 01 Reviewed Discovery's FY2022 material themes and material matters
- 02 Reviewed global and local research to assess the external context, as well as peer reports
- 03 Reviewed externally available information, including media reports
- 04 Reviewed Discovery's strategy, risks and opportunities, and stakeholder engagement dashboard

PRIORITISE

Not all relevant matters are material. To be included, a matter also needs to be important in terms of its actual or potential effect through a double materiality lens. We prioritised the matters and themes accordingly.

- 05 Prioritised the identified material themes and material matters through an online survey

VALIDATE

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

- 06 Review of the materiality determination process and validation of material themes and material matters by the executives and those charged with governance
- 07 Finalised material themes and material matters for reporting purposes

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

For more information on the link between materiality and our risks and opportunities, operating environment and stakeholders, refer to pages 40, 49 and 54.

For more information on operational effectiveness, refer to our Group Chief Financial Officer's review on page 66 and our strategy on page 30.

OUR MATERIAL THEMES

RANKED BY THEIR IMPACT ON DISCOVERY, AS WELL AS ON SOCIETY AND THE ENVIRONMENT

OUR MATERIAL MATTERS

Advance our disruptive Shared-value model
- Incentivise positive behaviour change
- Product and service development
- Expansion into new markets
- Risk management

Operate within a volatile socio-economic environment
- Economic, socio-political and critical infrastructure uncertainty
- Persistent economic pressure
- Healthcare system strain
- Societal shifts
- Unforeseen global events

Ensure long-term financial sustainability
- Prudent capital allocation
- Sustainable performance
- Climate change vulnerability management
- Responsible investment

Ensure ethical governance and leadership
- Ethical conduct
- Board effectiveness
- Ownership and control
- Consumer protection
- Reputation in governance
- Regulatory change, compliance and participation
- Reporting transparency and effectiveness
- Supply chain impact management
- Fair and responsible remuneration

Leverage and manage technology and innovation
- Technology and innovation
- Digital stewardship in data security and privacy
- Digital inclusion and equality

Empower our people
- Attraction, retention and culture
- Capability development
- Transformation, diversity and inclusion
- Labour management and governance

Expand and strengthen our social impact
- Amplify our collective impact through behavioural change
- Collaboration to increase impact
- Economic development
- Financial inclusion and education in healthcare and finance

Safeguard and enhance our trusted brand
- Discovery and Vitality brands
- Reputational management
- Increased transparency expectations

Strengthen our environmental stewardship
- Climate change mitigation
- Environmental impact management

03

Ensuring good governance

Chairperson's REFLECTIONS

MARK E TUCKER

Discovery remained steadfastly focused on our core purpose of making people healthier and enhancing and protecting their lives. The Vitality Shared-value model allowed us to continue to grow and deliver a strong operating performance, despite the complex operating environment.

EXTERNAL ENVIRONMENT

The operating environment was challenging, marked by geopolitical tensions, economic uncertainty and complex risks across the markets in which we operate. Following short-lived rebounds experienced by many countries post-COVID-19, economic growth was suppressed by sustained inflationary pressures, rising interest rates, increased cost of living, and volatile exchange rates – with a particularly strong US dollar. In South Africa, severe energy shortages posed a further challenge.

PERFORMANCE

Despite the challenging backdrop, Discovery achieved a good operating performance during the year under review. The Group focused on delivering growth in quality earnings and a strong balance sheet; executing a clear strategy per business composite, intensifying focus on key initiatives while ceasing those with marginal benefits; and evolving the Vitality Shared-value model.

The result was strong growth in earnings, good new business growth and robust cash generation. Normalised operating profit increased by 24% to R11 661 million and normalised headline earnings increased by 32% to R7 678 million.

All three business composites – South Africa (SA), United Kingdom (UK) and Vitality Global – performed well and made good progress in line with their respective strategies. The SA composite's operational performance was robust across all businesses. Discovery Bank's performance was excellent and total clients exceeded 700 000 at the end of June 2023. The UK composite's performance was resilient and Vitality Global grew strongly, with Ping An Health Insurance achieving a pleasing operational performance.

Considering the Group's emergence from COVID-19 and resilient balance sheet and cash position, the Board approved the recommencement of dividends, at 110 cents per share.

ESG

The Board exercised rigorous governance. In addition to overseeing the execution of the Group's strategic plan and monitoring heightened macro risks in the environment, the Board deliberated key strategic issues over the year. These included the Group's transition to IFRS 17 which will be adopted in Discovery's 2024 financial year; evolving the Vitality Shared-value model; succession planning; and considering the impact of key regulatory developments such as the passing of the National Health Insurance (NHI) Bill by the South African National Assembly.

Discovery is of the view that universal healthcare is crucial – the status quo is unsustainable and the NHI is potentially a powerful remedy to ensure that all South Africans have access to acceptable levels of healthcare. The resources of both the public and private sectors are needed to deliver universal health coverage and changes to the current version of the proposed Bill can facilitate this collaboration.

Over the period, we refined our governance approach to better align with the Group's structure – which is now organised around three distinct business composites – by embedding an updated Governance Framework across the Group. The updated Group Governance Framework enhances the overall standard of governance and allows the Board to better support Discovery's subsidiaries, while maintaining and empowering the independent judgement of the respective subsidiary boards.

Discovery remains committed to being a force for social good, with a focus on the priorities articulated in our ESG strategy. In line with our core purpose of making people healthier, we aim to achieve one billion healthy activities per annum by 2030. We recorded 503 million healthy activities in FY2023, with over two million life years saved[1] and R13.7 billion in value returned to clients. We achieved our FY2023 Board diversity targets and made good progress in improving the diversity of the Group's leadership, with the percentage of female and Black leaders[2] at 52% and 63% respectively.

Restoring the environment remains an important priority. We have committed to achieving carbon neutrality in our operations by 2025 (scope 1 and 2 emissions) and we are on track to meeting this goal, having achieved an 18.5% cumulative reduction in scope 1 and 2 emissions (against a 2019 baseline). Discovery also became proud signatories to the United Nations Principles for Sustainable Insurance, which forms part of the United Nations Environment Programme.

1 Life years saved is calculated from healthy activities recorded, using the methodology informed by the Habit Index.
2 Leadership includes employees at team leader, manager, divisional manager, deputy general manager and general manager levels.

BOARD COMPOSITION CHANGES

There were several changes to the Board. Following Rand Merchant Investment Holdings Limited unbundling its shareholding in Discovery, Herman Bosman stepped down from our Board as a Non-executive Director. Sindi Zilwa and Vincent Maphai will retire from the Board at the 2023 Annual General Meeting. I am enormously grateful to all of them for their important and invaluable contributions to the Board and the committees on which they have served. We wish them well in their future endeavours. Lisa Chiume and Christine Ramon joined the Board as Independent Non-executive Directors in September 2023 — both bring important skills and expertise that will be of immense value to the Group.

Hylton Kallner, Neville Koopowitz, Ayanda Ntsaluba and Alan Pollard stepped down as Executive Directors to focus on their respective business composites and their associated boards. On behalf of the Board, I would like to thank them for the pivotal role they have played in building the organisation; they will continue to serve on the Group Executive Committee.

FORWARD-LOOKING

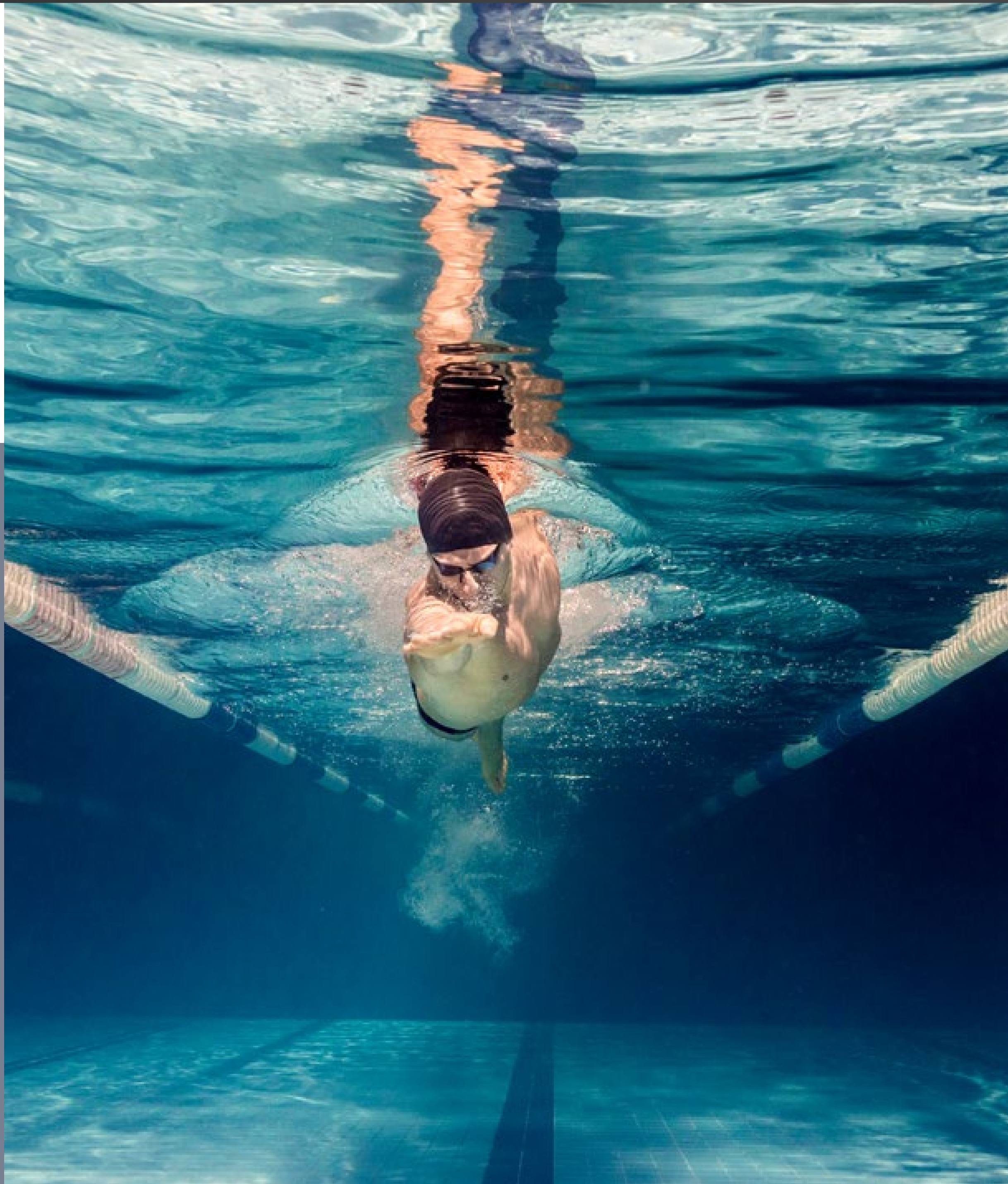
The macro environment remains challenging across various fronts. High inflation and interest rates, and geopolitical tensions are likely to continue, with various implications including continued pressure on the cost of living. The markets in which we operate face different challenges and provide opportunities to leverage Discovery's Shared-value model and capabilities. We remain focused as we work towards achieving our ambition to be a leading global financial services organisation and a powerful force for social good.

The continued efficacy of the Vitality Shared-value model gives us confidence in Discovery's growth strategy. This, together with the actions taken to manage risk in the complex environment, means the Group is very well-placed to compete. The SA businesses are well-positioned, and we are excited about Discovery Bank's growth potential; the UK Composite has executed key actions that position it for sustainable growth; Vitality Global is expected to grow strongly as it continues to monetise and scale Vitality IP; and given the medium- to long-term prospects for private health insurance in China, we remain optimistic about the Ping An Health Insurance business.

THANK YOU

I would like to thank Adrian, and his excellent executive team for their exceptional leadership over this challenging period. I am extremely grateful to all Discovery people who have exemplified our values while bringing our core purpose to life through their commitment, dedication and care. Lastly, I would like to thank our clients and stakeholders for being an important part of our journey as we deliver on our core purpose.

MARK E TUCKER



OUR LEADERSHIP

Our Board of Directors

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

HOW OUR GOVERNANCE STRUCTURES SUPPORT VALUE CREATION

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

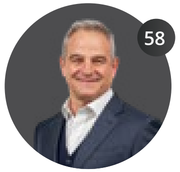
By promoting strategic, ethical decision-making that balances short-, medium- and long-term outcomes, the Board ensures that our stakeholders' interests are protected, thereby maintaining their trust and confidence in the Discovery brand.

CHAIRPERSON OF THE BOARD

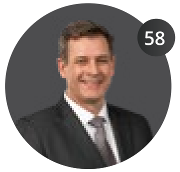
65 **Mark Tucker**
Independent Non-executive Director
Appointed: 1 March 2019
Qualifications: BA (Hons), University of Leeds, ACA from ICAEW, CMI

EXECUTIVE DIRECTORS

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



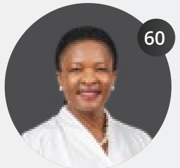
58 **Barry Swartzberg**
Co-founder and Chief Executive Officer: Vitality Global
Appointed: Co-founder
Qualifications: BSc, FFA, ASA, FASSA, CFP



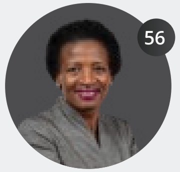
58 **Deon Viljoen**
Group Chief Financial Officer
Appointed: 1 May 2017
Qualifications: BCom Accountancy (cum laude), BCom (Hons), CTA, CA(SA)

NON-EXECUTIVE DIRECTORS

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



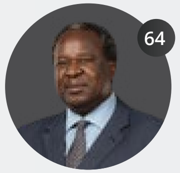
60 **Monhla Hlahla**
Independent Non-executive Director
Appointed: 15 August 2021
Qualifications: BA (Hons) (Economics), MA (Urban Planning), Advanced Management Programme (INSEAD)



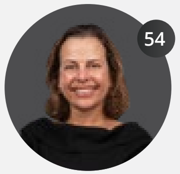
56 **Faith Khanyile**
Independent Non-executive Director
Appointed: 1 October 2015
Qualifications: BA Econ, MBA (Finance), HDIP Tax, Executive Leadership Programme (Columbia University)

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

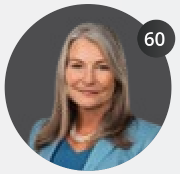
71 **Dr Vincent Maphai**
Independent Non-executive Director
Appointed: 8 December 2005
Qualifications: DPhil, Advanced Management Programme (Harvard), and other senior management certificates and diplomas



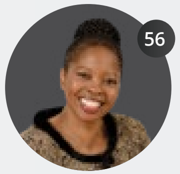
64 **Tito Mboweni**
Independent Non-executive Director
Appointed: 5 May 2022
Qualifications: BA (Econ and Pol) (Lesotho), MA (Development Economics) (East Anglia), Diploma in International Business Diplomacy



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

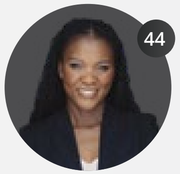


60 **Bridget van Kralingen**
Independent Non-executive Director
Appointed: 7 April 2022
Qualifications: BCom, BCom (Hons), MCom

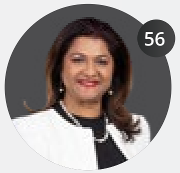


56 **Sindi Zilwa**
Independent Non-executive Director
Appointed: 20 February 2003
Qualifications: BCompt (Hons), CTA, CA(SA), Advanced Taxation Certificate (SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)

NEW BOARD APPOINTMENTS SINCE YEAR-END



44 **Lisa Chiume**
Independent Non-executive Director
Appointed: 18 September 2023
Qualifications: BCom (Business Finance and Economics)



56 **Christine Ramon**
Independent Non-executive Director
Appointed: 18 September 2023
Qualifications: BCompt, BCompt (Hons), CA(SA), SEP (Harvard)

Refer to the table on page 25 for more information on the constituted Board committees that our Board members serve on.

Herman Bosman retired as a Board member and member of the committees he served on effective 1 December 2022.

Hylton Kallner, Neville Koopowitz, Dr Ayanda Ntsaluba and Alan Pollard stepped down as Board members with effect from 1 March 2023.

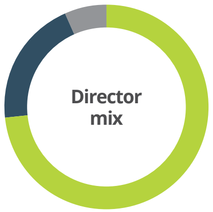
Board independence, composition and diversity

As at 30 June 2023, our Board comprised 13 Directors – 10 Non-executive and three Executive, led by our Chairperson as an Independent Non-executive Director. Post year-end, our Board increased to 15 Directors due to the appointment of two new Non-executives with effect from 18 September 2023. Non-executive Directors are appointed for a period not exceeding three years and are subject to re-election on a rotational basis. The reappointment of Non-executive Directors is not automatic and depends on the knowledge and skills required by the Board, Board diversity targets and the Director's suitability.

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

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

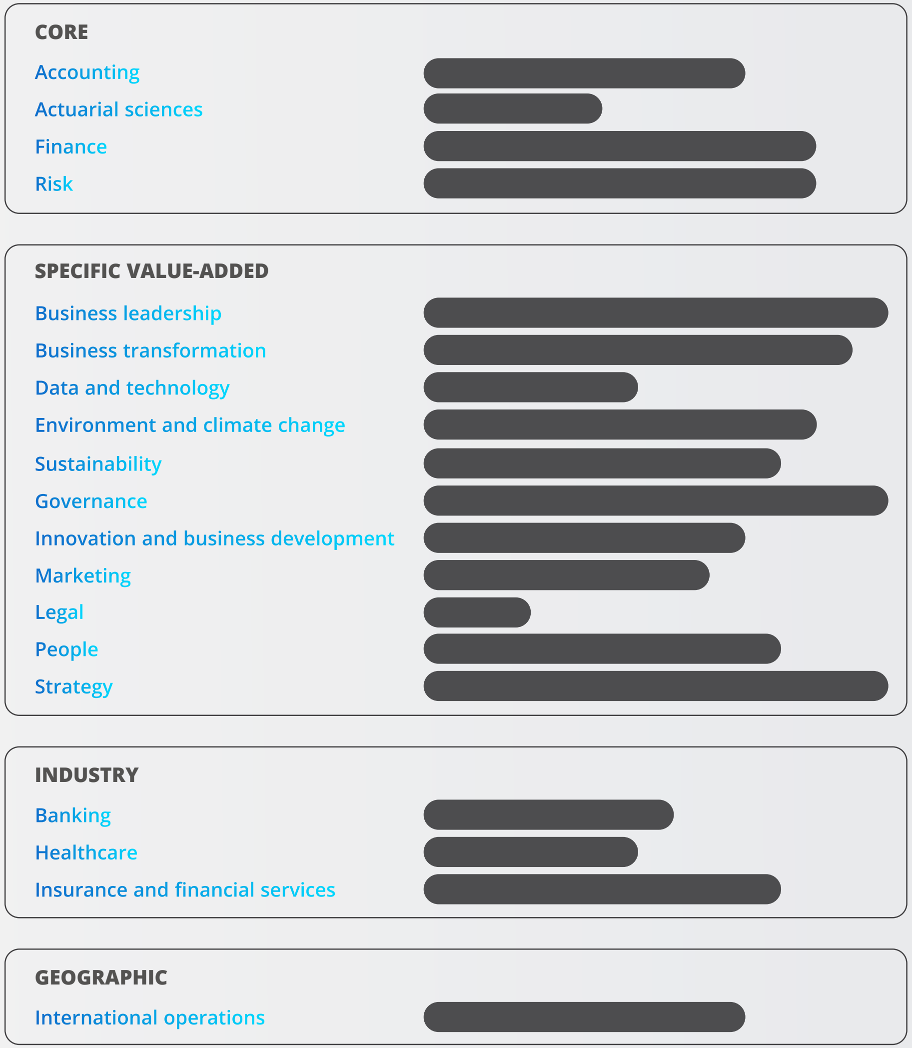
As at 18 September 2023:



- Independent Non-executive Directors **11**
- Non-executive Directors **1**
- Executive Directors **3**

- 0 to 4 years **66%**
- 5 to 8 years **17%**
- 9 years +**17%**

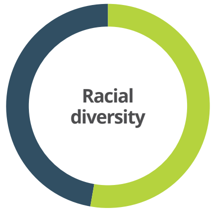
Discovery Board areas of expertise, primary skills and experience



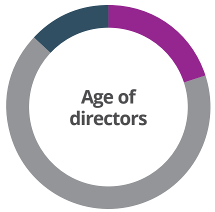
For detailed curricula vitae of our leadership team, refer to pages 10 to 17 of our full **Governance Report.**

Board diversity statistics
as at 18 September 2023:

- Male **53%**
- Female **47%**



- White **53%**
- Black **47%**

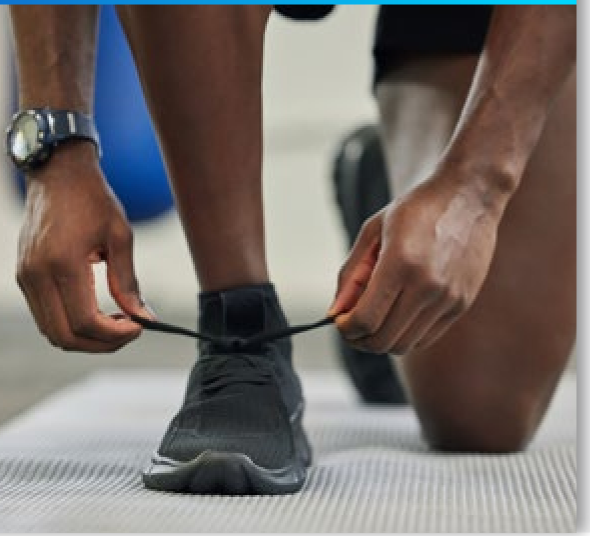


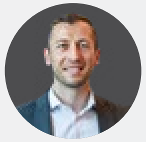
- 55 or younger **20%**
- 56 to 65 **67%**
- 65 or older **13%**

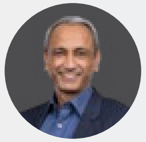
Our Group Executive Committee

Discovery's Group Executive Committee consists of 27 members who represent all areas of our business and contribute diverse skills, thought and experience. The Group Executive Committee implements strategies approved by our Board and manages the day-to-day affairs of the business. Each business unit that operates across our markets has an Executive Committee that meets regularly and reports to the South African, UK and Vitality Global executive committees, as relevant. Feedback on the activities of each business unit and composite is provided to the Group Executive Committee on a weekly basis.

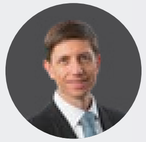
In addition to our Executive Directors, the Group Executive Committee included:




Robert Attwell*
Chief Executive Officer: Discovery Insure

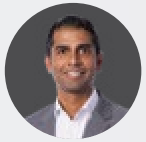

Dinesh Govender
Chief Executive Officer: Discovery Vitality


Shaun Matisonn
Head of Insurance Markets: Vitality Global


Alan Pollard
President of Product and Innovation: Vitality Global

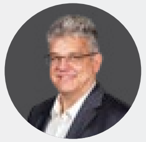

Zimkhitha Saungweme
Chief People Officer

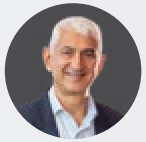

Firoze Bhorat
Chief Marketing Officer


Prav Govinder
Chief Executive Officer: Discovery Connect


Senele Mbatha
Group Chief Risk Officer


Kenny Rabson
Chief Executive Officer: Discovery Invest and Employee Benefits


Emile Stipp
Chief Actuary and Head of Data Science Lab: Discovery Health


Dr Jonathan Broomberg
Chief Executive Officer: Vitality Health International


Francois Groepe
Deputy Chief Executive Officer: Discovery Bank


Lisa Mondschein
Chief of Staff: Chief Executive's Office


Andrew Rayner
Group Chief Actuary


Maia Surmava
Chief Executive Officer: Vitality USA


David Ferreira
Chief Executive Officer: Vitality China


Hylton Kallner
Chief Executive Officer: SA composite and Discovery Bank


Dr Ryan Noach
Chief Executive Officer: Discovery Health


Riaan van Reenen
Chief Executive Officer: Discovery Life


Derek Wilcocks
Group Chief Information Officer


Jo-Ann Ferreira
Group Chief Compliance Officer


Neville Koopowitz
Chief Executive Officer: Vitality UK composite


Dr Ayanda Ntsaluba
Group Executive


Karren Sanderson
Chief Operating Officer: Discovery Health

* *Robert Atwell replaced Anton Ossip as Chief Executive Officer of Discovery Insure with effect from 1 July 2023.*

GOVERNANCE OVERVIEW

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

Our governance approach

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

- Maintaining an ethical culture
- Ensuring effective control
- Delivering good performance
- Maintaining legitimacy

For more information on how we achieve these four goals, refer to our full **Governance Report.**

MAINTAINING AN ETHICAL CULTURE

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

DELIVERING GOOD PERFORMANCE

Discovery embodies the philosophy of integrated thinking, driven by our core purpose. The Board reviews and approves the Group strategy, key performance measures and targets of all executives, and oversees the implementation of the Group strategy on an annual basis. We balance our medium- and long-term strategic objectives against considerations of how our decisions affect our resources and relationships and how these in turn impact our business. Director training – covering legislative requirements, risk, IFRS 17 *Insurance Contracts*, ESG and industry-related matters – was conducted to refresh Directors' skills and knowledge. In FY2022, we conducted an independent assessment of the Board and its committees, the recommendations of which were implemented and incorporated in the Board's annual workplan in FY2023.

ENSURING EFFECTIVE CONTROL

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

Effective control is further supported by:

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

MAINTAINING LEGITIMACY

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

OUR LEADERSHIP'S ROLE IN CORPORATE GOVERNANCE

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

FY2023 Board focus areas

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

- Monitored risks related to the challenging macroeconomic environment and the Group's response to these risks through appropriate mitigating actions that ensured financial prudence while meeting the needs of our stakeholders.
- Oversight of the strategic execution of the Group's Shared-value model and organic growth ambition. This included the organic growth of Discovery Bank and Amplify Health as platforms for strong future growth. In addition, the Board considered the growth prospects of initiatives with marginal benefits, resulting in the Group deciding to proceed with the running off of the VitalityCar book by 30 June 2024.
- Monitored the quality of the Group's internal succession and talent pipeline and continued to seek opportunities for transformation and development of our senior management team.
- Oversight of the absorption of the capital contribution to Ping An Health Insurance within the existing capital plan given the Group's strong performance and cash generation.
- Continued to oversee the Group's remuneration policies and practices to ensure they are fair, responsible, competitive and transparent, which included the implementation of the Single Incentive Plan (SIP) in the UK and United States.
- Continued to oversee audit firm rotation, as guided by the Audit Committee, in line with the regulations of the Prudential Authority requiring significant insurance groups to have joint external auditors.
- Monitored the implementation of the Climate Change Strategy including progress against its short-, medium- and long-term climate-related goals and provided oversight of the development of the Discovery Green initiative in South Africa.
- Monitored the finalisation of the work to transition to IFRS 17, effective for the Group from 1 July 2023. The Board provided oversight of the IFRS 17 Governance Framework, including the various committee plans to ensure all technical considerations were taken into account with implementation. The Board considered the impact of the transition to IFRS 17 on the Group results and the respective business lines, which was communicated to the market together with the annual results announcement.
- Strengthened Information and Technology (IT) advisory capacity within the Group by establishing a Technology Working Group, which will act as an advisory body to the Board and further assist it in fulfilling its IT growth strategy. The working group will extend the Board's oversight role of technology beyond governance and risk.
- Approved the updated Group Governance Framework, which refines our governance approach to better support Discovery's multiple subsidiaries, while maintaining the independent judgement of their respective boards and meeting all legislative obligations and Group requirements.
- Given the strong balance sheet and liquidity position at both the Group level and at the regulated entity levels, in addition to the cash generative capacity of the Group, supported the recommencement of ordinary dividends. The Board approved and declared dividends at 110 cents per share, in respect of the second half year's earnings.

For information on the Board's focus areas for FY2023, refer to our full **Governance Report.**

FY2024 Board focus areas

During FY2024, our Board will oversee, among others, the following matters in their capacity as the Group's highest governing body:

- The Group's continued financial strength and resilience given the volatile geopolitical and socioeconomic environment.
- The execution of the Group's Climate Change Strategy, including performance against climate-related goals and the net-zero transition plan.
- The creation of a platform for strong future growth through Discovery Bank as the composite-maker in South Africa.
- The implementation of the Group Governance Framework to embed consistent and effective governance standards across the Group.
- The implementation of IFRS 17 as it becomes effective for the Group from 1 July 2023.

Discovery's approach to Group governance is articulated in our Group Governance Framework and is supported by Group-wide documents, processes and procedures. The Board is accountable for giving effect to this Framework and oversees adherence to it.

For information on the roles and responsibilities of our Board, Chairperson and Group Chief Executive, refer to our full **Governance Report.**

Board committees

The Board has delegated some of its responsibilities to appropriately constituted Board committees. Seven Board committees are fully established in line with the requirements of the business, the Companies Act, Insurance Act and King IV™ to assist the Board in fulfilling its responsibilities. Board committees act within the bounds of approved Terms of Reference, which clearly define the responsibilities and duties delegated by the Board. The committees are satisfied that they have fulfilled their responsibilities as per their Terms of Reference for FY2023.

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

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

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

For information on our committees and their key focus areas for FY2023, refer to our full **Governance Report.**

AC Audit committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities and evaluating the adequacy and efficiency of accounting policies, internal financial controls and financial and corporate reporting processes. The Audit Committee also assesses the effectiveness of the internal auditors and the independence and effectiveness of the joint external auditors, as well as considers and recommends to shareholders the appointment of the joint external auditors.

RC Remuneration Committee

The Remuneration Committee assists the Board in ensuring the organisation remunerates fairly, responsibly and transparently. Furthermore, it oversees the implementation of the Remuneration Policy and 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.

For more information on our approach to remuneration, refer to page 62.

RCC Risk and Compliance Committee

The Risk and Compliance Committee is responsible for ensuring 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 committee also ensures that adequate systems of financial crime management are in place, as well as processes and controls that manage business continuity, disaster recovery, information assets and the IT Governance Framework within the Group.

TWG Technology Working Group

The Technology Working Group (TWG) is a strategic advisory body to the Board, tasked with assisting the Board in fulfilling its information and technology growth aims and strategy. The TWG extends the Board's oversight role of technology more broadly than governance and risk, currently provided by the IT Subcommittee.

ACT Actuarial Committee

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

SEC Social and Ethics Committee

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

NC Nominations Committee

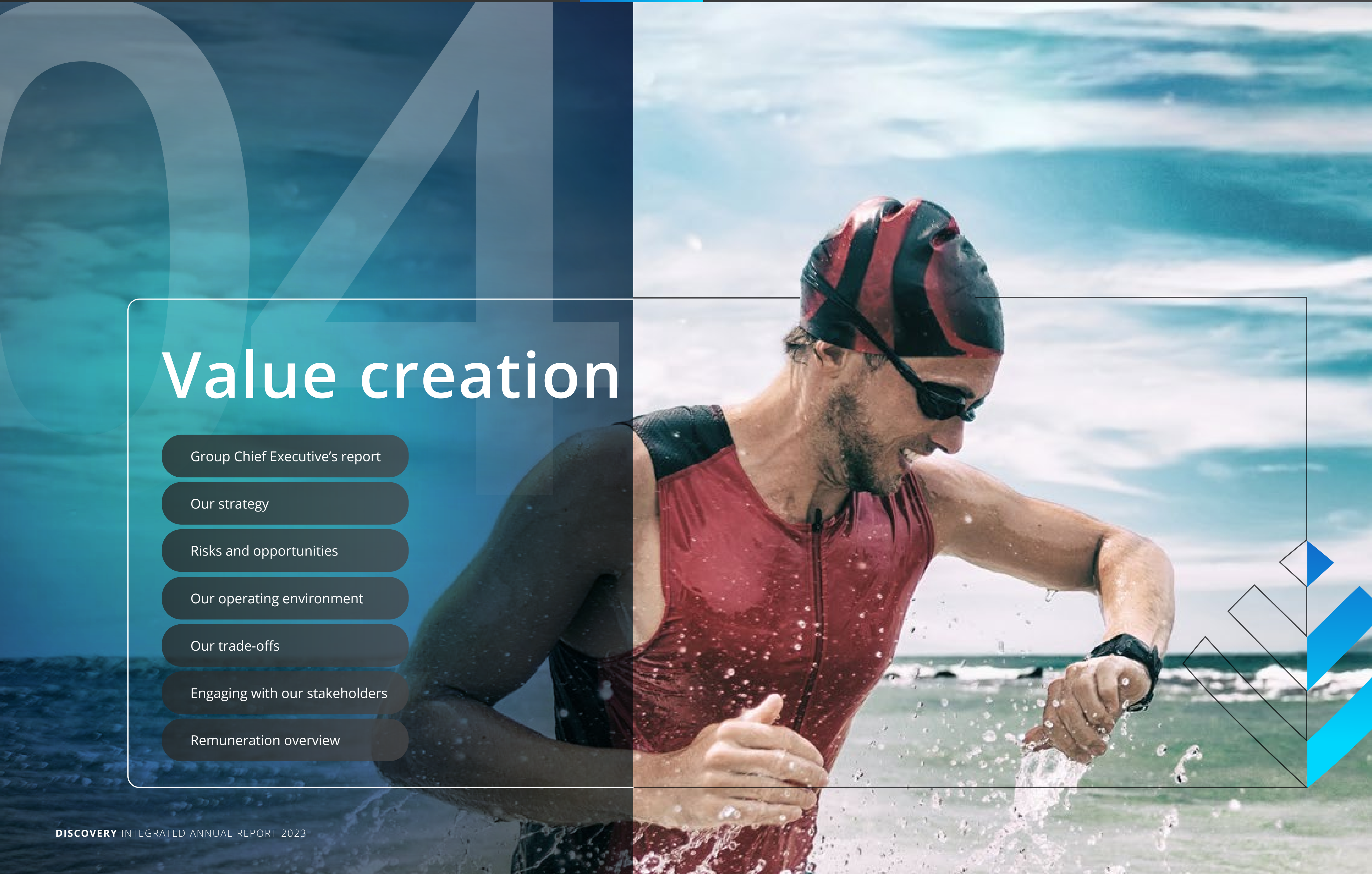
The Nominations Committee oversees the appropriate composition of the Board and its committees and subcommittees. The committee assists in identifying, electing and appointing potential Board candidates and makes recommendations on the appointment of Executive or Non-executive Directors to the Board which, in turn, are presented to shareholders for consideration at the AGM. The committee is also responsible for succession planning in respect of the Group Chief Executive and Board members, ensuring ongoing training and development of Board members, as well as the evaluation of the Board's performance and progress against diversity targets.

Board and committee meeting attendance during FY2023

Our Board members attended the following Board and committee meetings during the year.

Director	Board	AC Audit	RC Remuneration	RCC Risk and compliance	ACT Actuarial	SEC Social and Ethics	NC Nominations	TWG Technology Working Group
Non-executive directors								
M Tucker# (Chairperson)	4/4						3/3	
HL Bosman*	1/1		2/2	2/3			2/2	
R Farber	4/4			6/6	7/7			
M Hlahla#	4/4	5/6	3/3			6/6		
F Khanyile#	4/4		3/3			6/6	3/3	
D Macready#	4/4	6/6		6/6	7/7			
Dr TV Maphai#	4/4						3/3	
T Mboweni#	4/4		3/3	6/6				
M Schreuder#	4/4	6/6		6/6	7/7			2/2
B van Kralingen#	4/4							2/2
SV Zilwa#	4/4			5/6		6/6		
Executive directors								
A Gore	4/4						3/3	
HD Kallner**	3/3			3/4	5/5†	5/5		1/1
NS Koopowitz**	3/3							1/1
Dr A Ntsaluba**	3/3							
A Pollard**	3/3							
B Swartzberg	4/4							2/2
D Viljoen	4/4			6/6	7/7	5/6		

 # Independent.
** Retired as Board member and member of the committees he served on with effect from 1 December 2022. This follows the unbundling by Rand Merchant Investment Holdings Limited of its shareholding in Discovery.*
*** Stepped down as Board members with effect from 1 March 2023.*
† Attended in person or by proxy.



04

Value creation

Group Chief Executive's REPORT

ADRIAN GORE

Five years ago, we set a bold Ambition 2023 to be a leading financial services organisation, positively influencing 50 million lives, while being a force for social good. The period was one of significant complexity, as the world battled a global pandemic, geopolitical conflicts, and macroeconomic volatility. Our conviction in Discovery's core purpose of making people healthier and enhancing their lives continued to be our compass. It manifests in the Vitality Shared-value model, which allowed us to grow sustainably amidst the complexity, and achieve our Ambition 2023 targets, despite the stretch.

The Vitality Shared-value model continued to demonstrate its efficacy. Over the period, we prioritised evolving the model in health and life insurance into an integrated value chain with bespoke modules, with the intention of ensuring members develop and sustain healthy habits over time, and that our model delivers impact across the value chain.

This enabled us to:

01 Grow quality earnings with a robust balance sheet

02 Deliver on a clear strategy per business composite – namely, Discovery South Africa (SA), Vitality United Kingdom (UK) and Vitality Global – intensifying focus on key initiatives and ceasing those with marginal benefits

03 Further strengthen our foundation

This allowed us to achieve a resilient operating performance notwithstanding the complex operating environment.

01 GROWING QUALITY EARNINGS WITH A ROBUST BALANCE SHEET

For the period under review, core new business annualised premium income (API) grew by 12% to R22 788 million while total non-insurance income grew by 44%. Normalised operating profit increased 24% to R11 661 million, normalised headline earnings increased 32% to R7 678 million and headline earnings increased 5% to R5 490 million. The difference between normalised headline earnings and headline earnings growth is largely due to the sharp rise in nominal and real interest rates in South Africa and to a lesser extent, the United Kingdom. Although interest rate changes impact headline earnings, they have no impact on the operations of the Group, with little impact on the Group's liquidity, cash flows, and solvency.

Central liquidity remained strong, despite the R597 million reduction in debt, and the financial leverage ratio improved to 20%. Organic cash generation was robust following growth in quality earnings, a significant recovery in Discovery Life's cash generation following elevated COVID-19 claims in the prior period, and a reduction in the cost of new initiatives. The Group's embedded value increased to R98 176 million, representing a 13.2% return on embedded value. The balance sheet and cash positions supported the recommencement of ordinary dividends – declared at 110 cents per share, in respect of the second half-year's earnings. In the future, we anticipate annual ordinary dividends to be covered approximately five times by normalised headline earnings.

02 A CLEAR STRATEGY PER COMPOSITE, INTENSIFYING FOCUS ON KEY INITIATIVES AND CEASING THOSE WITH MARGINAL BENEFITS

The Group's strong results were due to the robust performance of our business composites. The Vitality Shared-value model's resilience amidst macroeconomic uncertainty manifested in good actuarial dynamics across the businesses, with strong premium and revenue growth and excellent retention rates.

Over the period we prioritised scaling key differentiating initiatives. Spend on new initiatives reduced significantly from 18%[1] of normalised operating profit in the prior year to 10.6%[2] in the current year on a continuing basis, close to the Group's guidance of 10%. The reduction in spend has tracked that of Discovery Bank, our most significant initiative, as spend remained well within plan despite accelerated client acquisition.

In addition to the focus on key initiatives, the business composites progressed their respective strategies, as they worked towards achieving the visions outlined in our Ambition 2023.

1 *As a percentage of normalised profit from operations before new initiatives.*
2 *Excluding the impairment and closure costs of certain UK initiatives.*

SOUTH AFRICA

Discovery SA's normalised operating profit increased by 22% to R9 096 million and new business by 11% to R16 818 million. Discovery Health's performance was excellent across all key metrics, with prior investment in technology driving efficiencies, and strong revenue growth despite a challenging operating environment. Non-scheme products continued to grow and now contribute almost 15% of total revenue, with over 321 000 lives.

There were important developments with regards to the South African National Health Insurance (NHI) Bill, which was approved by the National Assembly over the period. The current version of the Bill states that once NHI has been fully implemented, medical schemes may only offer complementary cover to services not reimbursable by the NHI Fund. Universal healthcare is crucial, and the NHI is a remedy to achieving this. However, we are of the view that the NHI is not workable without private sector collaboration. Funding the additional healthcare spend required for NHI through tax increases on a small base is not sustainable. Further, even with this additional spend, total healthcare funding would still be insufficient, and would result in the medical scheme population paying more tax and getting substantially less healthcare. The resources of both the public and private sectors are needed to deliver universal health coverage and changes to the current version of the proposed Bill could facilitate this collaboration.

Discovery Life delivered a resilient performance with positive variances, although the value of new business was impacted by material movements in the shape and level of yield curves, and unit expense pressure as the affluent protection market lagged pre-COVID-19 levels. Group Life returned to profit following the severe impact of COVID-19 in the prior year. Discovery Invest achieved significant profit growth, driven by higher investment markets and other in-period gains. Discovery Insure delivered on its profit turnaround, following actions taken in previous periods; new business was largely unchanged as the business focused on growth of quality new business.

Discovery Bank continued its excellent progress across all metrics. The operating loss of R767 million was 23% better than the prior year. Growth exceeded expectations with over 700 000 clients at 30 June 2023, and retail deposits increased by 36% to R14.3 billion. Despite advances growing by 22% to R5.2 billion, the deliberately prudent, quality-focused credit strategy resulted in the credit loss ratio remaining within long-term targets notwithstanding the challenging macroeconomic environment. Discovery Bank is investing in product innovation and digital capabilities in line with its strategy to evolve into a composite-maker in the Discovery ecosystem. Notably over the period, Discovery Bank was awarded first place in the BCX Digital Innovation Awards Corporate Category at the Sunday Times Top 100 Companies event.

Discovery SA announced several important product innovations and enhancements in September 2023 with a focus on expanding Discovery Bank's offering to include secured and unsecured lending – with the Bank launching its Home Loan offering; and leveraging the unique capabilities of the Discovery Bank operating system to enhance the SA composite. Alongside this, the SA product range was tailored to expand benefits and Discovery Health launched a digital health ecosystem and personal pathways to make people healthier and enhance care.

Going forward, Discovery SA will focus on scaling Discovery Bank to profit, positioning it as the face of the composite, and ensuring each business is a leader in terms of market share, margin, product, and client value.

UNITED KINGDOM

Vitality UK's normalised operating profit increased by 14% to £83.4 million (up 21% to R1 788 million). Earned premiums increased by 11% year-on-year to £989.2 million (up 17% to R21 199 million), and total lives insured increased to 1.72 million. Core new business API[1] increased by 19% to £177 million (26% to R3 785 million). VitalityHealth's new business growth was strong, however operating profit declined, off a high prior period result, as strong new business resulted in new business strain and PMI claims returned to pre-COVID-19 levels with elevated inflation. VitalityLife's growth was excellent, supported by positive lapse experience. The rise in interest rates had offsetting impacts: profitability was boosted by significantly higher premium inflation indexation, while the value of new business was negatively impacted.

The closure of VitalityInvest (which will be completed by the end of the 2023 calendar year) and more recently the decision to terminate VitalityCar, will allow Vitality UK to focus its attention on continuing to drive success in the core health and life market. VitalityHealth has seen success from its evolution into a comprehensive, digital-first health insurer as it builds healthcare capabilities in an environment of high healthcare demand and strain. VitalityLife is now largely self-funding and is focused on using the Shared-value model to get superior return on capital and growth; the deferral of the Part VII transfer provides greater financial flexibility at a significantly reduced cost. This positive outlook and improved financial position resulted in the UK business recently receiving an independent 'A-' credit rating from Fitch.

VITALITY GLOBAL

Vitality Global increased operating profits by 49% to US$44 million (74% to R777 million). Vitality Network grew normalised operating profits by 8% (US$) with revenues curtailed by slow post-pandemic recoveries in Asia-Pacific markets and significant US dollar strength against most global currencies over the reporting year. Vitality Network continues to positively impact its partner businesses through the Shared-value Insurance model, growing policy sales, reducing lapse rates and making people healthier. At the highest level, the model has been shown to create a profit margin up to three times that of traditional insurance models while decreasing the cost of insurance for clients. The success of the model is driving deeper growth within existing markets and continued opportunity for expansion.

Vitality Health International's profit increased by 137% (US$) as the Group's share of Ping An Health Insurance's (PAHI's) after-tax operating profit (less Discovery's costs to support the business) increased significantly. PAHI performed well in a complex operating environment, with a solid operational performance. New business on the PAHI insurance licence declined 1% (ZAR), constrained by widespread lockdowns in the first half of 2023 reporting year, a difficult economic backdrop, and challenges experienced by several channels. As of June 2023, PAHI insurance licence premiums grew by 10%, faster than the relatively flat market. The business continues to focus on the growth of its own channels, broker channels, and digital distribution to drive growth.

Amplify Health invested in technology and analytics to build its integrated health solutions for the pan-Asian market. Over the period, the business made its first solution sale to AIA Malaysia, that is aimed at automating claims processing and detecting fraud and waste in health insurance claims. Amplify has a strong sales pipeline in place across multiple AIA Local Business Units.

Vitality Global will continue to focus on scaling PAHI in a complex Chinese market; monetising and scaling IP in Vitality Network with key partners; and globalising the Group's unique health assets.

1 *Excluding VitalityInvest, following the prior decision to close the business.*

03 **STRENGTHENING OUR FOUNDATION WITH A FOCUS ON EVOLVING THE VITALITY SHARED-VALUE MODEL**

This strong performance was underpinned by our foundation which includes our purpose and values, people, Vitality Shared-value model, and our brand. Aside from investment in the Vitality Shared-value model, further efforts were focused on our people, technology and building a global Vitality brand.

Our technology and brand are important strategic enablers that support the Vitality Shared-value model. Vitality1, was servicing members across 25 markets as at the end of June 2023. Our brand is strong, supporting our growth. Over the year, we focused on scaling the global Vitality brand. We adopted a singular Vitality brand identity and are in the process of rolling it out across our markets.

In times of complexity, the consistent and differentiating metric of success is great people. We seek to employ the best person for every role and create a diverse and inclusive work environment. Over the period, we prioritised attracting and retaining top talent; creating an exceptional employee experience; improving diversity; employee wellbeing and mental health; and supporting our people to successfully operate in a hybrid work environment. As the world of work evolves post the pandemic, we developed principles that inform our hybrid working model to drive better collaboration and engagement while protecting organisational culture. In FY2023, we maintained our Level 1 B-BBEE status, with diversity at management levels[1] improving to 52% and 63%, for female and black managers respectively in South Africa. There is still much to do, and we have clear targets and development plans in place to improve diversity, particularly at senior management levels.

1 *Includes employees at team leader, manager, divisional manager, deputy general manager and general manager levels.*

Force for social good

As a purpose-led organisation, we are committed to being a force for good in the communities in which we operate. In line with our founding purpose of making people healthier, in FY2023 we recorded 503 million healthy activities – with a future target of achieving 1 billion healthy activities in 2030. We saved over two million life years and returned R13.7 billion in value to clients.

We are committed to reducing our environmental footprint and have set clear targets in this regard. We made progress in meeting our science-based target to cumulatively reduce Scope 1 and 2 carbon emissions against a 2019 baseline, achieving an 18.5% cumulative reduction in emissions. In the medium term, we also intend to drive behaviour change through innovation by providing practical and sustainable green solutions to individuals.

We continued to invest and participate in various nation-building initiatives in South Africa over the year. This included reinforcing the resilience of the healthcare system through key interventions, such as the development, training and retention of the healthcare workforce. In FY2023, the Discovery Foundation awarded over R12 million in research and training grants to some of South Africa's top doctors, researchers and future healthcare leaders. Alongside this, we supported safety initiatives through Discovery Insure, the most notable being the Pothole Patrol partnership with Avis and the City of Joburg. We increased the number of potholes filled by 57% over the period, with approximately 190 000 potholes filled to date.

We are deeply committed to doing our part to help South Africa realise its potential. This year, we collaborated to build South Africa through partnerships with the SA SME Fund and Business Unity South Africa. In July 2023, I joined over 130 other South African CEOs to sign a pledge aligning behind our belief in the potential of South Africa and commitment to building it through partnerships. Our partnership with Government to address energy, transport and logistics, and crime and corruption is a manifestation of this commitment, and I look forward to our progress.

Ambition 2023 closeout

In 2018, we set a 2023 Ambition to be a leading financial services organisation, utilising an insurtech platform through the Vitality Shared-value model, positively influencing 50 million lives and earning an operating profit of R12 billion. This has been a powerful catalysing vision. We made good progress against the metrics articulated in our Ambition 2023, achieving many of them despite the stretch. Discovery impacted c. 40.5 million lives, missing our target of 50 million clients. This was largely due to a restructuring of the PAHI cooperation with Ping An Life for business written in certain regions in China, which occurred subsequent to the setting of Ambition 2023, and resulted in a material reduction in PAHI lives. FY2023 normalised profit from operations of R11.7 billion was close to our R12 billion target. Importantly, over the five-year Ambition 2023 period, we took several key actions across the business composites which have allowed us to emerge strongly from the pandemic and position us well for sustainable growth. These include strengthening the Life businesses, successfully deferring the Part VII transfer, delivering on Discovery Insure's margin recovery plan, winding down initiatives of marginal benefit and pivoting to growth in Discovery Bank.

Looking ahead

Going forward, we will focus on Ambition 2026, which builds on our Ambition 2023, of being a leading insurer globally, pioneering new generation Shared-value financial services, while being a force for good in the communities in which we operate. This manifests in more competitive products, superior growth and return on capital, and highly engaged clients with improved health and longer lives.

Discovery's core purpose, values, and Vitality Shared-value model, position us uniquely for scale and impact, presenting various opportunities to drive growth and market leadership. Our businesses are well-positioned to grow, and we have clear strategies in each of our business composites.

Discovery's performance during this period has made us even more confident in our strategy and I am optimistic about our ability to grow strongly going forward.

Thank you

I want to express my deep gratitude to all our Discovery people around the world. Thank you for your hard work. This excellent performance is a manifestation of your ongoing commitment to our core purpose as well as your innovative thinking, tenacity and drive. I am proud of what we have achieved, and I believe in our purpose and potential now, more than ever. Finally, I want to thank our partners, intermediaries, and stakeholders. We look forward to continued success in the year ahead.

ADRIAN GORE

OUR STRATEGY

Unpacking our purpose-driven strategy

Our core purpose – to make people healthier and enhance and protect their lives – drives our strategy and is the reason WHY we are in business. Our WHAT – the products and services we offer through three composites – and our HOW – our operating model and foundation – further inform our long-term strategic objectives.

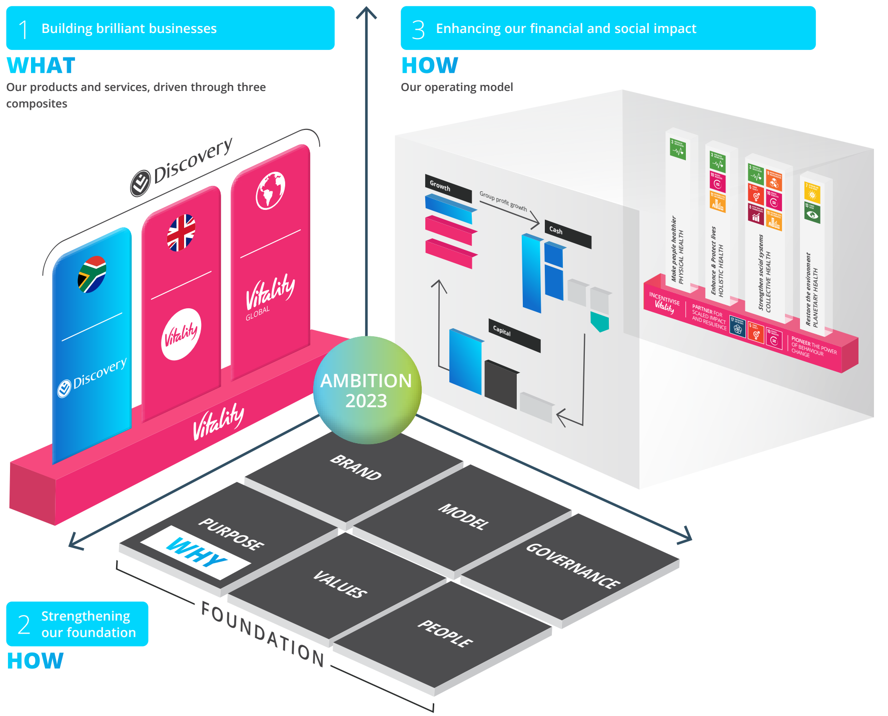
We detail our WHY on page 7, our HOW on page 10 and our WHAT on page 8.

To deliver on our core purpose and strategy, we focus on three strategic objectives:

1 Building brilliant businesses

2 Strengthening our foundation

3 Enhancing our financial and social impact



Our strategy is underpinned by integrated thinking and considers the resources and relationships we rely on to create and preserve value for our stakeholders.

Refer to page 10 for more information on how we create, preserve, and manage the erosion of value.

The evolution of our purpose-driven strategy

Our long-term strategic objectives remain fundamentally unchanged. We extend our shared-value approach to scale the Group's social and environmental impact, further contributing to our long-term objectives while supporting the achievement of the United Nations (UN) Sustainable Development Goals (SDGs).

Our medium-term ambition statement, Ambition 2023, was largely achieved and has guided our strategic focus over the past three years, along with targeted short-term key performance indicators (KPIs). Through Ambition 2023, we made our clients healthier by providing them with market-leading products, generating excellent financial and actuarial results, and being a demonstrable force for good for society. Our performance against Ambition 2023 is outlined on the pages that follow.

Over the next three years, our medium-term strategic focus will turn to Ambition 2026, which builds on Ambition 2023.

Our long-, medium- and short-term strategic approach is outlined on the next page.

Refer to page 38, for more information on our social and environmental impact.

We remain focused on ensuring the resilience of our business through our strategy – which continues to be informed by three key trends. Our unique and sophisticated Vitality Shared-value model is a powerful platform of integrated assets and capabilities which has positioned us well to respond to these trends.

Nature of risk

A FOCUS ON HEALTH, WELLNESS AND RESILIENCE

The COVID-19 pandemic was a catalyst for an increased focus on emotional, mental and physical health. This has led to ongoing opportunities to incentivise clients due to the behavioural nature of risk.

Technology

ACCELERATED USE OF TECHNOLOGY AND INCREASED DIGITISATION

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

Social responsibility

INCREASED IMPORTANCE OF PURPOSE AND TRUST

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

Our strategic objectives

Our WHY, HOW and WHAT guide our long-term strategic objectives across three composites, which are scaled through our medium-term ambition statements and measured through our short-term KPIs.

We include our key targets and unpack our performance against our strategic objectives on the pages that follow.

THREE STRATEGIC OBJECTIVES

1 Building brilliant businesses across three composites

OUR LONG-TERM STRATEGIC OBJECTIVES (five to ten years)

SOUTH AFRICA
The leading financial services group in South Africa which, through its fully integrated composite and Vitality Shared-value model, provides clients with products that are better, easy to use, deliver superior functionality and financial outcomes while demonstrably making them healthier and enhancing their lives

UNITED KINGDOM
The best insurer in the UK. A new generation, Shared-value insurer with superior growth in quality earnings and returns on capital with the highest engaged clients exhibiting material improvements in health status, and lower costs of cover

VITALITY GLOBAL
The best life and health insurance platform globally, enabling the Vitality Shared-value model, with an end-to-end value chain, powering insurance partners to offer lower cost cover, with better returns on capital, highest client engagement and a significant and measurable impact on the health of clients

OUR SHORT-TERM KPIs (one to three years)

- Core new business annualised premium income (API)
- Biannual launch of new products
- Actuarial dynamics
- Growth of Discovery Bank
- Expansion of Vitality Global through Vitality Network and Vitality Health International
- Normalised return on equity (ROE)
- Investment in new businesses

2 Strengthening our foundation through key business enablers

OUR LONG-TERM STRATEGIC OBJECTIVES (five to ten years)

- Guided by strong and intact core purpose and values
- Employing and retaining the best person for every role, in a diverse and inclusive work environment, creating an exceptional employee experience
- A powerful, globally recognised brand
- Disruptive Shared-value model that is unique, scalable and repeatable, with the best insurtech platform and capabilities
- Ethical and effective governance to support value creation and a diverse Board

OUR SHORT-TERM KPIs (one to three years)

BRAND
- Brand measure and market position

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

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

GOVERNANCE
- Board effectiveness
- Promotion of Board diversity
- Fair and responsible pay

3 Enhancing our financial and social impact

OUR LONG-TERM STRATEGIC OBJECTIVES (five to ten years)

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

OUR SHORT-TERM KPIs (one to three years)

FINANCIAL
- Normalised operating profit
- Normalised headline earnings
- Headline earnings per share
- Financial leverage ratio (FLR)
- Liquidity at centre

SOCIAL
- Number of markets we operate in
- Number of lives we impact globally
- Environmental impact
- ESG ratings

OUR MEDIUM-TERM STRATEGIC FOCUS (three to five years)

AMBITION 2023

Being a leading financial services organisation globally, utilising an insurtech platform through the pioneering Vitality Shared-value model, positively influencing 50 million lives – with more than 10 million directly insured – and being a powerful force for social good

LOOKING AHEAD

ROLLING OUT AMBITION 2026

Being the leading new generation financial services organisation which, through its Vitality Shared-value model, makes clients healthier, provides better and more sustainable products, achieves superior growth and returns for its shareholders and is a force for good in the communities in which it operates.

How we performed against our strategy

1 BUILDING BRILLIANT BUSINESSES

The products and services we offer focus on disruption, engagement, actuarial dynamics, meeting complex consumer needs, and providing exceptional service. We execute our strategic objectives across three composites: through Discovery in South Africa, Vitality UK and Vitality Global.

For more information, refer to our business reviews from page 76.

During the year, we:

- Performed well across all metrics in Discovery Bank, which is approaching profitability and scale, while evolving as the South African composite-maker in the retail Discovery ecosystem.
- Continued to build Amplify Health's integrated health solutions for the pan-Asian market (excluding China) and acquired AiDA Technologies, a leading provider of artificial intelligence solutions to companies across Asia-Pacific.
- Launched TATA AIA Vitality in India, expanded our partnership with Prudential in Latin America and completed a comprehensive rollout of Vitality in Manulife Canada.
- Experienced high levels of client engagement in the Vitality Shared-value model that led to superior lapse and mortality experience and drove new business growth across most of our businesses.
- Continued to innovate to meet client needs and adapt to a complex operating environment.
- Implemented various initiatives as part of the margin recovery plan to return Discovery Insure to profitability.
- Monitored other new initiatives and their growth prospects, reduced investment in new initiatives, and considered the termination of those with marginal benefits – the Group decided to proceed with the running off of the VitalityCar book by 30 June 2024.

Our performance against KPIs

R **Core new business API**
R22 788 million
(FY2022: R20 304 million) excluding products in run down of VitalityInvest and PAHI reinsurance business

R **Continued to launch new products biannually**

Actuarial dynamics within expectations

R **702 131**
Discovery Bank clients
(FY2022: 470 220 clients)

R **Insurance and franchise partner membership in Vitality Global increased by**
22% to 3.66 million
(FY2022: 3 million)
(excluding AIA freemium members)

R **Normalised ROE**
13.0%
(FY2022: 11.8%)
in the range of WACC and WACC+3.8%

Investment in new businesses at
10.6%
of normalised operating profit*
(FY2022: 18%)

* *Established and emerging.*

Future focus areas

- Ensure each SA composite business is a market leader in terms of market share, margin, product and client value.
- Manage the impact of higher inflation through product design, operating models and retention efforts.
- Scale Ping An Health Insurance in a complex Chinese market.
- Globalise unique health assets.
- Pursue opportunities to bring Quantum Health to the UK and Asia.
- Further expand availability of Cogence on other platforms and implement a focused distribution strategy to grow Cogence's assets under management.
- Monitor the impacts of ongoing weather, power surge and theft claims in Discovery Insure and improve our understanding of and response to these risks.
- Expand and diversify Discovery Bank's product and lending suite to attract new segments, and enhance the Discovery ecosystem to entrench the Bank as the operating system for Discovery's SA operations.
- Monitor distribution channels with revisions to distribution strategies when required to ensure that they are fit-for-purpose.
- Grow VitalityHealth on the back of a complex NHS environment, use the Shared-value model to enhance ROC and growth in VitalityLife, and integrate the UK composite.
- Continue to provide leading intellectual property solutions and offer consulting services to top insurers through Vitality Network.
- Continue with the winding down of VitalityInvest through an approved transfer partner and ensure suitable run off of the book for VitalityCar.

MATERIAL THEMES

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

CAPITALS IMPACTED

- FC Financial Capital
- IC Data and innovation
- MC Technology and digital assets
- SC Relationships

R Links to executive remuneration

TARGET*
Return on equity:
WACC+3.8%
* *These targets will be recalibrated with the introduction of IFRS 17 and may be adjusted as we monitor our operating environment.*

How we performed against our strategy continued

2 STRENGTHENING OUR FOUNDATION

Our foundation is a critical enabler of our strategy and forms part of HOW we operate.

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

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

PURPOSE
Our core purpose continues to align with our values

For more information, refer to page 10.

VALUES
Our employees are committed to our values framework

For more information, refer to page 10.

GOVERNANCE
Good governance is a critical component of value creation.

For more information, refer to page 16.

BRAND

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

During the year, we:

- Adopted a singular brand identity.
- Supported business innovation, sales and distribution, and consumer campaigns including Cogence and Amplify Health.
- Continued to leverage global sponsorship properties, introduce new Vitality products and partnerships.
- Reviewed the method and criteria used to calculate our brand health score and updated our brand measurement approach (satisfaction, awareness and Net Promoter Score) for Discovery, that includes integration of Vitality in the value propositions of each business unit.
- Continued to invest in national, local and community sports through sports sponsorship properties and mass-participation events.
- Enhanced the Group's Ethics Management Framework to equip leadership and people to make consistent, transparent and well-grounded decisions.
- Continued to invest in our data, marketing, and analytics capabilities to better monitor trends in key metrics across business units.
- Established regular reporting across business units to inform our public relations strategy, which improved coverage and sentiment for the Group.

For more information on how we uphold ethics and cultivate trust, refer to our **Sustainability Report.**

Our performance against KPIs

Ranked 11th
in the Kantar Brandz top 30 most valuable brands in South Africa 2023 and 5th in the financial services category

86%
average score in the Ask Africa brand health tracker for Discovery businesses in South Africa
(FY2022: 86%)

Vitality UK bi-annual brand tracker, conducted by Immerse, showed a
4% increase
in prompted brand awareness compared to the prior year

Positive results in terms of brand interest in Discovery products in financial services, as measured through digital channels

R **Client perception score**
9.04
(FY2022: 8.94)

Awards and accolades

- Our Group Chief Executive received the International Insurance Society's 2023 Vanguard Market Development Award, which recognises those who have substantially advanced the development of insurance in an underserved market or emerging economy.
- Discovery received the bronze Global Innovator Award at the 2023 Efma-Accenture Innovation in Insurance Awards.
- Discovery was recognised – and the only South African company – in Fortune Magazine's 2022 Change the World list.
- Discovery Health received both the Best Domestic Contact Centre Award and the Best Contact Centre Support Professionals Award, while Discovery Vitality received the award for Best Technology Innovation from the Contact Centre Management Group, the professional body representing contact centres in South Africa.
- Discovery Bank took first place in the BCX Digital Innovation Awards Corporate Category at the Sunday Times Top 100 Companies event.

Future focus areas

- Roll out the Group's singular brand identity across all markets and investigate strategic partnerships and platforms to drive brand narrative globally.
- Support the Group's strategic objectives through marketing programmes and initiatives, including new product launches.
- Support and scale new business growth and ventures through marketing initiatives that create brand awareness.
- Build the Vitality brand globally.
- Build the Discovery Bank brand to drive scale and our growth.
- Integrate our ethical decision-making framework throughout the organisation.

MATERIAL THEMES

- Ensure ethical governance and leadership
- Safeguard and enhance our trusted brand
- Leverage and manage technology and innovation

CAPITALS IMPACTED

- HC People
- IC Data and innovation
- MC Technology and digital assets
- SC Relationships

R Links to executive remuneration

TARGET
Client perception score
>8.80.

2 STRENGTHENING OUR FOUNDATION *continued*

PEOPLE

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

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

During the year, we:

- Developed principles that inform our hybrid working model to drive better collaboration and engagement while protecting organisational culture.
- Focused on improving our strategy to retain key talent through attrition data and predictive modelling, personalised retention and reward plans, in addition to enhancing our onboarding solution to improve the experience of new joiners and reduce new employee turnover.
- Continued to upskill our people through skills, leadership, and learning and development programmes.
- Advanced our transformation objectives through leadership development and diversity and inclusion programmes.
- Introduced strategic sourcing enhancements to build critical and scarce skills talent pipelines.
- Launched Discovery People Day, an annual day on which all our business units will launch innovations that develop unique service offerings for our employees.
- Received Top Employer certification for the fourth consecutive year and maintained the ranking as Top Graduate Employer in the insurance sector and runner up in healthcare by the South African Graduate Employers Association. In addition, recognised as one of the top three companies for Best Employer Brand in Africa in the LinkedIn Talent Awards.
- Monitored analytics related to the mental wellbeing of our people and developed a mental wellbeing strategy that guided several supporting measures, including awareness webinars and toolkits.
- Piloted the Discovery Allyship Programme to better understand the concept of allyship, equip participants with strategies to be an ally inside and outside our business and strengthen an accommodating and inclusive environment.
- Launched our people with disabilities management strategy to support current and future employees with disabilities in the UK.

Our performance against KPIs

R **Employee experience score (SA)**
80%
(FY2022: 83%)

R **Employee net promoter score (eNPS) (UK)**
+37
(FY2022: +23)

R **Gender diversity**
Men: 42% Women: 58%
(FY2022: 43%/57%)

R **B-BBEE scorecard**
Level 1
(FY2022: Level 1)

R **78%**
Black South African employees
(FY2022: 76%)

Black senior managers increased to
37%
in South Africa
(FY2022: 36%)

46%
of women in senior leadership positions
(FY2022: 44%)

For more information on our people, refer to our **Sustainability Report**.

Future focus areas

- Attract and retain diverse talent, particularly in senior, scarce and critical skills through talent pipeline management.
- Launch a comprehensive talent attraction, strategic sourcing and retention plan.
- Further support diversity, equity and inclusion across our operations through strategic initiatives and programmes.
- Understand, support and respond to the holistic wellbeing of our people.
- Understand the impact of the new world of work on our people and leaders and support them by identifying and building future-fit skills, roles and capabilities.
- Improve the employee experience through enhanced employee journeys and interactions that promote a productive and engaged workforce.
- Develop new plans and milestones to meet revised Financial Services Ministerial Employment Equity targets driven by the Employment Equity Amendment Act, subject to the outcome of public consultation.

MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure ethical governance and leadership
- Empower our people

CAPITALS IMPACTED

- HC People
- IC Data and innovation
- SC Relationships

R Links to executive remuneration

TARGET
Employee engagement, transformation, diversity and inclusion targets are internally set and tracked.

How we performed against our strategy continued

2 STRENGTHENING OUR FOUNDATION *continued*

MODEL AND CAPABILITIES

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

Refer to page 11 for more information on our Shared-value model.

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

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

During the year, we:

- Used data and data science to increase the level of personalisation across the insurance value chain.
- Continued to mature our privacy management and ensure the data governance framework is aligned with data privacy requirements, while also rolling out a privacy information management platform to our UK and US businesses to further our commitment to meet and operationalise our legislative requirements globally.
- Developed and launched our enhanced client relationship management platform.
- Launched an integrated data repository to collect servicing interactions across digital channels to provide an omnichannel servicing experience to members.
- Continued to provide compulsory data privacy and cyber-awareness training to our financial advisers, service providers and employees, including induction and annual refresher training.
- Continued to leverage technology to support our hybrid working environment, in addition to advancing security capabilities to mitigate the increasing associated risks.

Our performance against KPIs

Successfully contributed to business and product launches through technology

Maintained efficiency in service operations

Managed cyber and business continuity risks in the face of increased pressure on business continuity caused by ongoing loadshedding

Data privacy and security:

- Conducted privacy impact assessments as part of the product development lifecycle to ensure privacy and information security requirements are met
- Obtained ISO 27001:2013 certification and renewed Vitality Global's ISO 27001:2022 certification

For more information on our data privacy and security, refer to our **Sustainability Report**.

Future focus areas

- Optimise the current data and technology environment for affordability, quality and cost.
- Leverage machine learning capabilities and data models to support information security automation where appropriate.
- Continue to work towards a digital trust framework that supports our identity and data centric focus and adapts to an ever-changing technology and security landscape.
- Attract and retain exceptional talent that supports the development of our capabilities, aided by our Gradhack initiative in South Africa and Adrian Gore Fellowship Award.
- Develop intuitive technology channels and adopt client-centric processes to meet the needs of the business, clients, intermediaries and healthcare providers.
- Expand our use and understanding of digital tools and technologies like machine learning, artificial intelligence (AI) and the Internet of Things while considering related ethics, privacy and security factors.
- Increase targeted systems availability levels and improve resilience to business interruption through our Strategic Technology Enhancement Programme.

MATERIAL THEMES

- Leverage and manage technology and innovation
- Advance our disruptive Shared-value model
- Ensure ethical governance and leadership

CAPITALS IMPACTED

- HC People
- IC Data and innovation
- MC Technology and digital assets
- SC Relationships

R Links to executive remuneration

TARGET
Effective management of data privacy and security, technology, cyber risk and business continuity against internally set targets.

How we performed against our strategy continued

3 ENHANCING OUR FINANCIAL AND SOCIAL IMPACT

FINANCIAL

Our operating model serves as the framework against which we deliver financial impact. It reflects a shift in our focus to market-specific strategies across our three composites, with our organic growth model embedded within each composite, allowing for reporting of profit per composite. Our targeted growth in normalised operating profit of CPI+GDP+4% to CPI+GDP+8% is now weighted by region and elevated as a key performance indicator.

Our capital management framework ensures a disciplined approach is followed with regard to statutory or required capital that meet solvency requirements, allocation of capital for growth initiatives (guided by normalised return on equity), liquidity requirements, and funding sources of our capital plan and liquidity buffers that are monitored in line with a FLR.

During the year, we:

- Continued to deliver a strong financial performance demonstrating the efficacy of the Vitality Shared-value model, despite macroeconomic challenges across each of the three composites.
- Ensured financial resilience and enduring shareholder value through disciplined liquidity and capital management with a net reduction of borrowings that supported an improvement in the liquidity at centre and FLR.
- Generated strong growth in quality earnings, without recourse to capital, in line with Discovery's Target Operating Model.
- Focused on creating a platform for strong future growth through Discovery Bank and Amplify Health.
- Reduced the cost of new initiatives significantly as the Group streamlines some new initiatives and focuses on those businesses expected to generate significant value.
- Ensured adequate project management, governance and oversight over the adoption of IFRS 17 *Insurance Contracts*, effective for the Group from 1 July 2023.

For more information, see our Chief Financial Officer's review on page 66.

Our performance against KPIs

R **Normalised operating profit**
R11 661 million
(FY2022: R9 384 million)
exceeding CPI+GDP+4%

Normalised headline earnings
R7 678 million
(FY2022: R5 816 million)

R **Headline earnings per share (diluted)**
830.1 cents
(FY2022: 785.0 cents)

Annualised return on opening embedded value (RoEV) of
13.2%
(FY2022: 14.8%)

R **FLR**
20.4%
(FY2022: 23.8%)

R **Liquidity at centre**
R2.4 billion
(FY2022: R2.8 billion)

Future focus areas

- Continue to drive quality earnings growth and returns on capital across our three composites.
- Maintain robust solvency, liquidity and leverage buffers, at levels which can sustain significant operating and economic stresses.
- Accelerate growth in offshore earnings.
- Continue to grow cash generative ability of the group's portfolio of businesses.
- Full adoption of IFRS 17 and associated reporting metrics.

MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure ethical governance and leadership
- Ensure long-term financial sustainability

CAPITALS IMPACTED

- FC Financial Capital
- SC Relationships

R Links to executive remuneration

TARGET*
Growth in normalised operating profit:
Between CPI+GDP+4% and CPI+GDP+8%

* *This target will be recalibrated with the introduction of IFRS 17 and may be adjusted as we monitor our operating environment.*

3 ENHANCING OUR FINANCIAL AND SOCIAL IMPACT *continued*

SOCIAL

We aim to be a good corporate citizen and business partner. To this end, we are committed to nation-building and protecting our planet. Our Integrated Sustainability Framework articulates how we scale our impact, including outlining the SDGs we believe we can contribute to the most and implementing the roadmap we have developed to close the rating gap on key ESG indices.

During the year, we:

- Continued to invest in digital assets to extend the reach and access of healthcare, improve the quality of care and create new product offerings that will increase opportunities to reach underserved demographics.
- Participated in public-private collaboration in healthcare delivery, including proposals for the National Health Insurance (NHI) for South Africa.
- Assisted in addressing the critical shortage of medical graduates and specialist skills through our Discovery Foundation.
- Continued to identify and manage pothole repairs in Johannesburg through Pothole Patrol in partnership with former partner Dialdirect and new partner Avis and the City of Joburg.
- Encouraged employees to support local communities through our Mentorship With Purpose Programme and Discovery For Good.
- Made good progress in meeting our science-based target to cumulatively reduce Scope 1 and 2 carbon emissions. Commissioned and installed rooftop solar at 1 Discovery Place and our Port Elizabeth office, which are renewably generating 3% of the Group's energy.
- Appointed two specialist providers to support us in formulating and executing our Net-Zero Transition Plan.
- Developed and launched Discovery Green, a renewable energy platform that will provide access to affordable, renewable power.
- Continued to address energy efficiency, waste and water reduction to reduce our impact on the environment.
- Co-led and co-sponsored, through Vitality, a paper titled "Health is our greatest wealth" produced by the Principles for Sustainable Insurance, focused on the importance of addressing the health insurance protection gap and promoting preventative healthcare.

Our performance against KPIs

R Over
40.5 million lives
impacted globally
(FY2022: 39.7 million)

Number of markets in which we operate
39
(FY2022: 35)

R12 million
awarded in research and training grants by Discovery Foundation
(FY2022: R11.1 million)

R **18.5%**
reduction in Scope 1 and 2 carbon emissions against our 2019 baseline
(FY2019: 35 897 tonnes)

29 249 tonnes CO_2e* **(scope 1 and 2)/**
28 466 tonnes Co_2e* **(scope 3)**
(FY2022: 30 333/23 230 tonnes)
(FY2021: 29 723/7 780 tonnes)
(FY2020: 35 058/19 766 tonnes)
(FY2019: 35 897/26 238 tonnes)

57 715 tonnes CO_2e* **(Scope 1, 2 and 3)**
(FY2022: 53 563 tonnes)
(FY2021: 37 503 tonnes)
(FY2020: 54 824 tonnes)
(FY2019: 62 135 tonnes)

5%
total waste to landfill (South Africa)
(FY2022: 8%)

92 240 kl*
total water withdrawn from municipal water supplies in South Africa
(FY2022: 87 465 kl)

* *Increase in consumption and emissions due to employees returning to the office.*

Future focus areas

- Launch an exercise ecosystem to enable members to search for and book classes and personal trainers across Vitality's physical activity partners.
- Launch our Next Best Action initiative in South Africa to provide curated health improvement experiences tailored to each member's circumstances.
- Continue our support of healthcare reform to address unacceptable levels in inequality in access to quality healthcare.
- Further reduce our Scope 1 and 2 carbon emissions and establish more science-based targets over the next five to 10 years.
- Develop a clear roadmap to net zero by 2050 and publish our plan by 2025.
- Further assess and quantify the Group's Scope 3 emissions and investigate reduction strategies.
- Receive zero waste-to-landfill accreditation for our SA operations.
- Continue to provide funding that supports community health projects through Discovery Fund and Foundation.
- Extend our existing public safety programmes to maximise our impact.

MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Advance our disruptive Shared-value model
- Expand and strengthen our social impact
- Strengthen our environmental stewardship

CAPITALS IMPACTED

- IC Data and innovation
- SC Relationships
- NC Environmental resources

R Links to executive remuneration

TARGET
Reduction in scope 1 and 2 carbon emissions against 2019 baseline.

Refer to page 39 for our short-, medium- and long-term carbon emission targets.

Refer to page 38 for how we are scaling our social and environmental impact.

Scaling our social and environmental impact

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

Our Integrated Sustainability Framework aligns to our core purpose and allows us to maximise our impact through our Shared-value model, enabling us to drive improved health outcomes and strengthen healthcare systems while delivering robust environmental and governance performance. Our Shared-value model plays a significant role in influencing our clients' health and financial behaviour, creating shared value for them and society at large. We further have an opportunity to become part of the climate-change solution by extending our shared-value approach into this space and minimising any negative impacts we have on the environment. Applying our Shared-value model to help address climate change is the next evolution of our shared-value thinking.

OUR INTEGRATED SUSTAINABILITY FRAMEWORK DIFFERENTIATORS

Supporting the UN SDGs

Driving our targets and initiatives through our business

Refer to our **Sustainability Report** for more information on our Integrated Sustainability Framework and progress against initiatives and SDGs.

Make people healthier
PHYSICAL HEALTH

SDGs: 3 Good health and well-being

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

Enhance and protect lives
HOLISTIC HEALTH

SDGs: 3 Good health and well-being; 10 Reduced inequalities; 11 Sustainable cities and communities

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

Strengthen social systems
COLLECTIVE HEALTH

SDGs: 3 Good health and well-being; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure

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

Restore the environment
PLANETARY HEALTH

SDGs: 13 Climate action; 7 Affordable and clean energy

SHORT TO MEDIUM TERM
- Annual carbon reduction against our 2019 baseline
- Reduce waste to landfill to zero by 2023
- Responsible water consumption and improved efficiencies
- Achieve carbon neutrality by 2025 (Scope 1 and 2 emissions)

LONG TERM
- Achieve net zero by 2050 or earlier

Refer to the next page for an overview of our response to climate change.

Supporting levers

SDGs: 5 Gender equality; 10 Reduced inequalities; 17 Partnerships for the goals

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

GOVERNANCE COMMITMENTS

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

- Assigning responsibilities at Board and executive level to deliver on our Integrated Sustainability Framework
- Assessing, managing and publicly disclosing ESG risks and opportunities across the Group
- Reviewing our capabilities, organisational structure and remuneration to deliver on our ESG ambitions and goals

OUR CLIMATE CHANGE RESPONSE

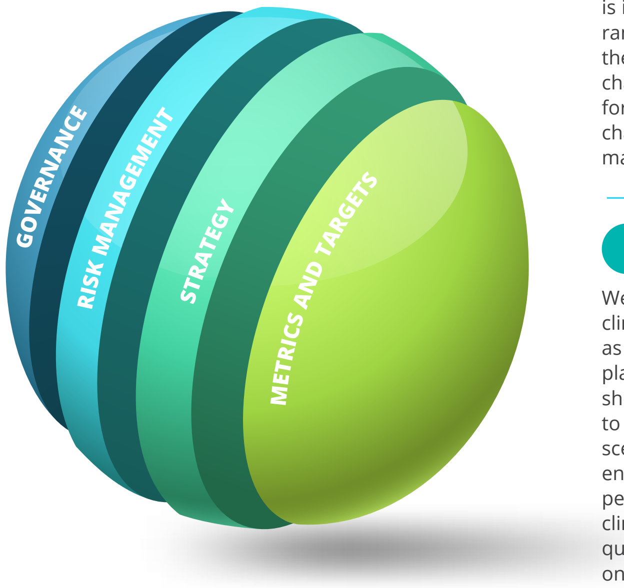
Discovery recognises climate change as a key risk for our business and society, as sustained temperature increases are leading to a growing number of extreme weather events, among other impacts. We support the Paris Agreement's goals to limit global warming to well below 2°C and to pursue efforts to limit warming to 1.5°C. The need for a just transition is a critical consideration in the South African context, as the poor, unemployed and those living in rural communities are most vulnerable to an abrupt transition to a low-carbon economy. As such, Discovery is committed to a fair, responsible and just transition to a low-carbon economy that will improve the resilience of economies, society and the financial system in line with the Paris Agreement.

Our climate change response is guided by our climate change strategy, which ensures we take a two-pronged pragmatic approach to climate change. Firstly, we understand, assess and respond to its impact on our business, and secondly we manage our own impact on the environment by reducing our carbon emissions, innovate to create carbon-reducing solutions and encourage behaviour change in our sphere of influence. The strategy specifies clear goals to reduce our greenhouse gas emissions and our plans to integrate climate-related issues into our overall business strategy.

Our **climate change strategy** can be accessed on our website.

Discovery supports the TCFD recommendations – the most widely accepted climate-related financial disclosure framework – and published its third TCFD Report this year. This report reflects the work that has taken place during the year to deepen our understanding of the risks we face due to climate-related issues, as well as the opportunities we see to both lower our impacts and support positive behavioural change through our Shared-value model. We remain committed to enhancing our reporting against the TCFD recommendations in a transparent manner that reflects our ongoing journey.

Summary of our responses aligned to the TCFD framework:



For more information on Discovery's climate-related governance, risk management, strategy and metrics and targets, refer to our **TCFD Report**.

GOVERNANCE

The governance of climate-related matters is integrated into our established and wide-ranging Group governance structures to ensure the Board adequately oversees our climate change response. Management is responsible for formulating and implementing climate change strategies, policies and risk management plans in day-to-day operations.

RISK MANAGEMENT

We manage ESG risks, including climate-related risks, through a process that is aligned to our well-established and mature Enterprise Risk Management (ERM) Framework. Our risk management process incorporates principles for identifying, assessing, treating, reporting and monitoring risk exposures as well as identifying climate-related opportunities.

STRATEGY

We understand the actual and potential climate-related risks and opportunities we face as well as their impact on strategy, financial planning and financial performance in the short, medium and long term. We are working to improve our strategic resilience through scenario planning and analysis, which will enable us to understand how the Group might perform under various hypothetical future climate states. Part of this work includes quantifying the impact of climate change risk on our entities, which is a complex exercise given the uncertainty and long-tail nature of the physical risks linked to climate change. To date, Discovery's climate change impact assessments indicate that risk remains within appetite, based on our current understanding and information.

METRICS AND TARGETS

Our commitment to reducing our environmental impact and improving our environmental performance is integral to our business strategy. We have set the following goals, as we work to reduce our emissions in line with global scientific pathways to keep temperature increases below 1.5°C, to guide and measure our progress:

- Short term: Reduce Scope 1 and 2 emissions annually and cumulatively against a 2019 baseline of 35 897 tCO_2e
- Medium term: Achieve carbon neutrality in our SA, UK and US operations by 2025 (Scope 1 and 2 emissions)
- Long term: Publish our plan by 2025 to achieve net-zero GHG emissions by 2050 or earlier and collaborate with strategic partners to enable a low-carbon future

We will continue to investigate additional metrics and targets that relate to the management of climate-related risks and opportunities.

Incorporating climate-related considerations into our business underscores our commitment to integrated thinking. By understanding our business's operating environment and identifying significant risks and opportunities, we can incorporate critical insights into our strategic decision-making. Our climate-related disclosures not only align with our commitment to transparency; they also foster trust and highlight our readiness to navigate the evolving landscape of climate-related challenges and seize opportunities that lie ahead.

For more information on our material themes, refer to page 14.

For more information on our risks and opportunities, refer to page 40.

For more information on our operating environment, refer to page 49.

RISKS AND OPPORTUNITIES

Discovery's approach to risk is built on the strong foundation of our core purpose, nine key values and our proactive risk culture. We factor risks into decision-making through a top-down approach, while a bottom-up approach is taken in day-to-day processes and projects. The Board, as our highest governing body, is ultimately responsible for risk governance within the Group and is assisted by the Group Risk and Compliance Committee in implementing processes to identify and manage risks within the Board-approved risk appetite and limits.

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

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

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

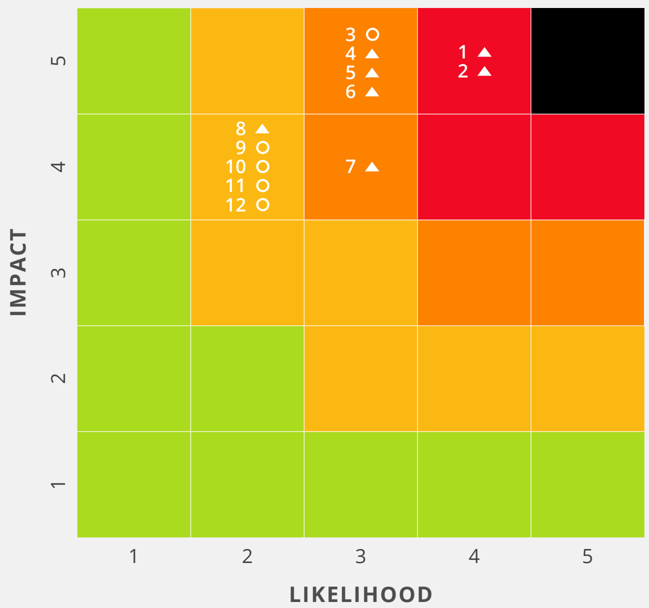
For more information, refer to our **Governance Report**.

Our top risks

Discovery's current top risks are unpacked in order of priority in the section that follows. We classify risks based on their severity, which we determine by assessing the likelihood of the risk occurring and the potential impact on Discovery.

- Catastrophic
- Very high risk
- High risk
- Medium risk
- Increase in risk severity
- Risk severity unchanged
- Decrease in risk severity

1. Global rising cost-of-living crisis
2. National Health Insurance Bill
3. Global geopolitical instability
4. Complex South African political landscape
5. Cyber crime and cyber security
6. Energy crisis
7. Complex and changing regulatory landscape
8. IFRS 17 *Insurance Contracts* adoption
9. Ability to scale-up and turn investments in new initiatives to profitability
10. Technological resilience
11. Human capital capabilities
12. Climate change



Understanding our risks and opportunities

1 Global rising cost-of-living crisis

Risk description and impact on our business

The global and local economic outlook remains challenging. The combined economic impact of COVID-19 and the war in Ukraine have contributed significantly towards inflation and rapid normalisation of monetary policies, compelling central banks to raise interest rates. This has resulted in a low-growth, low-investment environment.

Rising inflation and interest rates increase pressure on clients' disposable income, which could cause reduced new business volumes, product buy-downs and increased lapses. Our ability to deliver an acceptable return on capital invested and manage increasing operational expenses could be negatively impacted. We could also see a negative effect on investment fees for the investment businesses and insurance assets of our life businesses, and decreased margins overall.

Key mitigating actions

- Protect product designs and operating models against inflation where possible through inflation-linked premium increases, and provide clients with the option to buy-down cover as a retention tool.
- Focus on innovation and improving our products and pricing to attract and retain clients in low-growth environments.
- Manage lapses through retention efforts and servicing changes or improvements to policies.
- Evaluate the impact of the macroenvironment on our businesses on an ongoing basis and respond accordingly, such as implementing hedging and asset-liability matching strategies to manage interest and foreign exchange risks.
- Develop world-class businesses that can compete regardless of macroeconomic conditions.
- Identify and pursue further growth opportunities.

Opportunities

- Respond with new products and services that create shared value, are suitable for the current environment and address the needs and affordability of our clients, supported by our biannual product launch cycles.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Advance our disruptive Shared-value model
- Expand and strengthen our social impact

CAPITALS IMPACTED

- FC Financial Capital
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

2 National Health Insurance Bill

Risk description and impact on our business

The amended National Health Insurance Bill (NHI Bill) was approved by the National Assembly and passed onto the National Council of Provinces (NCOP) for consideration before formal Parliamentary sign-off and Presidential promulgation. The NCOP approval is complex, considering the significant implications to provincial health budgets, as per Section 32 of the Bill. The NHI Bill is expected to face various legal challenges, including being contested on Constitutional grounds. Since being tabled, various concerns and considerations have been raised by stakeholders, including that it was approved despite material concerns raised by all opposition parties and significant Constitutional concerns raised by the Parliamentary legal advisor; and that the inputs of healthcare professionals, who are core and essential to the delivery of care, were not given the appropriate weight and attention. In addition, the NHI's funding remains unclear, as input from the National Treasury and the supporting money Bill have not been disclosed or debated.

A central issue, contained within Section 33 of the Bill, is the provision that states that once NHI is fully implemented, medical schemes will not be able to cover services covered by NHI. This would impact not only medical schemes but private healthcare as a whole, which relies on the levels of funding provided by medical schemes.

We do not expect significant changes for medical schemes and private healthcare in the foreseeable future. According to the Department of Health, the full NHI will likely only be fully implemented in more than a decade due to the funding-related issues, the complexity and the need for substantial investment into the overall healthcare system. It does, however, introduce a short-term risk of negative sentiment among medical professionals. This could lead to a skills gap in an already constrained healthcare system.

Key mitigating actions

- Engage to drive a workable NHI solution that is needed for the country and would require the cooperation of the public and private sectors.
- Play a constructive role, engaging and assisting while remaining critical and firm in areas we believe require debate and intervention.

Opportunities

- We will continue advocating for a robust NHI framework that collaborates closely with the private sector and achieves universal healthcare, supported by a sustainable economic plan.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Expand and strengthen our social impact
- Advance our disruptive Shared-value model

CAPITALS IMPACTED

- FC Financial Capital
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa

Understanding our risks and opportunities continued

3 Global geopolitical instability

Risk description and impact on our business

Geopolitical tension and conflicts are a dominant theme and top risk worldwide. The war in Ukraine persists, and although Discovery has no direct connection to Russia or Ukraine, our presence in Europe, North America and Asia, South Africa's membership of BRICS and the inter-connectivity of global markets expose us to this risk.

Global geopolitical instability can impact Discovery in several ways, including supply chain disruptions affecting the availability and cost of key materials, equipment and parts; the negative effect on stock market returns, high interest rates, high inflation and exchange rates; increased likelihood of cyber attacks; generally lower global trade and investment; and a negative effect on our global partnerships. Collectively, this risk could lead to lower margins, high cost of capital, reduced new business volumes and higher lapses, ultimately reflecting in lower earnings and reduced return on capital.

Key mitigating actions

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

Opportunities

- Leverage our shared-value approach, which remains scalable, repeatable and globally relevant.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Advance our disruptive Shared-value model

CAPITALS IMPACTED

- FC Financial Capital
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

4 Complex South African political landscape

Risk description and impact on our business

South Africa faces many seemingly intractable challenges – political, economic and social – compounded by a global environment of significant complexity and uncertainty. This requires, amongst others, clarity in the articulation of its foreign policy.

This could lead to further depreciation of the rand, resulting in increased inflation driving higher costs for software and licensing, imported car replacement parts and electronic devices. In addition, our ability to do business with international markets could be impacted.

Key mitigating actions

- Continually review the Group operating and statutory structures that support our strategic objectives.
- Engage with government on economic growth interventions via business leadership and industry forums and bodies.
- Hedge our currency risk where necessary.

Opportunities

- Continue to play a leading role in business and industry engagements, with government and other social partners, to implement key interventions that will help build confidence in SA's economic trajectory.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Advance our disruptive Shared-value model
- Ensure ethical governance and leadership

CAPITALS IMPACTED

- FC Financial Capital
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa

5 Cyber crime and cyber security

Risk description and impact on our business

Cyber crime and cyber attacks continue to become more frequent and sophisticated. The Group remains vulnerable to cyber risk due to the nature of our business and operational presence that spans the healthcare, banking and insurance sectors. A cyber attack aimed at the Group could result in significant business interruption, substantial operational costs, increased regulatory scrutiny and reputational damage. Furthermore, a cyber event could lead to the potential loss of client data.

While we have deployed significant effort and resources in managing the risk of a cyber-security breach, cyber risk remains high and continues to be monitored closely, given its constantly evolving nature. The increase in local and global ransomware attacks is also a concern for the Group.

Key mitigating actions

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

Opportunities

Use data security maintenance to help Discovery:

- Create an integrated experience for our clients and healthcare providers across our businesses that drive our expansion.
- Develop disruptive technologies in line with our brand.

RELATED MATERIAL THEMES

- Ensure ethical governance and leadership
- Safeguard and enhance our trusted brand
- Empower our people
- Leverage and manage technology and innovation

CAPITALS IMPACTED

- HC People
- IC Data and innovation
- MC Technology and digital assets

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

6 Energy crisis

Risk description and impact on our business

The ongoing energy supply crisis in South Africa continues to dominate headlines, with persistent loadshedding hindering production and economic growth. Deteriorating generation capacity further risks national grid failure, which could result in a prolonged blackout. The South African government is encouraging solar installations and exploring solutions to procure new power generation capacity.

The South African energy crisis has the potential to lower production and investment; negatively impact stock market returns, interest rates, inflation and exchange rates; and negatively impact our global partnerships. Collectively, this could result in lower margins, reduced new business volumes and higher lapses, which would be felt in lower earnings and reduced return on capital. Furthermore, our clients could be impacted through disruptions caused in the provision of products and services.

Key mitigating actions

- Enhance disaster and business continuity planning, including the Orderly Closing and Re-Opening of Markets (OCARM) Framework.
- Install solar power at Discovery offices and branches in South Africa.
- Explore renewable energy options for the SA business.

Opportunities

- Offer Discovery Bank clients flexible financing on alternative energy solutions for their homes, through Discovery Bank's partnership with Rubicon, and developing an energy wheeling platform, Discovery Green.
- Be part of the solution through our BUSA membership and participate in the CEO-led initiative to affirm belief in South Africa and pledge active support to help realise its potential.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Expand and strengthen our social impact

CAPITALS IMPACTED

- FC Financial Capital
- MC Technology and digital assets

GEOGRAPHIES IMPACTED

South Africa

Understanding our risks and opportunities continued

7 Complex and changing regulatory landscape

Risk description and impact on our business

The Group operates in a highly regulated environment where new Bills, legal precedents and regulatory requirements are introduced frequently. The following developments pose a risk to the Group and its operations:

- In the short term, the Employment Equity Amendment Bill will result in material measures to meet the proposed employment quotas and avoid non-compliance that could carry a fine. These measures could negatively affect recruitment, retention, and staff morale.
- The Council for Medical Schemes (CMS) Section 59 Investigation Interim Report, covering allegations of racial discrimination in fraud, waste and abuse processes by medical schemes, was published in January 2021. Discovery issued a response to the Interim Report in March 2021. The Section 59 Investigation Final Report has not been released; however, we received an invitation to hearings at the end of June 2023, and the investigation panel requested legal submissions from interested parties by the same date. Discovery Health conclusively demonstrated that there is no racial discrimination in its processes and algorithms, but there could be reputational and legal implications to the business if the final report is published with unfounded allegations.
- The Road Accident Fund's (RAF) directive to reject medical aid members' claims was found to be unlawful by both the High Court and the Supreme Court of Appeal. The RAF has sought leave to appeal these judgments at the Constitutional Court.

Key mitigating actions

- Maintain a stable, safe, fair and regulated business environment.
- Drive and actively support our regulatory obligations.
- Engage with regulators, lawmakers and thought leaders, directly and indirectly, through industry and professional bodies to influence and remain appraised of key regulatory developments.
- Monitor regulatory changes with discipline through our robust governance structures and framework.
- Build compliance capabilities proactively.
- Address significant developments proactively through dedicated, multidisciplinary project teams.
- Develop new plans and milestones to meet revised Financial Services Ministerial Employment Equity targets driven by the Employment Equity Amendment Act, subject to the outcome of public consultation.

Opportunities

- Engage with government proactively to give input into policymaking and regulation development.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Safeguard and enhance our trusted brand
- Ensure ethical governance and leadership
- Advance our disruptive Shared-value model

CAPITALS IMPACTED

- FC Financial Capital
- HC People
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

Understanding our risks and opportunities continued

8 IFRS 17 *Insurance Contracts* adoption

Risk description and impact on our business

IFRS 17 *Insurance Contracts* will be effective for the Group from 1 July 2023. Discovery has elected to apply IFRS 17 retrospectively, and the Group's insurance entities are adopting the standard.

The adoption of IFRS 17 is a data-intensive project that will have a significant impact on reporting and comparative figures. The project requires dedicated focus from key technical resources to finalise project activities and relies on accurate execution and availability of appropriate data. Once implemented, IFRS 17 will have a significant impact on how the Group reports and manages its financial results and will require a restatement of equity.

Key mitigating actions

- Ensure adequate project management and governance, directed by the Group CFO, with adequate oversight provided by the Group Executive Committee and the Board.
- The IFRS 17 Governance Committee comprises amongst others non-executive directors from the various Actuarial and Audit Committees within the insurance business lines and ultimately makes recommendations to the various Audit Committees and Actuarial Committees that, in turn, make recommendations to their respective Boards.
- Engage with stakeholders (through Investor Relations) on the impact of IFRS 17 on profits, margins and equity.

Opportunities

- IFRS 17 is expected to reduce economic volatility, through the election to treat insurance finance income and expense through the statement of other comprehensive income (OCI), most notably the impact of changes in interest rates on the valuation of insurance contracts.
- The strengthened IFRS 17 margins result in a higher release of profits over time and in less volatility due to its ability to absorb negative basis variances of non-economic events.

RELATED MATERIAL THEMES

- Ensure ethical governance and leadership
- Ensure long-term financial sustainability
- Safeguard and enhance our trusted brand

CAPITALS IMPACTED

- SC Relationships
- FC Financial Capital

GEOGRAPHIES IMPACTED

South Africa and the UK

9 Ability to scale-up and turn investments in new initiatives to profitability

Risk description and impact on our business

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

There is an inherent risk that the business case for these initiatives will not materialise, incurring significant losses and resulting in a writedown of the investment made. The current global and local economic growth conditions have added to the challenges normally associated with building, launching and developing new initiatives.

Recent material capital commitments and investments in new initiatives include Discovery Bank and Amplify Health.

Key mitigating actions

- Integrate our approach to growth, liquidity, solvency management and value creation through our clearly defined Group operating model.
- Allocate capital in line with our Capital Allocation Framework.
- Drive value creation through our purpose-led Shared-value model, strong brand and unique culture.
- Monitor the risks our businesses face to ensure we respond proactively and consistently.
- Secure access to capital solutions – including retained earnings, debt, financial reinsurance and liquidity facilities.
- Monitor interest rate fluctuations and implement adequate mitigating actions, including the use of hedging arrangements where applicable.
- Public Fitch debt rating in the UK, to enhance the capital raising options.
- Ceasing new initiatives with marginal benefits.

Opportunities

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

RELATED MATERIAL THEMES

- Advance our disruptive Shared-value model
- Ensure long-term financial sustainability
- Operate within a volatile socio-economic environment
- Safeguard and enhance our trusted brand

CAPITALS IMPACTED

- MC Technology and digital assets
- IC Data and innovation
- SC Relationships
- FC Financial Capital

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

10 Technological resilience

Risk description and impact on our business

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

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

Key mitigating actions

- Safeguard the data we collect in line with our fiduciary duty and our Group Privacy Statement, and comply with relevant data protection and privacy legislation.
- Protect the integrity of client data by implementing appropriate measures and processes.
- Maintain the stability of our systems to secure the trust of our stakeholder groups.
- Continue to test, improve and enhance our business continuity and systems performance.
- Review the current technology infrastructure architecture to improve service delivery levels.
- Stabilise service by focusing on third parties, data migration and modernisation, and enhanced monitoring.

Opportunities

- Apply data science to understand people's behaviour and use its correlated impact on risk profiles to design rewards and benefits that drive positive behaviour change.
- Maintain technological resilience to deliver an integrated experience for our clients and healthcare providers across our businesses.

RELATED MATERIAL THEMES

- Ensure ethical governance and leadership
- Safeguard and enhance our trusted brand
- Leverage and manage technology and innovation

CAPITALS IMPACTED

- IC Data and innovation
- MC Technology and digital assets
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

Understanding our risks and opportunities continued

11 Human capital capabilities

Risk description and impact on our business

Our people are a strategic enabler for the Group. We continue to face the risk of skills shortages, particularly in critical areas such as technology, data science and actuarial science. Additionally, it remains a challenge to retain and develop our existing talent to maintain a resilient and evolving work environment. In the Vitality UK and Vitality Global businesses, there has been increased pressure on retention and recruiting due to the Great Resignation trend, which has impacted operational servicing. Although this risk trend has not been as severe across the other businesses within the Group, we continue to monitor it.

Our workforce is becoming more diverse, inclusive and demographically representative of the markets where we operate. However, we continue to face the risk that the targeted transformation at senior management level is not occurring at a satisfactory pace. We further risk not attracting, developing and retaining black South African candidates at all levels. This could lead to reputational damage and impact our rating on the Financial Sector Codes (FSC) scorecard.

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

We launched a hybrid working model across the Group in FY2022 to remain competitive and address the diverse needs of employees. While the model has numerous benefits, there is the potential challenge of instilling and maintaining Discovery's unique culture, particularly for new employees.

Key mitigating actions

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

Opportunities

- Build our talent pool of critical skills, particularly in actuarial and technology sectors through our dedicated graduate programmes.
- Leverage our human capital, which is core to our ability to recognise and realise opportunities in line with our values.

RELATED MATERIAL THEMES

- Ensure ethical governance and leadership
- Safeguard and enhance our trusted brand
- Empower our people
- Leverage and manage technology and innovation

CAPITALS IMPACTED

- HC People
- IC Data and innovation

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

12 Climate change

Risk description and impact on our business

Climate change is a key risk to businesses and society today. The Discovery Group has committed to reducing the carbon emissions in our operations to align with global climate ambitions. This has increased the investment we have made and continue to make.

Climate change risk could impact the Group if it held investments that decline in value due to fossil fuel or non-climate friendly activities, supply side considerations and reputational risk. This could be driven by emerging energy policies and financial sector regulations.

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

Key mitigating actions

- Implement our Group-wide climate change strategy to reduce carbon emissions.
- Adhere to the Principles for Responsible Investment.
- Remain a signatory to the 2022 Global Investor Statement to Governments on the Climate Crisis.
- Integrate climate-change-related matters into the Group's governance structures, policies and practices, as well as investment and procurement decisions, product development and service offerings, and partnerships.
- Execute our plans to proactively reduce our carbon footprint through initiatives relating to power and water usage and waste management, pursuing carbon neutrality by 2025.

Refer to our **TCFD Report** for more information.

Opportunities

- Develop products and services that enable our clients to live more sustainably, such as our Discovery Green renewable energy wheeling platform and Discovery Bank's solar energy partnership with Rubicon.

RELATED MATERIAL THEMES

- Safeguard and enhance our trusted brand
- Strengthen our environmental stewardship
- Expand and strengthen our social impact
- Ensure long-term financial sustainability

CAPITALS IMPACTED

- NC Environmental resources
- FC Financial Capital
- SC Relationships

GEOGRAPHIES IMPACTED

South Africa, UK and global partners

Emerging risks

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

MARKET DISRUPTERS

Risk description and impact on our business

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

Furthermore, due to changing business disrupters and new technologies, the aggressive collection and use of data may lead to evolving exposure to data compromise and operational functionality, including the sharing of intellectual property with open-source AI.

How we are responding

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

FUTURE PANDEMICS

Risk description and impact on our business

The outbreak of COVID-19 has increased awareness around pandemics and their impact. Future pandemics introduce the risk of increased claims and pose a threat to business continuity due to challenges related to workplace productivity.

How we are responding

- Incorporated an allowance for the expected impact of COVID-19 into our claims assumptions.
- Monitor ongoing trends and vaccine developments.

OUR OPERATING ENVIRONMENT

We continue to operate in a dynamic, complex and uncertain context. In FY2023, our operating environment was characterised by slow growth and high inflation, leading to a cost-of-living crisis and constrained macroeconomic operating conditions. In addition, persistent sociopolitical uncertainty contributed to market volatility, while the global response to the climate crisis continues to gain momentum. These issues are interrelated and signify a world where multiple crises present both threats and opportunities.

Our core purpose guides us in this environment and contributes to our resilience during difficult and complex times. We continue to identify and respond to material trends, which are integrated into our strategic decision-making process to ensure our business's ongoing relevance and resilience.

The purpose imperative

CONTEXT

The world continues to face several crises including the ongoing war in Ukraine, rising inflation and an emerging climate crisis. This coincides with the ongoing global aftermath of the COVID-19 pandemic. Global events such as these have significant long-term consequences, including negative impacts on economies, socioeconomic development and human rights.

Within this context, society increasingly expects businesses and government to step up and solve systemic issues. Shareholder value at any cost is no longer the primary focus of businesses – the societal and environmental consequences of doing business are becoming progressively more important. Stakeholders look to businesses to create social change and protect communities and the planet. Now, more than ever, authenticity, stakeholder trust and purpose are essential.

For more information, refer to our **Sustainability Report.**

HOW WE ARE RESPONDING

Our purpose is central to everything we do and manifests through our unique business model, which uses shared value as the basis for our growth, guides our strategy and forms the foundation of our products and services. Our purpose also leads our response to the social challenges in the markets in which we operate.

We engage in public-private discussions to promote cooperation aimed at enhancing healthcare delivery on a broader scale, including engagement on the National Health Insurance (NHI) in South Africa. In our engagements we have raised concerns about the sustainability and feasibility of the NHI Bill, particularly around funding and the long-term role of private healthcare. As the Bill develops, we will continue to advocate for a robust NHI framework, that collaborates closely with the private sector and achieves universal healthcare, supported by a sustainable economic plan.

Through the Discovery Foundation we assist in addressing the critical shortage of medical graduates and specialist skills. Our employees further support local communities through our Mentorship With Purpose Programme and Discovery ForGood.

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

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Advance our disruptive Shared-value model
- Expand and strengthen our social impact
- Strengthen our environmental stewardship

RELATED RISKS AND OPPORTUNITIES

- 1 Global rising cost-of-living crisis
- 2 National Health Insurance Bill
- 3 Global geopolitical instability
- 4 Complex South African political landscape
- 12 Climate change

RELATED UN SDGs

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

Political and economic uncertainty

CONTEXT

The global economic and political environment remains uncertain, leading to slow global growth driven by monetary policy tightening, the war in Ukraine and high inflation. The global inflation forecast for 2023 remains high at 6.8%. In our key markets, inflation in the UK is 6.8% (target 2%), South Africa at 5.8% (target 3% – 6%), US at 4.5% (average 2000 – 2020: 2.1%) and China remaining an outlier with inflation of 2%.*

Rising global inflation and interest rates have increased consumer pressure, leading to a cost-of-living crisis in many regions. These pressures have constrained economic growth, following short-lived economic rebounds experienced by many countries after the COVID-19 pandemic.

Additional factors impacting the South African economy's growth prospects include increased loadshedding, resulting in major disruptions to business, and the Financial Action Task Force's greylisting of South Africa that further exposes the economy to vulnerability.

Unpredictable macroeconomic environments are common across the globe due to increasing geopolitical and trade tensions, resulting in significant interest rate and currency exchange rate fluctuations. As a financial services organisation with a global presence, our earnings and net asset value are affected by the volatility in local and global financial markets.

HOW WE ARE RESPONDING

The Group Chief Executive, together with CEOs from South Africa's largest companies, met with the President and senior government officials and agreed to urgently work together in partnership to address key challenges the country faces – to achieve inclusive economic growth, create jobs, and generate positive sentiment. Over 130 CEOs signed a pledge committing to contribute considerable skills and resources to help realise the country's potential.

Our products and services create shared value while addressing the needs of our clients. In FY2023, we introduced several new product innovations and focused on affordability and value, including the DHMS WELLTH Fund, Discovery Bank's solar and energy funding solution and the Discovery Life Plan 3.0.

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

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

For more information, refer to our risks and opportunities on page 40 and our Group Chief Financial Officer's review on page 66.

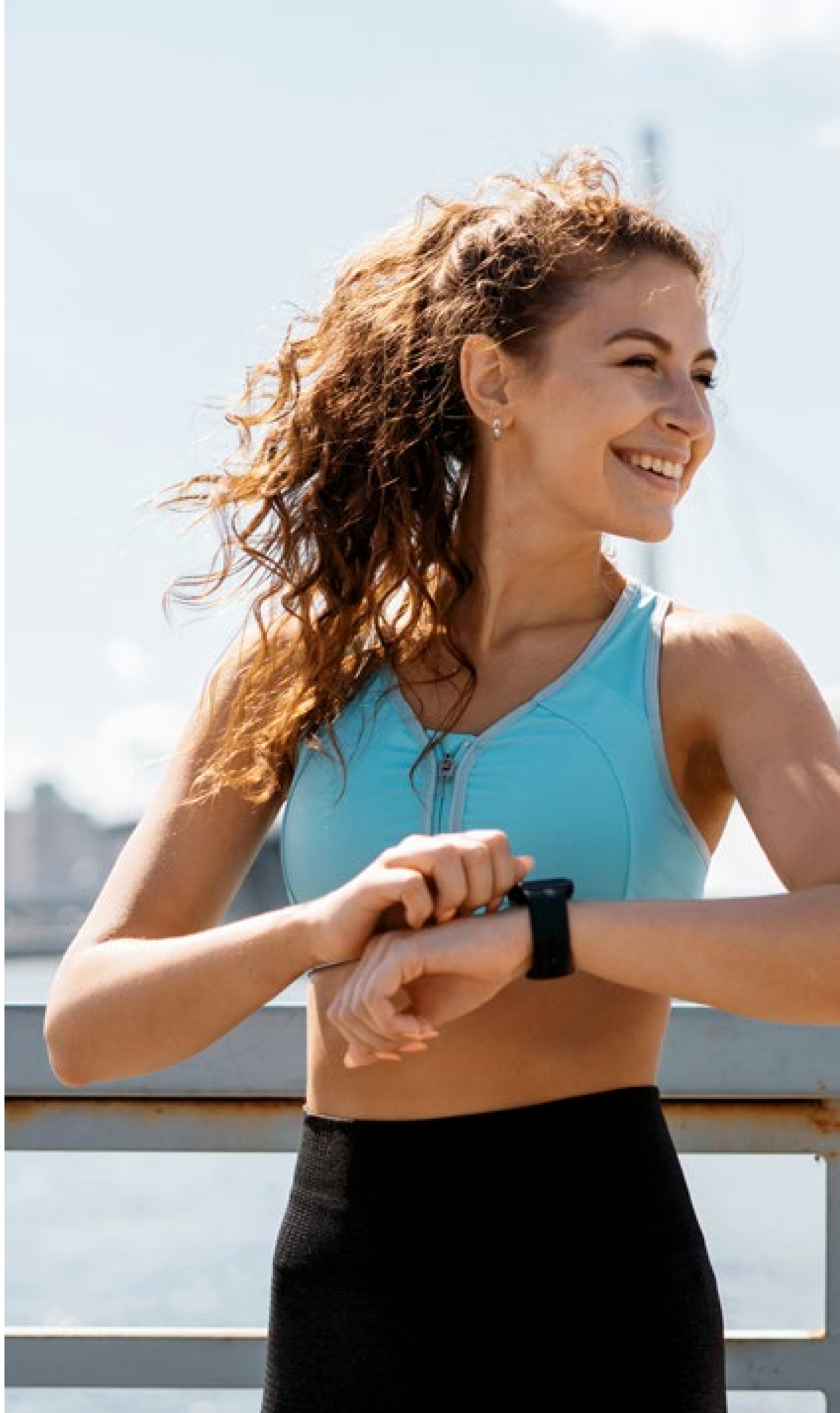
RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Advance our disruptive Shared-value model
- Ensure long-term financial sustainability

RELATED RISKS AND OPPORTUNITIES

- 1 Global rising cost-of-living crisis
- 3 Global geopolitical instability
- 4 Complex South African political landscape
- 6 Energy crisis
- 9 Ability to scale-up and turn investments in new initiatives to profitability

* *Source: World Economic Outlook update (July 2023), International Monetary Fund Data Mapper (April 2023).*



Climate change

CONTEXT

The impacts of climate-related flooding, loss of biodiversity and extreme weather events are already felt globally, and reports issued by the UN Intergovernmental Panel on Climate Change (IPCC) make it clear that human activities are indisputably causing these changes. According to the IPCC, more severe impacts are expected if we fail to urgently reduce greenhouse gas emissions through mitigation and develop adaptive capacity.

Despite an increasing number of countries committing to net-zero emissions, a significant gap remains between targets and the actions needed to meet them. In 2023, the UN IPCC's sixth assessment report found that if current commitments by member countries are met by 2030, global warming will likely exceed 1.5°C. These stark findings make it clear that current commitments and actions needed to meet the goals of the Paris Agreement fall short.

In South Africa, flooding has caused significant property and infrastructure damage, leading to the loss of lives and livelihoods. South Africa must urgently build resilience to withstand future environmental shocks as it continues to experience extreme weather events and risk a food security crisis.

The need for a just transition is a critical consideration in the South African context, as the poor, unemployed, and those living in rural communities are most vulnerable to an abrupt transition to a low-carbon economy. The shift away from dependence on fossil fuels, must be accompanied by employment opportunities in new and green industries, and be of benefit to vulnerable groups.

HOW WE ARE RESPONDING

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

We are committed to avoiding business activities that harm the environment and leveraging company assets and innovation to support the global movement towards a low-carbon future. We continuously assess the risks and opportunities related to climate change to not only respond to our own impact on the environment but also the impact climate change has on our business.

For more information on the risk of climate change to our business, refer to page 48.

For more information on our environmental response, refer to our **Sustainability Report.**

For more information on our response to climate change, refer to our **TCFD Report.**

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Expand and strengthen our social impact
- Strengthen our environmental stewardship

RELATED RISKS AND OPPORTUNITIES

12 Climate change

RELATED UN SDGs

3 GOOD HEALTH AND WELL-BEING
13 CLIMATE ACTION

Human-centred technology

CONTEXT

The pace of digitisation and automation adoption across society continues to increase, along with the need for personalisation and individual control. While concerns around data privacy remain high, data apathy continues to grow, with users recognising that the loss of some privacy is inevitable in a digitised society. In addition, generative artificial intelligence (AI) and quantum computing are changing businesses and business models globally as they reframe expectations around the role of advanced computing in business and day-to-day life. The release of ChatGPT in November 2022, in particular, has received significant business attention.

Technological advances continue to stimulate innovation in medical sciences at an unprecedented pace. Clients are at the centre of the digital transformation, with service offerings spanning from consumer interactions in the insurance industry to virtual healthcare and consultation in the healthcare industry. In addition, the use of data science has the potential to integrate health and wellness products, amplifying potential benefits.

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

HOW WE ARE RESPONDING

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

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

For more information on data stewardship, refer to our **Sustainability Report.**

RELATED MATERIAL THEMES

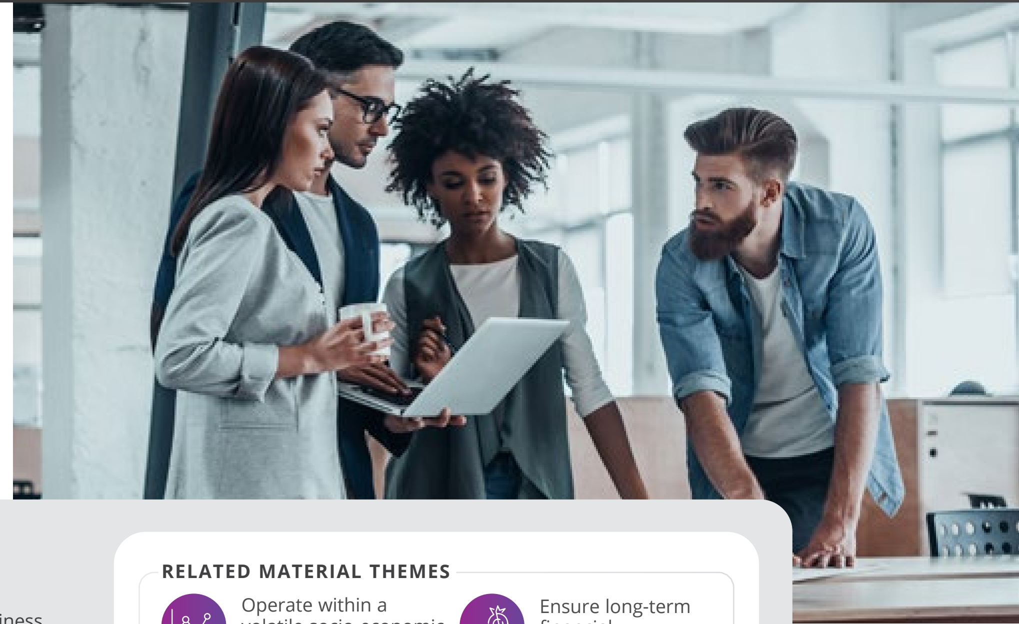
- Ensure ethical governance and leadership
- Advance our disruptive Shared-value model
- Empower our people
- Leverage and manage technology and innovation

RELATED RISKS AND OPPORTUNITIES

5 Cyber crime and cyber security
10 Technological resilience
11 Human capital capabilities

OUR TRADE-OFFS

Our trade-offs are the strategic and often difficult decisions we take throughout the year. These decisions require us to balance stakeholder expectations, the availability of resources and timeframes. Trade-offs are made to achieve our strategic ambitions and are informed and influenced by the context in which we operate. The significant trade-offs we made during the year are discussed below.



ALLOCATING CAPITAL FOR GROWTH WHILE ENSURING LONG-TERM FINANCIAL SUSTAINABILITY

Discovery continues to capitalise on growth opportunities and new initiatives that leverage its global leadership position in shared-value insurance while ensuring operational resilience. We manage capital allocation within a predetermined, balanced and disciplined framework that ensures the long-term financial sustainability of the Group for all stakeholders. The examples below illustrate how our decisions in this regard have been guided by this framework during the year.

Continued support of value-generating new initiatives

We remain focused on supporting businesses that generate significant value. Accordingly, we continue to invest in initiatives that are well positioned for future growth, including Discovery Bank, Amplify Health and the Vitality1 platform. While we monitor new initiatives and their prospects, we also review investments with marginal benefits.

As announced in FY2022, the Group is exiting the UK investment market due to margin compression leading to a structural change in market conditions. The subsequent transfer and wind-down of VitalityInvest should be completed by 31 December 2023. The Group also decided, with regard to the VitalityCar business, to not offer members cover beyond their current plan year and run off the book by 30 June 2024 due to the impact of claims inflation and resultant price increases on the business's ability to deliver value to clients. In making these decisions, we consider the additional investment required to reach profitability, the relevant timeframe and the opportunity cost.

Ongoing investment in technology

Technology is a strategic enabler that supports our Shared-value model. We drive innovation in the business through research and development and leverage our technological capabilities to ensure we retain our position at the forefront of digital trends. This includes investing in new initiatives and the Vitality Shared-value model. At the same time, improving our resilience to business interruption by enhancing existing technology under strain is also a priority. In considering these competing priorities, we need to balance how and where we invest our resources. This requires us to weigh the immediate benefits of improving our current technological systems against the longer-term benefits of investing in new technology.

Ordinary dividends

Given the the volatile macroeconomic landscape, the Group focused on ensuring financial resilience and protecting shareholder value through disciplined cash and capital management. The strong balance sheet and liquidity position at both the Group level and at the regulated entity levels, in addition to the cash generative capacity of the Group, supported the recommencement of ordinary dividends, declared at 110 cents per share, in respect of the second half year's earnings. In future the Group anticipates annual ordinary dividends to be covered approximately five times by normalised headline earnings.

RELATED MATERIAL THEMES

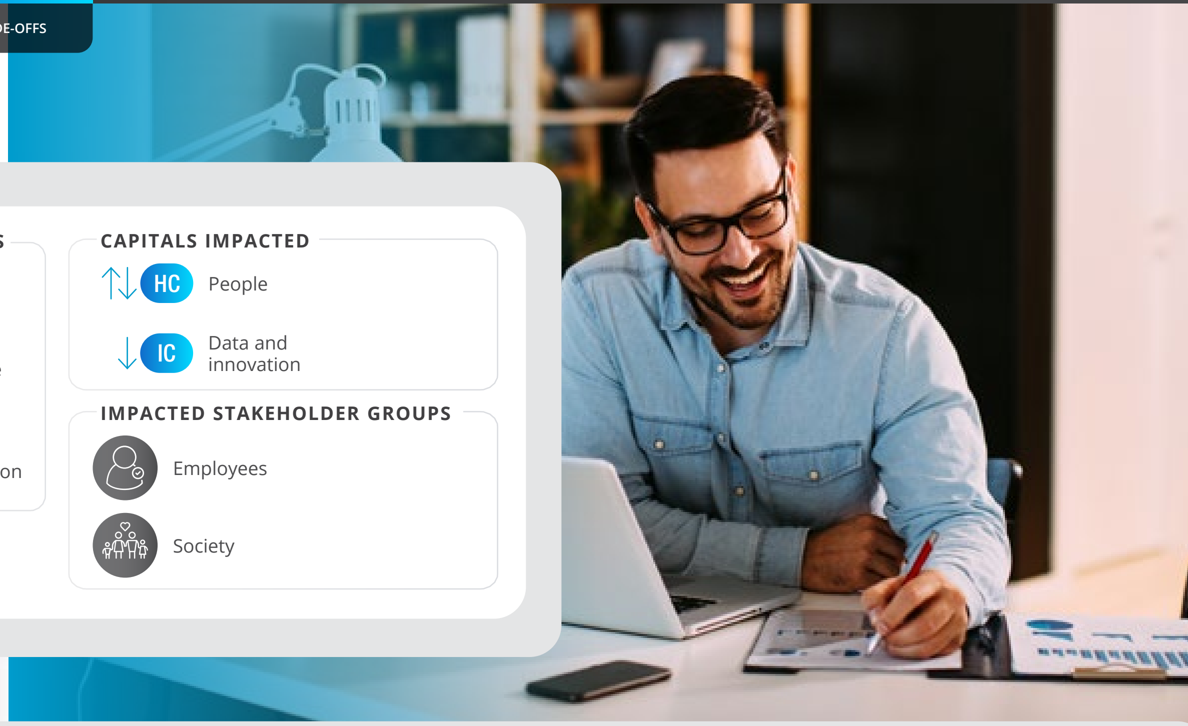
- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Advance our disruptive Shared-value model
- Leverage and manage technology and innovation
- Safeguard and enhance our trusted brand

CAPITALS IMPACTED

- ↑↓ FC Financial Capital
- ↑ MC Technology and digital assets
- ↓ SC Relationships
- ↑ IC Data and innovation

IMPACTED STAKEHOLDER GROUPS

- Providers of capital
- Business partners
- Society
- Clients



MANAGING NEW WAYS OF WORKING EFFECTIVELY

The global shift to new ways of working has highlighted the importance of aligning our working model with the evolving needs of our employees and broader society. As such, we have refined our hybrid working model to drive better collaboration and engagement, assisted by our continuous leveraging of technology. We must effectively manage the challenges of this working model, which include maintaining productivity and work-life balance, preserving our company culture, and mitigating increased cyber security risks by advancing our security capabilities. In addition, adopting new ways of work enables us to attract employees from a global talent pool; however, it requires that we focus on retaining staff who are now exposed to international opportunities and hybrid working options offered by our competitors.

RELATED MATERIAL THEMES

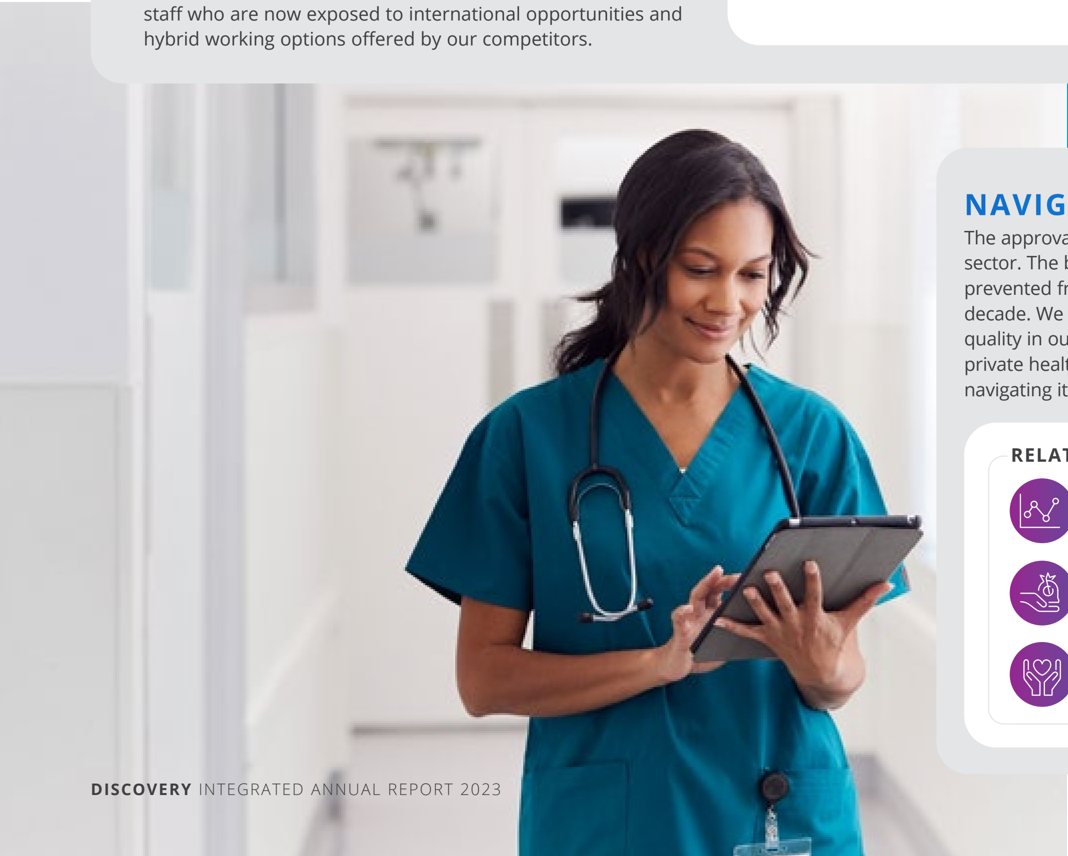
- Empower our people
- Safeguard and enhance our trusted brand
- Leverage and manage technology and innovation

CAPITALS IMPACTED

- ↑↓ HC People
- ↓ IC Data and innovation

IMPACTED STAKEHOLDER GROUPS

- Employees
- Society



NAVIGATING THE NHI BILL

The approval of the NHI Bill by the National Assembly has created a complex field of debate and raised risks for the private healthcare sector. The bill poses multiple areas of concern, including a potential material narrowing of the remit of medical schemes which could be prevented from covering services covered by the NHI, once fully implemented. Notably, this would be many years away, likely more than a decade. We strongly support achieving universal health coverage, and believe a sustainable solution is required to the unequal access and quality in our current healthcare system design. However, we do not believe the NHI is workable without the explicit collaboration of the private health sector funding and care provision. As a result, we continue to engage constructively in the NHI debate while simultaneously navigating its intricacies and remaining firm in areas we believe require intervention.

RELATED MATERIAL THEMES

- Operate within a volatile socio-economic environment
- Ensure long-term financial sustainability
- Expand and strengthen our social impact

IMPACTED STAKEHOLDER GROUPS

- Government and regulators
- Society
- Healthcare providers

CAPITALS IMPACTED

- ↑↓ SC Relationships

ENGAGING WITH OUR STAKEHOLDERS

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

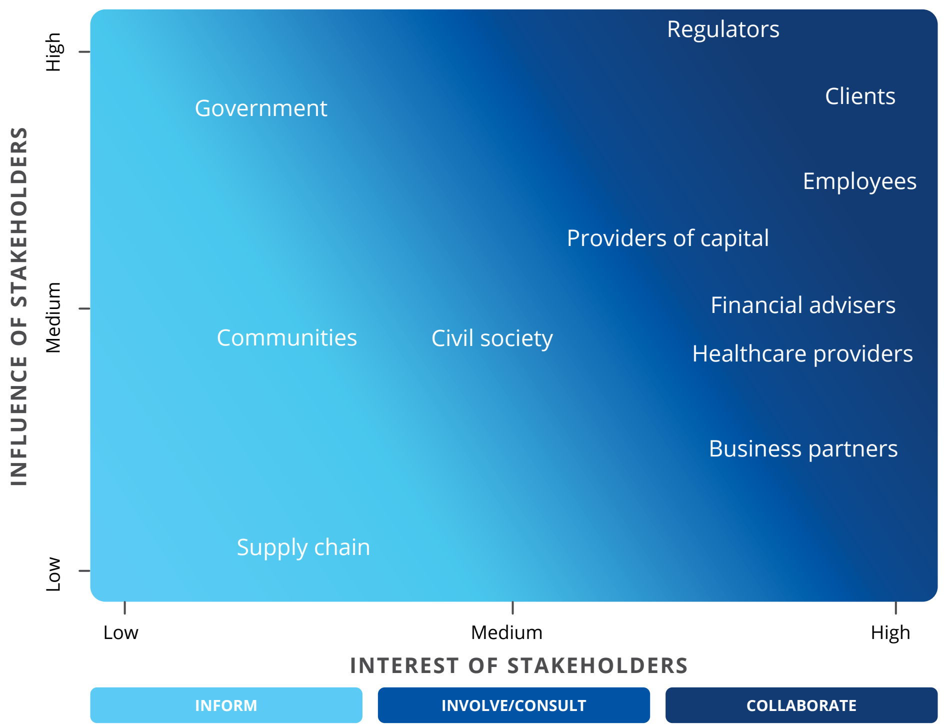
Maintaining good relationships with key stakeholder groups is critical to creating and sustaining value across the Group. We regularly engage with stakeholders who have vested interests in what we do and who we are.

In support of this, our Board follows a strategic approach to our stakeholder engagements, with principles formalised in our Stakeholder Engagement Framework. The framework includes a stakeholder matrix that guides our levels of engagement with each stakeholder group. This engagement varies depending on our objectives, outcomes, timeframes and resources, as well as levels of influence or interest of stakeholders.

OUR STAKEHOLDER GROUPS

Government and regulators | Employees | Providers of capital | Clients | Healthcare providers | Business partners | Society

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



For more information on our risks and opportunities refer to page 40.

For more information on our material themes refer to page 14.

QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Government and regulators

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

WHY WE ENGAGE

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

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

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

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

SIGNIFICANT FY2023 FOCUS AREAS

- Ongoing engagement on the National Health Insurance (NHI) Bill with the SA National Department of Health and through participation in Business Unity South Africa (BUSA)
- Continued engagement and relationship strengthening with Council for Medical Schemes (CMS) at required levels
- Signed a pledge, together with over 130 CEOs of South Africa's largest companies, that commits to contribute significant skills and resources to help SA achieve inclusive economic growth, create jobs, and generate positive sentiment
- Engaged with National Treasury on the tax impact of IFRS 17 *Insurance contracts*
- Ongoing collaboration with the City of Johannesburg on pothole repair projects together with our former partner Dialdirect and new partner Avis

RELATED MATERIAL THEMES

- Ensure ethical governance and leadership
- Empower our people
- Strengthen our environmental stewardship
- Expand and strengthen our social impact

QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Employees

Basis of assessment:
Employee experience score, employee net promoter score (eNPS) and employee engagement response rate.

WHY WE ENGAGE

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

For more information on our people, refer to pages 12, 13 and 34.

For more information on our people, refer to our **Sustainability Report.**

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

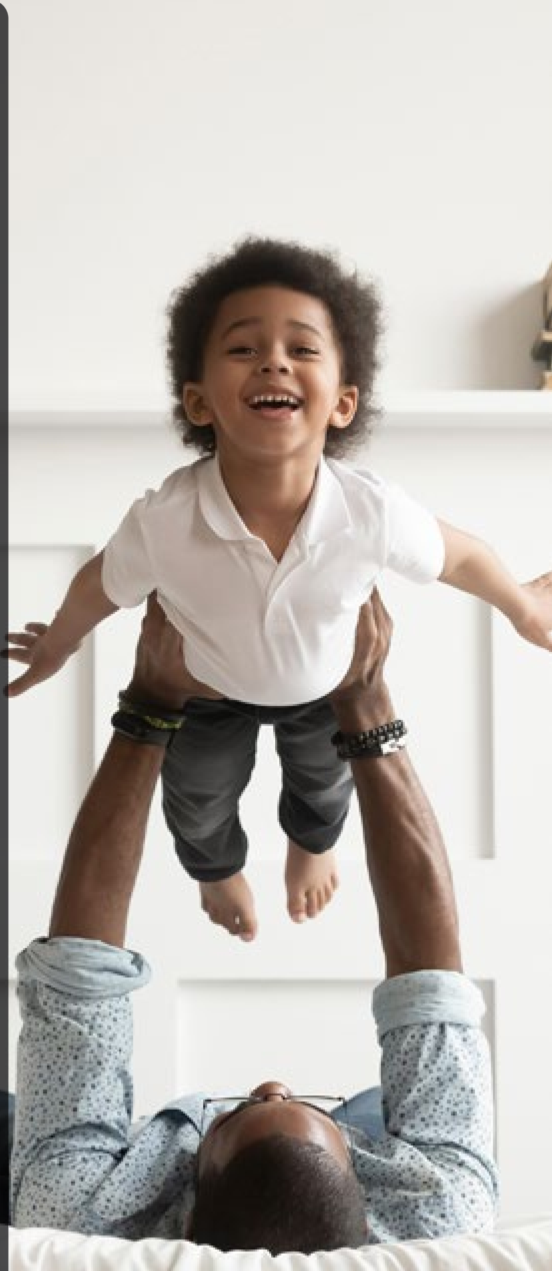
- Annual employee engagement survey
- Business unit-specific pulse surveys
- Ongoing feedback through performance management
- In-house publications, communications and emails
- Podcasts and webinars by internal and external experts and leaders
- One-on-one engagement
- Focus groups and staff dialogues
- Talent reviews
- Self-service portals to enable and support processing, enquiries, and policies

SIGNIFICANT FY2023 FOCUS AREAS

- Enhanced the employee experience by reducing friction points in the employee lifecycle
- Implemented reimagined onboarding solution across the Group
- Completed implementation of Degreed Learning Experience Platform
- Facilitated signature leadership development programmes
- Improved on engagement opportunities and created more structure and clearer timelines of frequency of engagements
- Developed diversity and inclusion and values learning programmes

RELATED MATERIAL THEMES

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



QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Providers of capital

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

WHY WE ENGAGE

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

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

- Annual 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 (AGM) and voting
- Media and regulatory releases, including SENS announcements
- Analyst reports
- ESG indices, questionnaires and portals

SIGNIFICANT FY2023 FOCUS AREAS

- Engaged with investors through virtual and in-person conferences, roadshows and one-on-one meetings
- Engaged with key shareholders ahead of the AGM to discuss proposed resolutions
- Ad hoc responses to detailed engagement reviews by investors on topical issues including IFRS 17
- Initiated a debt financing strategy in Vitality UK
- Engaged with ESG ratings agencies to improve our disclosures

RELATED MATERIAL THEMES

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

QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Clients

Basis of assessment:
Client satisfaction surveys, net promoter and member perception scores.

WHY WE ENGAGE

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

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

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

SIGNIFICANT FY2023 FOCUS AREAS

- Client onboarding and product innovation
- Ensure effective management of client complaints
- Campaigns to improve awareness of Vitality engagement for unengaged clients, using the Discovery app and Whatsapp to maximise chances of engagement
- Ongoing conservation and credit control initiatives to support retention of clients
- Digitisation of clients' policy information
- Targeted interventions based on health risks and goals

RELATED MATERIAL THEMES

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

QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Healthcare providers

Basis of assessment:
Regular engagement, feedback and deep-dive surveys.

WHY WE ENGAGE

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

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

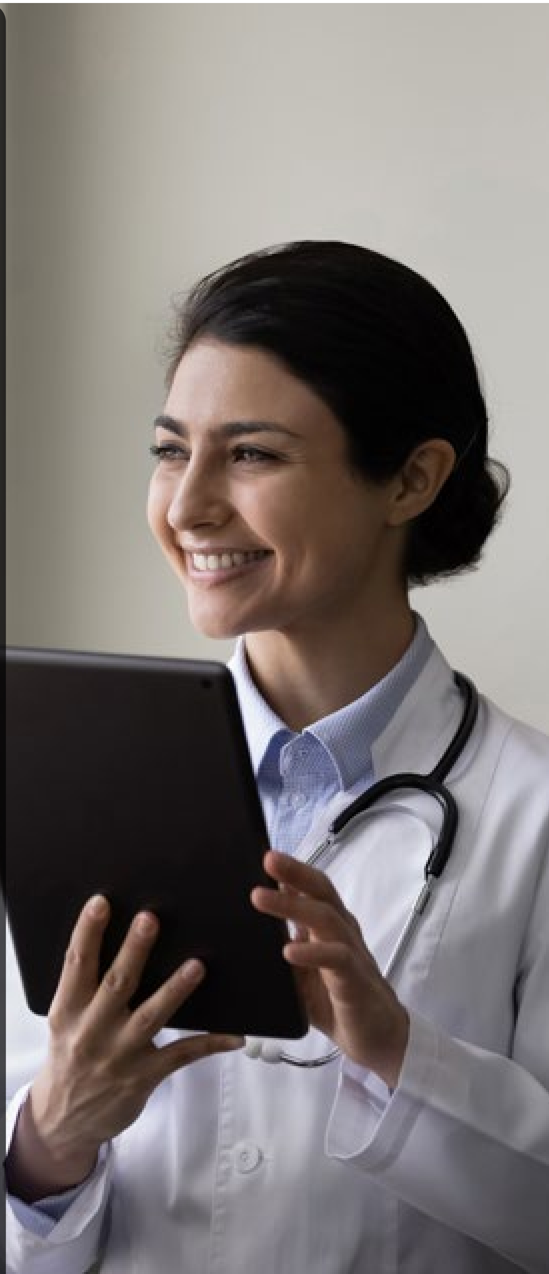
- Ad hoc discussions and regular meetings between healthcare providers and account managers
- Engagement with leadership, advisory boards, medical society executive committees and key opinion leaders
- Personal feedback and regular panel meetings
- Doctor sentiment scores

SIGNIFICANT FY2023 FOCUS AREAS

- Communicated new developments in the healthcare industry, such as value-based care programmes
- Provided necessary infrastructure and guided adoption of low complexity care that can be monitored and managed effectively at home for appropriate medical conditions
- Engaged in constructive discussion on revision of network, coding and billing matters
- Thought leadership through strategic stakeholder collaboration, literature publications and planned workshops, to positively inform the Telehealth regulatory landscape

RELATED MATERIAL THEMES

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



QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Business Partners

Basis of assessment:
Biannual experience survey, feedback and broker satisfaction scores.

WHY WE ENGAGE

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

For more information on our insurance partnerships, refer to page 91.

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

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

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

SIGNIFICANT FY2023 FOCUS AREAS

- Aligned shareholder and partnership interests through Vitality Health International, and the Vitality Network
- Training, webinars and support for financial advisers
- Further expansion across global markets through new strategic partnerships
- Showcased new intellectual property developments (IP) in Discovery and supported ad hoc requests from Amplify Health for IP and expertise

RELATED MATERIAL THEMES

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

QUALITY OF ENGAGEMENT

Good quality existing relationship | Relationship exists but there is room for improvement | Existing relationship is poor

Society

Basis of assessment:
Monitoring and evaluation of programme outcomes, supplier engagement and evaluations.

WHY WE ENGAGE

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

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

For more information, refer to our **Sustainability Report.**

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

EXPECTATIONS OF STAKEHOLDERS

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

HOW WE CREATE VALUE

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

METHODS OF ENGAGEMENT

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

SIGNIFICANT FY2023 FOCUS AREAS

- Reported to the Discovery Fund and Discovery Foundation trustees on our progress against objectives
- Research and training grants awarded by Discovery Foundation to strengthen the healthcare workforce
- Supported community development
- Implemented initiatives in support of our carbon neutrality and net-zero ambitions
- Signed on for the second year of the UNGC Climate Ambition Accelerator Programme
- Regular engagement with key suppliers

RELATED MATERIAL THEMES

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

REMUNERATION OVERVIEW

Great people are the foundation of our success as they enable us to create sustainable shared value. We offer our employees impactful work that liberates them to grow and embrace opportunities, while balancing differences in individual performance, value and contribution with a fair and consistent pay structure. As a purpose-led business, we are pleased to see substantial alignment between our purpose and the performance, engagement and commitment of our people.

Our Remuneration Policy is aligned to our shared-value approach, with our core purpose and values creating the foundation from which Remuneration Committee (RemCo) decisions are made. RemCo strives to balance the often-conflicting needs of various stakeholder groups in its remuneration deliberations and decisions.

In this overview, we highlight the factors that influenced remuneration within our business as well as the remuneration decisions made in FY2023. We further outline key aspects of our remuneration policy, the implementation thereof and how remuneration supports our strategic objectives in the year under review.

Refer to our detailed **Remuneration Report** for more detail on our background statement, remuneration policy and implementation thereof.

Remuneration governance

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

The committee is confident that our remuneration policy and philosophy are aligned with shareholder expectations and Discovery's short- and long-term operational and strategic goals, while delivering competitive and fair outcomes for our employees.

RemCo is committed to remaining informed of emerging trends and leading remuneration practices locally and globally. Accordingly, the committee appointed an independent service provider to provide remuneration-related advisory services. RemCo is satisfied that the input provided by the independent service provider is credible, independent and objective.

Engagement with shareholders

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

Refer to our detailed **Remuneration Report** for more detail on the results of the advisory vote and our shareholder engagement and feedback.

"In this overview, we highlight the factors that influenced remuneration within our business as well as the remuneration decisions made in FY2023."

Rewarding performance that supports strategic value creation

INCENTIVISING PERFORMANCE ACROSS THE GROUP

We offer competitive guaranteed rewards at the market median. In addition, most permanent employees earn performance-based pay, leading to above-market median total rewards for top performers. Performance targets are reviewed and adjusted as required and at the discretion of management to drive continuous improvement.

REMUNERATION THAT SUPPORTS OUR STRATEGIC OBJECTIVES

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

The proposed Group scorecard for FY2024 is shown below and aligns to the Group strategic objectives

Area	Measure	Weight
FINANCIAL 65%	Growth in normalised operating profit	20%
	Headline earnings per share growth	10%
	Return on equity (average over trailing three years)*	15%
	Revenue growth	10%
	Cash conversion ratio	10%
SUSTAINABILITY 35%	Client perception	8%
	ESG	8%
	Strategy	9%
	People	10%
		100%

* For FY2024, the ROE will be a trailing measure covering the period FY2022, FY2023 and FY2024.

CONTRACT TERMS FOR EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

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

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' SINGLE FIGURE REMUNERATION

Remuneration earned by Executive Directors and Prescribed Officers during FY2023 is available in single-figure format in our Remuneration Report. It reflects earnings received and due to each, based on performance over the period under review in accordance with King IV™ principles.

Executive performance for FY2023 is detailed in our Remuneration Report from both a Group scorecard and individual performance scorecard perspective.

Refer to our detailed **Remuneration Report** for more detail on Executive remuneration.

NON-EXECUTIVE DIRECTOR REMUNERATION

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

Our focus areas and remuneration decisions in FY2023

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

Refer to page 49 for more information on our operating environment, and page 66 for our financial performance.

Our operating context was defined by a high inflationary environment and heightened competition for talent. Despite these challenges, we have made gratifying progress on several of our remuneration-related initiatives. Considering this and following research, consultation and robust debate, RemCo applied its mind as follows:

SINGLE INCENTIVE PLAN IMPLEMENTATION

Our SIP recognises our management teams' responsibilities and contributions to Discovery's success. The SIP aims to create remuneration alignment and increase transparency and understanding across the Group. This drives performance while further entrenching our Remuneration Policy and philosophy throughout the business.

The SIP provides short- and long-term incentives by paying out a portion in cash and in deferred Discovery shares, which vest over three to five years for Executive Directors and an appropriate market-related deferral structure for other levels of employees.

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

	Weighting	
Area	Group	Business unit/ function/ individual
Group Chief Executive	80%	20%
Group CFO	70%	30%
Executive Directors	50%	50%
Prescribed Officers	50%	50%

In FY2023, we were pleased to see progress being made in embedding the SIP in South Africa and implementing the SIP in the UK and US.

Our focus areas and remuneration decisions in FY2023 continued

GROUP GOVERNANCE FRAMEWORK

The Group updated its Group Governance Framework to ensure a harmonious governance system across the Group and its subsidiaries. RemCo continues to embed the Group Governance Framework, encouraging an aligned and integrated approach to the governance of our remuneration policies and practices across the Group.

OUTPERFORMANCE PLANS

Discovery's growth is a strategic focus area for the Group and the incentivisation and retention of executives is essential. Outperformance plans for the heads of geographic composites – Discovery SA, Vitality UK and Vitality Global – were developed to support strategic imperatives and to retain the key executives that are responsible for these businesses.

The Vitality Global Outperformance Plan was approved by the RemCo in FY2022 and operates as a top up to the SIP, with participants eligible for additional rewards by achieving stretch targets. The Outperformance Single Incentive (OPSI) plans for the UK and SA composites are based on a partial sacrifice of the single incentive for stretch and/or superstretch targets, with commensurate incentives for achieving them.

UNDERSTANDING AND ADDRESSING POTENTIAL PAY GAPS

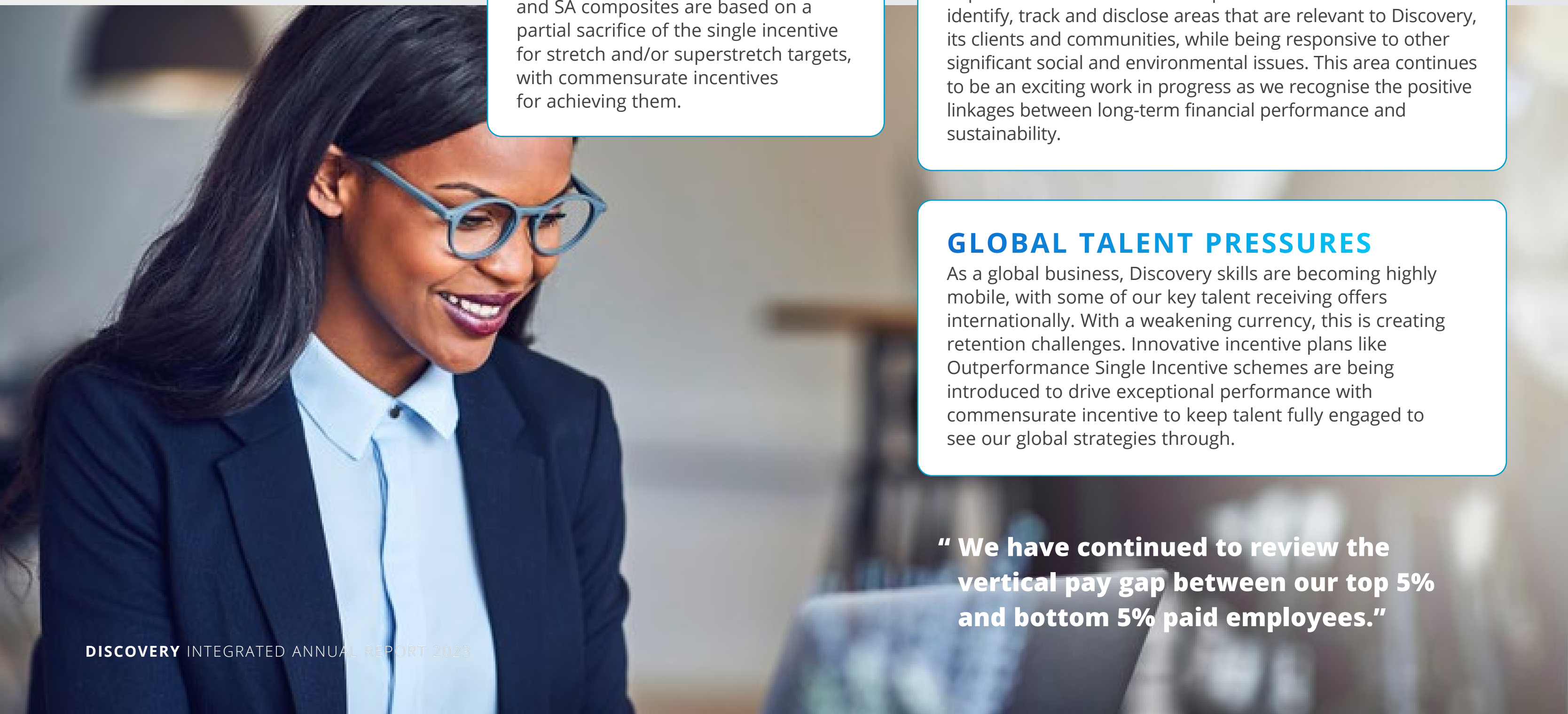
RemCo is committed to identifying and addressing any pay gaps as part of our focus on fair and responsible remuneration. In South Africa, we have increased the Discovery minimum annual wage to R180 000 from 1 September 2023 as part of our efforts to respond to the high levels of income inequality. We have continued to review the vertical pay gap between our top 5% and bottom 5% paid employees, taking into account the draft amendments of the Companies Amendment Act. Similarly, in the UK and US, employees are paid above the real living wage.

ESG CONSIDERATIONS

The Group is increasingly focused on embedding ESG into our business. Given the dynamic nature of the ESG landscape, it is important that our ESG-related performance measures identify, track and disclose areas that are relevant to Discovery, its clients and communities, while being responsive to other significant social and environmental issues. This area continues to be an exciting work in progress as we recognise the positive linkages between long-term financial performance and sustainability.

GLOBAL TALENT PRESSURES

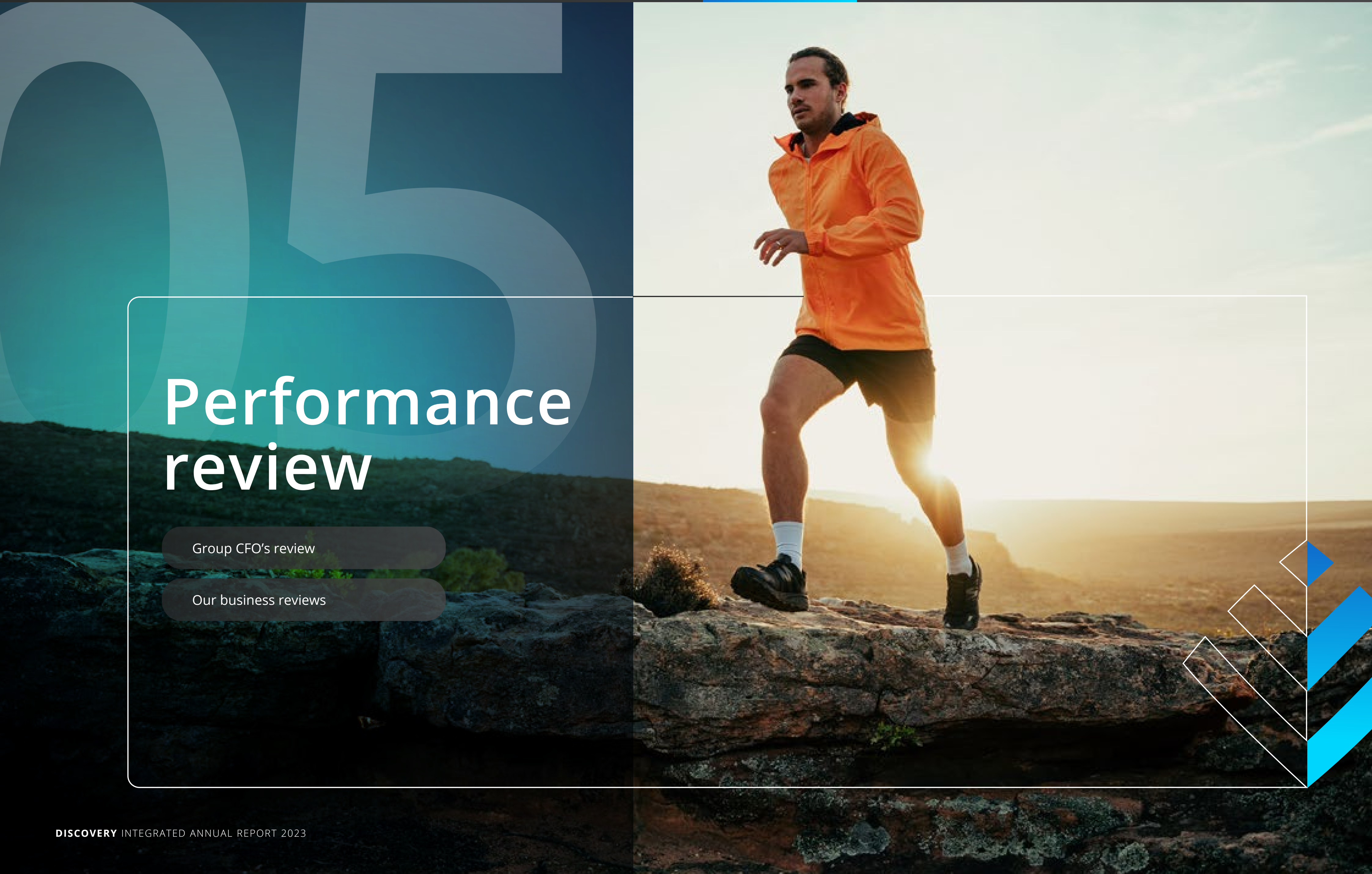
As a global business, Discovery skills are becoming highly mobile, with some of our key talent receiving offers internationally. With a weakening currency, this is creating retention challenges. Innovative incentive plans like Outperformance Single Incentive schemes are being introduced to drive exceptional performance with commensurate incentive to keep talent fully engaged to see our global strategies through.



" We have continued to review the vertical pay gap between our top 5% and bottom 5% paid employees."

Planned focus areas in FY2024

- Monitoring remuneration-related regulatory developments, particularly the proposed changes to the South African Companies Act.
- Continuing to embed and strengthen fair and responsible remuneration practices into the business and address any pay disparities identified.
- Continuing to review ESG-related targets linked to remuneration practices.
- Ensuring our remuneration structures remain suitable and competitive to attract and retain our people, with a focus on critical skills and diverse talent within key positions.
- Monitoring global remuneration trends and their impact on our business and people.
- Driving an entrepreneurial culture through incentives to increase alignment with shareholder interests.
- Ensuring alignment to the Group's long-term strategy through stretch performance targets to drive exceptional performance that delivers superior shareholder returns.
- Monitoring executive and corporate performance based on the Group scorecard targets.



05

Performance review

Group Chief Financial Officer's REVIEW

DEON VILJOEN

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

The year under review was characterised by significant macroeconomic uncertainty, with several issues coalescing. The period saw prolonged inflationary pressures, rising interest rates, a remarkably strong US dollar, increasing consumer pressure and a cost-of-living crisis in many regions. These pressures have constrained economic growth, following short-lived economic rebounds experienced by many countries after the COVID-19 pandemic, with severe energy shortages in South Africa posing a further challenge.

In light of this, the Group focused on the following financial priorities:

01 Delivering growth in quality earnings and cash flow with a robust balance sheet

02 A clear growth strategy per composite, evolving the Vitality Shared-value model and intensifying the focus on key initiatives while ceasing those with marginal benefits

Overview

For the year ended 30 June 2023, normalised operating profit increased by 24% to R11 661 million and normalised headline earnings (NHE) increased by 32% to R7 678 million. Core new business annualised premium income (API) was up 12%[1] to R22 788 million, with particularly strong growth from the SA and UK composites. Persistency continued to exceed expectations in all businesses. Continued strong progress in Discovery Bank saw investment in new initiatives reducing to 10.6%[2] of normalised operating profit, compared to 18% in the previous year.

NHE per share (basic) increased by 32% to 1 166.7 cents while headline earnings (HE) per share (basic) increased by 5% to 834.3 cents, negatively impacted by the higher valuation rates used to discount future cash flows in the measurement of Assets arising from insurance contracts. The higher valuation rates are a result of a significant increase in both real and nominal interest rates in South Africa. Earnings per share (basic) decreased by 5% to 785.4 cents further impacted by the loss on impairment of property and equipment and on derecognition of intangible assets and property and equipment.

Refer to page 70 for more detail.

1 *Excluding products of VitalityInvest and Ping An Health Insurance (PAHI) reinsurance business in run down.*
2 *As a percentage of established and emerging normalised profit from operations and excluding businesses in run down.*

Normalised profit from operations increased by
24% to R11 661 million
(FY2022: R9 384 million)

Diluted earnings per share decreased by
4% to 781.5 cents
(FY2022: 817.8 cents)

Diluted NHE per share increased by
32% to 1 160.9 cents
(FY2022: 877.3 cents)

Diluted HE per share increased by
6% to 830.1 cents
(FY2022: 785.0 cents)

Embedded value (EV) up
14% to R98 176 million
(FY2022: R86 258 million)

Our audited Annual Financial Statements and Annual Financial Results Announcement, as well as unaudited supplemental information, are available on our website. For more information, visit www.discovery.co.za/corporate/investor-relations.

Our detailed business unit reviews are available from page 76.

Investment in new initiatives

The year under review saw spend on new initiatives reduce significantly from 18% of normalised operating profit in the prior year to 10.6% in the current year for continuing operations, excluding the impairment and closure costs of certain UK initiatives as detailed below. The reduction in spend has tracked that of Discovery Bank, the Group's most significant initiative, as spend remained well within plan despite accelerated client acquisition.

In the previous financial year, the Group announced its decision to exit the UK investment market given the structural change in market conditions, mainly driven by significant margin compression. The careful management of the transfer and wind-down took longer than expected but should be completed by 31 December 2023.

VitalityCar's ability to deliver value for good drivers has been materially impacted by unprecedented claims inflation in the UK car insurance market, leading to significant price increases. As a result, a decision was made to not offer members cover beyond their current plan year and run off the book by 30 June 2024. This led to a pre-tax loss of £8.8 million (R189 million).

The impact of exchange rate movements during the year

The rand has experienced extreme volatility during the last two financial years. The weakening of the rand combined with a strong US dollar, positively impacted the growth in normalised operating profit of the Vitality UK and Vitality Global composites when translated to rand. The strong US dollar also impacted Vitality Global's results when viewed in US dollar as explained in the operational review.

The impact of economic assumption changes

When presenting normalised measures, any impact recognised through profit or loss resulting from economic assumption changes (net of discretionary margins and the impacts of the mark-to-market revaluation of related derivative positions at reporting date), are excluded from normalised results, as explained in our policy on the presentation of normalised measures. This is directionally consistent with the treatment in IFRS 17 *Insurance Contracts* which allows, as an election choice, for changes in economic assumptions to be presented via the statement of other comprehensive income (OCI). Discovery has elected OCI on its long-term life insurance business lines in Discovery Life (individual) and VitalityLife.

Global markets continued to experience substantial volatility during the year. In South Africa, there was a significant increase in real and nominal interest rates, impacting the valuation rates used to discount future cash flows. These emerged as economic assumption changes and resulted in a R2 811 million pre-tax loss (FY2022: R651 million) which is excluded in the presentation of normalised measures.

In FY2023, VitalityLife's interest rate risk mitigation strategy proved to be effective, despite the extreme volatility in the UK bond markets following political changes and rising inflation.

The net gain incurred within the UK Life Segmental (set out on page 25 of the Annual Financial Statements) of £6.8 million (R147 million) (FY2022: net gain £28 million (R567 million)) consisted of:

- Economic assumption gains amounting to £52.2 million (R1 120 million) (FY2022: £40.5 million (R820 million)).
- Less net fair value losses on interest rate derivatives (including fair value losses on the swap contracts and intrinsic value gains of the swaption contract) of £45.4 million (R973 million) (FY2022: £12.5 million (R253 million)).

The net fair value write-off of the time value of the swaption contract of £9.5 million (R204 million) (FY2022: £22.4 million (R454 million)) should be seen against this.

On this basis, the effective net loss recognised in profit or loss resulting from economic assumptions, including all hedge impacts, amounts to £2.7 million (R57 million) (FY2022: net gain of £5.6 million (R113 million)) while a gain of £25.5 million (R546 million) was recognised directly to discretionary margins in line with the Group's accounting policy.

The introduction of IFRS 17 enables VitalityLife to use the OCI election, to remove the volatility of reported financial performance arising from short-term changes in economic assumptions and present a more reflective performance of the business over the long term. Given this election, several of the VitalityLife swaps as well as the swaption purchased in June 2022 were exited shortly before year-end.

VitalityLife continues to hold certain interest rate swaps and total returns swaps to manage the interest rate risk on the legacy Prudential Assurance Company (PAC) book of business. No swaptions are held at 30 June 2023, as the business is now able to manage any remaining risk within its risk appetite without the need for incurring the ongoing costs of purchasing swaptions.

For more information on derivative instruments, refer to page 72.

VitalityLife UK – impact of inflation rates

VitalityLife's result includes positive operating experience variances over the year, most notably the benefit of significantly improved premium indexation in the higher inflationary environment. This benefit is a combination of a multi-year focus on continuous improvement of the quality of the portfolio, including an increase in the proportion of index-linked policies as well as prior implementation of persistency initiatives. Actual premium and benefit inflation over the period was higher than expectation, with a weighted average of 9.6% compared to best estimate assumption of 3.5%. In terms of Discovery's accounting policy, these net positive impacts are first recognised in profit or loss to the extent that it reverses losses previously recognised. Thereafter, the impact of positive changes increases discretionary margins. This resulted in an exceptional net favourable impact of £18.3 million (R392 million) over the year (after taking into account the impact of indexation holidays and cancellations, other negative variances and assumption changes).

Dividends

The strong balance sheet and liquidity position at both the Group level and at the regulated entity levels, in addition to the cash generative capacity of the Group, supported the recommencement of ordinary dividends, declared at 110 cents per share, in respect of the second half year's earnings.

In future, the Group anticipates annual ordinary dividends to be covered approximately 5 times by normalised headline earnings. Interim ordinary dividends are expected to be paid in the range of 30%-40% of the expected total annual ordinary dividend, in line with market practice, with the remainder of the dividend to be paid as a final dividend.

Summary of our financial performance

HOW WE PERFORMED WITHIN OUR COMPOSITE STRUCTURE

The Discovery SA, Vitality UK and Vitality Global composites delivered strong growth in normalised operating profit underpinned by strong premiums and revenue growth.

SA COMPOSITE [1]

Normalised operating profit increased by

22% to R9 096 million

Main drivers of composite profit are set out below:

Discovery Health	▲ 7% to R3 854 million	Robust operating profit growth, despite elevated costs during the first half of FY2023 for technology and infrastructure spend. The investment in technology continues to drive efficiencies. Solid new business API and revenue growth with non-medical scheme products performing well.
Discovery Life	▲ 19% to R4 807 million	Resilient operational performance in Individual Life, and Group Life returned to profitability following the severe impact of COVID-19 in the prior year. A strong recovery in cash flow to R2 126 million, from a negative R245 million cash flow in the prior year, given elevated COVID-19-related claims. Yield curve changes resulted in a R2.8 billion negative economic assumption, which is normalised in the presentation of this normalised operating profit.
Discovery Invest	▲ 30% to R1 560 million	Increase in fee income earned over the year due to stronger market performance and gains from an optimised asset-liability management strategy. The release of a previously raised tax reserve boosted the result further following the 1 July 2022 implementation of a tax amendment, with a corresponding increase in tax payable.
Discovery Insure	▲ 138% to R62 million	Personal lines continued to deliver on its margin recovery plan. Increased power surge claims driven by loadshedding and increased severity of vehicle theft made for a challenging environment. These have been mitigated by selective repricing initiated in January 2022, claims cost reduction initiatives, and various risk mitigations applied.
Discovery Bank	▲ 23% to -R767 million	Excellent progress in all key areas with total clients exceeding 700 000 by year-end. Advances have grown steadily with the quality-focused credit strategy, evidenced by the credit loss ratio remaining within the long-term targets, despite the challenging macroeconomic environment. Non-interest revenue grew strongly with increasing interchange and fee income per client, higher upgrades than the prior year, and increased transactions, debit orders and salary deposits.
SA new initiatives	▼ 28% to -R312 million	Discovery Business Insurance and Umbrella Funds improved slightly, while Vitality Health International (Africa) expanded from a low prior base.

UK COMPOSITE

Normalised operating profit increased by

14% to £83 million (21% to R1 788 million), with the weakening of the rand over the year adding to the translated growth rate.

Main drivers of composite profit are set out below:

Vitality Health Insurance	▼ 9% to £60 million	Reduction in operating profit is attributable to a strong prior year result, strong new business in FY2023 resulting in elevated new business strain and PMI claims returning to pre-COVID-19 levels, partly offset by a release of unearned premium reserve of £15.2 million. *The difference to that shown in the segment information is the accelerated write-off in FY2023 of VitalityCar's capitalised systems and intangible assets, as shown in closure costs below.*
Vitality Life Insurance	▲ 47% to £48 million	Positive operating experience variances, most notably the exceptional benefit of improved premium indexation in the higher inflationary environment.
Closure costs of VitalityInvest and VitalityCar in run down	▲ 6% to £21 million	Includes VitalityInvest £12.4 million and VitalityCar £8.8 million.

VITALITY GLOBAL

Normalised operating profit increased by

49% to US$44 million (74% to R777 million), impacted substantially by the combination of a strong US dollar and weakening rand over the year.

Main drivers of composite profit are set out below:

Vitality Network Vitality	▲ 8% to US$23 million	Revenues were curtailed by slow post-pandemic recoveries in Asia-Pacific markets and significant US dollar strength against most global currencies over the reporting year, in particular relative to the Yen. Insurance partner membership increased by 22% to 3.66 million (FY2022: 3 million).
VHI – Other Vitality	▲ 14% to -US$11 million	Strong income generated from the accounting treatment of the Amplify Health transaction exceeded Amplify Health's equity-accounted losses for the year, resulting in a profit for the Group overall.
VHI – PAHI[2] 平安健康保险 PING AN HEALTH INSURANCE	▲ 63% to RMB234 million	PAHI delivered a solid operational performance and significantly improved investment returns.

1 Includes SA Vitality: R16 million (FY2022: R9 million).
2 Equity-accounted and South African costs.

Summary of our financial performance continued

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

Average exchange rates	FY2023	FY2022
Rand/£	**21.43**	20.25
Rand/US$	**17.79**	15.22
Rand/RMB	**2.55**	2.35

Closing exchange rates	FY2023	FY2022
Rand/£	**23.99**	20.00
Rand/US$	**18.87**	16.47
Rand/RMB	**2.60**	2.46

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

Profit attributable to ordinary shareholders down
3% ***to R5 258 million***
(FY2022: R5 422 million)

The main items are highlighted in the reconciliation:

R million	FY2023	FY2022	% change	Comments
Normalised profit from operations	**11 661**	9 384	**24%**	Before the impact of economic assumptions and related hedging.
Economic assumption adjustments net of all related hedging impacts	**(2 868)**	(538)		Excluded from the presentation of normalised measures, as these assumption adjustments have minimal bearing on operating performance for the year.
Deferral fees related to PAC book transfer	**(177)**	(182)		This is an annual cost related to the long-term deferral of the Part VII transfer of VitalityLife's back book of business originally written on the PAC licence to the VitalityLife Limited licence. For all intents and purposes, this should be viewed as an indefinite deferral. The cost of deferral reduced with effect 1 April 2023.
Finance charges, (excluding 1 Discovery Place finance lease)	**(1 650)**	(1 376)		The increase is due to higher interest rates and the impact of translation rates in respect of UK debt, as well as Ping An Health Insurance capital funding now in place for the full financial year.
Vaccination costs	**–**	(157)		Prior year investment in supporting the national vaccination campaign in South Africa.
Other	**424**	138		Includes investment income and fair value adjustments attributable to shareholders.
Profit before tax	**7 390**	7 269	**2%**	
Tax	**(2 070)**	(1 790)		The increase in the effective tax rate is largely attributable to deferred tax liability adjustments in the prior financial year due to the reduction in the South African corporate income tax rate.
Profit attributable to preference shareholders	**(69)**	(56)		
Loss/(profit) attributable to non-controlling interest	**7**	(1)		
Profit attributable to ordinary shareholders	**5 258**	**5 422**	**(3%)**	

Reconciliation between profit attributable to ordinary shareholders and HE and NHE

R million	FY2023	FY2022	% change	Comments
Profit attributable to ordinary shareholders	**5 258**	**5 422**	**(3%)**	
Profit attributable to non-forfeitable dividend share plan	**(90)**	–		Adjustment required for the calculation of earnings per share in terms of IAS 33 *Earnings per Share*.
Adjusted for (net of tax):				
▪ Loss on impairment of property and equipment and on derecognition of intangible assets and property and equipment	**302**	44		Derecognition of intangible assets as a result of updates to VitalityHealth's digital strategy, accelerated write-off of VitalityCar's capitalised systems and intangible assets and an impairment of an owned office building in the UK as a result of increasing interest rates impacting UK commercial property values.
▪ Reversal of impairment of investment in equity-accounted investments	**–**	(134)		The reversal of the prior year impairment of an associate was supported by a change in intention resulting in reclassification of the investment as held-for-sale.
▪ Other	**20**	(128)		
HE	**5 490**	**5 204**	**5%**	
Economic assumption adjustments net of all hedging impacts and net of tax	**2 098**	377		Refer to the detailed discussion on page 67.
Other	**90**	235		Refer to page 116 of the **Annual Financial Statements** for more detail.
NHE	**7 678**	**5 816**	**32%**	

Our capital management approach

Our capital management framework and approach are discussed below.

STATUTORY OR REQUIRED CAPITAL

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

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

VitalityHealth and VitalityLife are regulated under the Solvency UK regulatory regime. Discovery Life and Discovery Insure are regulated under the Insurance Act, No 18 of 2017 (Insurance Act), and the related Prudential Standards implemented from 1 July 2018.

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

R/£ million	June 2023			June 2022		
	Statutory capital requirements		Cover	Statutory capital requirements		Cover
Discovery Life		**R20 809**	**1.9 x**		R20 322	1.7 x
Discovery Insure		**R1 113**	**1.6 x**		R1 138	1.2 x
Vitality Health Insurance	**£130.8**	**R3 138**	**1.4 x**	£117.2	R2 344	1.5 x
Vitality Life Insurance	**£272.1**	**R6 528**	**2.1 x**	£297.1	R5 943	2.1 x

Discovery Bank's common equity tier 1 (CET1) ratio is 16.82% (FY2022: 16.70%). In addition, the Bank holds an internal management buffer to cater for future unexpected growth and volatility in risk-weighted exposures, as well as an estimation risk buffer.

For more information refer to the **Discovery Bank Pillar 3 public disclosures.**

ALLOCATION OF CAPITAL

Capital is managed according to a five-year funding plan which sets out the anticipated sources and uses of capital through the planning period, allowing for all known strategic initiatives, including new business strain in existing businesses and business development costs. The funding plan assesses the adequacy of funding resources, over and above statutory capital and associated buffers for prudence held within each regulated entity and at Group level, allowing for the timing of the various sources and uses of capital. Stress tests are applied to determine the resilience of the plan and determine whether additional capital is likely to be required. Explicit buffers for uncertainty and prudence are provided for, including a liquidity buffer.

In capital allocation decisions, reference is made to the Group's required hurdle rate of WACC+3.8%. The normalised return on equity for FY2023 was 13.0% (FY2022: 11.8%), driven by the increase in profit as described above.

LIQUIDITY REQUIREMENTS

Our approach is to hold conservative liquidity buffers within each regulated entity, with an additional 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 available liquidity held at the centre of R2.4 billion (including a revolving credit facility of R750 million) – which was above the targeted range of R1 billion to R2 billion.

FUNDING APPROACH

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

As part of the capital management process, the Group monitors its capital structure in line with a Financial Leverage Ratio (FLR) Policy. The FLR is calculated as: total debt ÷ (total debt + total equity). Non-recourse financial reinsurance and all IFRS 16 lease liabilities are not included in the measurement of total debt. The Group's strategy is to maintain a prudent FLR in line with Discovery's risk appetite statement, with an overall maximum FLR of 28%. This was achieved during the year, assisted by the net reduction in borrowings of R597 million that contributed to an FLR of 20.4% at 30 June 2023 (FY2022: 23.8%).

See page 74 for a detailed breakdown of the Group's borrowings.

Refer to note 3.5 on page 71 of the **Annual Financial Statements.**

Our cash management philosophy

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

The IFRS statement of cash flows includes cash flows relating to policyholders, as well as those arising from the consolidation of Discovery Unit Trusts. As a result, the cash generated by operations in the current year is distorted by policyholder withdrawals including VitalityInvest in wind down. In addition, working capital changes include R3 788 million return of inward collateral and increase in outward collateral related to the interest rate hedge structures and deposit back in the UK.

Cash and cash equivalents

R million	FY2023	FY2022
Unit-linked investment and insurance contracts	**5 999**	5 008
Shareholder cash	**14 371**	14 767
Closing balance	**20 370**	**19 775**

Shareholder cash balances include collateral of R39 million (FY2022: R245 million), held in respect of derivative contracts, and R2.6 billion (FY2022: R4.7 billion) in respect of the deposit back related to the level premium reinsurance treaty for business written on Prudential's licence. The cash held in the Group's insurance entities is used to fund new business and match claims and other policyholder-related liabilities. This cash, together with the cash balances held by Discovery Bank (R3 869 million), although unencumbered, is held for specific purposes and therefore not considered available for distribution. Cash available to support Group liquidity requirements is R1.6 billion (FY2022: R2.1 billion), with a revolving credit facility of R750 million. This results in available liquidity at the centre of R2.4 billion (FY2022: R2.8 billion).

Refer alongside for more information on our statement of financial position and detail on material movements in balances.

CASH MANAGEMENT SUPPORTING OUR GROWTH METHODOLOGY

To assist readers in understanding cash flows not distorted by policyholder flows, we included a Group shareholder free cash movement in our **additional analyst information** on our website.

This is summarised below:

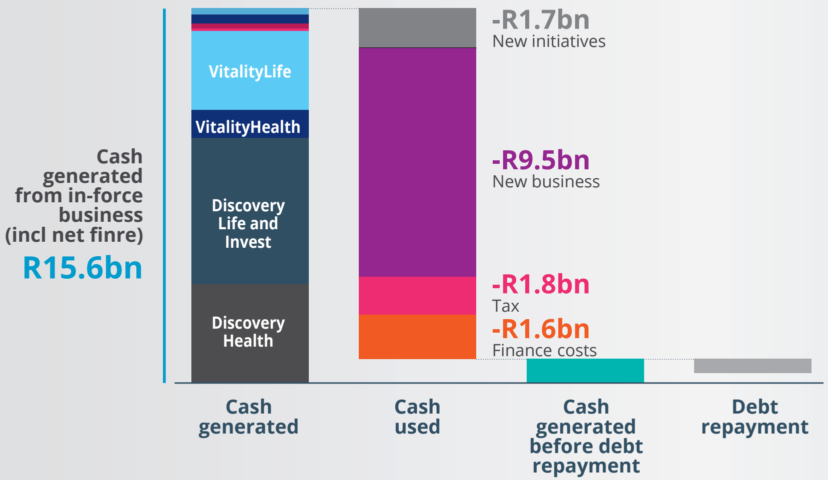
Net cash flow
R0.4 ***billion***
(FY2022: -R1.2 billion)

Cash generated from in-force
R15.6 ***billion***
(FY2022: R11.4bn post COVID-19 impacts)

Cash used
-R14.6 ***billion***
(FY2022: -R13.9bn)

Cash flow before funding
R1.0 ***billion***
(FY2022: -R2.5bn)

Debt repayment
-R0.6 ***billion***
(FY2022: R1.3bn)



Summary of our statement of financial position

RESTATEMENT IN TERMS OF IAS 8 *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

During the IFRS 17 project, Discovery performed a full reassessment of all its insurance contracts to ensure the products were correctly included in the scope of the IFRS 17 project. During the year, we identified that certain offshore unit-linked policies do not transfer significant insurance risk as required under IFRS 17. Instead of being classified as unit-linked insurance contracts, these policies should have been accounted for as unit-linked investment contracts under IFRS 9 *Financial Instruments*. Discovery noted that the definition of significant insurance risk under IFRS 17 and IFRS 4 is the same. Accordingly, the change in treatment did not constitute a change because of the transition to IFRS 17. Instead, a correction would be required under IFRS 4 of the previously published information. The error was rectified as a reclassification from IFRS 4 to IFRS 9. The restatement has had no change to operating, investing, and financing cash flows and no changes to the statement of changes in equity. There is no impact on profit from operations; consequently, basic or diluted earnings per share remain unchanged.

Refer to note 45 of the Group **Annual Financial Statements.**

In the commentary below, we explain the significant items in our statement of financial position not detailed elsewhere.

Refer to the detailed statement of financial position in our **Annual Financial Statements.**

ASSETS ARISING FROM INSURANCE CONTRACTS

As at 30 June 2023, assets arising from insurance contracts amounted to R63 865 million (FY2022: R56 645 million). Discovery has consistently adopted a policy of setting up assets arising from insurance contracts, often referred to as the negative reserve, at the point of sale approximately equal to the acquisition costs incurred in writing these long-term policies. Translation differences attributable to VitalityLife's negative reserve accounted for R3 625 million of the increase, with new business the other significant driver. These increases were partially offset by the negative impact of economic assumption changes in Discovery Life.

Refer to the Group accounting policy 13.1.1 for recognition and measurement of individual life insurance and note 5 Assets arising from insurance contracts in our **Annual Financial Statements.**

Summary of our statement of financial position continued

IFRS 17 *Insurance Contracts*

IFRS 17 Project introduction

IFRS 17 is mandatory for the Discovery Group, effective from 1 July 2023, with a comparative restatement of the financial year ended 30 June 2023, including a restatement of the opening statement of financial position as at 1 July 2022.

IFRS 17 is a new accounting standard for insurance contracts that provides guidelines on recognising, measuring, presenting, and disclosing insurance contracts. IFRS 17 represents a positive step towards enhancing transparency, comparability, and understanding of how insurers earn profits from insurance contracts.

Whilst the underlying contractual terms, economic risks, and rewards of each insurance contract remain unaltered, IFRS 17 impacts the accounting treatment of insurance contracts and, most notably, the timing of recognition of insurance-related profits and losses for accounting purposes.

The key observations from the IFRS 17 project can be summarised as follows:

What does not change

No change in the underlying value and the underlying economics

1. There is no direct change to cash flows, underlying risk, and reward of the insurance contracts. The tax cash flow impact in the measurement of insurance contracts is expected to be immaterial.
2. There is no impact on Discovery's regulatory or economic solvency, capital position and capital management.
3. There is an immaterial impact on embedded value.
4. Discovery's ability to pay dividends is unaffected as cash flows and solvency remain unchanged.

What does change

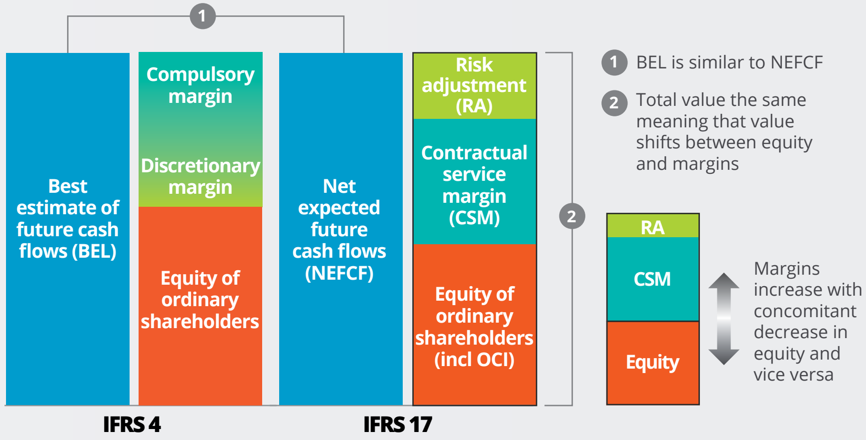
Accounting standard change that effects the timing of profit recognition

1. Discovery IFRS 17 margins, being the sum of the risk adjustment and the contractual service margin (CSM), are significantly strengthened, with a concomitant impact on shareholders' equity.
2. Discovery expects to have less volatile IFRS reported earnings as a result of the following:
   - Higher IFRS 17 margins are protecting its earnings against non-economic experience variances.
   - The use of OCI protects against volatility from economic variances and financial risk.
3. In terms of Discovery's future earnings profile under IFRS 17 relative to IFRS 4, Discovery observed:
   - The more mature businesses of Discovery Life, Discovery Invest and VitalityHealth have IFRS 17 earnings in the near future exceeding IFRS 4 earnings.
   - For the new and rapidly growing VitalityLife, IFRS 17 earnings are further away from crossing over the IFRS 4 earnings profile.

The successful transition and implementation of IFRS 17 was a key focus for the year under review, with the Group CFO leading the IFRS 17 Executive Working Committee (EWC). The EWC was responsible for providing overall strategic direction to the project and monitoring progress and interdependencies with other group initiatives. The EWC also provided policy guidance and technical support for the implementation in its subsidiaries. The EWC reports to the Group Finance and Capital Committee (FCC) as a sub-committee of the Group Executive Committee and recommends and suggests its final proposals to the IFRS 17 Governance Committee. The IFRS 17 Governance Committee comprises, amongst others, non-executive directors from the various Actuarial and Audit Committees within the insurance business lines.

The value of insurance contracts remains unchanged but reallocated

As noted, the total value of underlying insurance contracts remains unchanged when considering the components of long-term insurance contracts and liabilities. This can be summarised as follows:



Transition to IFRS 17 and the estimated impact

Upon first-time adoption, IFRS 17 requires the standard to be applied fully retrospectively as if the standard always applied, unless impracticable. If it is impracticable, the entity can elect to either apply a modified retrospective approach or use the fair value approach. Discovery applied a fully retrospective restatement from inception for all material groups of insurance contracts. We did not measure any of our portfolios using the fair value approach.

The fully retrospective approach requires that Discovery identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied. While this approach brought about significant complexity to the transition project, it has provided us with valuable historical insights as to how results will be impacted by model and assumption changes, changes in the discount rates and significant stress events such as the financial crisis of 2008/09 and the COVID-19 pandemic.

Based on the work completed, the restatement is much more pronounced for the long-term insurance business of Discovery Life and VitalityLife. In contrast, the impact of the retrospective restatement is limited for short-term businesses except for VitalityHealth, where the impact is more significant due to changes in the treatment of insurance acquisition costs.

Discovery has assessed the estimated impact that the initial application of IFRS 17 will have on its financial statements. The changes resulting from the transition to IFRS 17 can be summarised as follows:

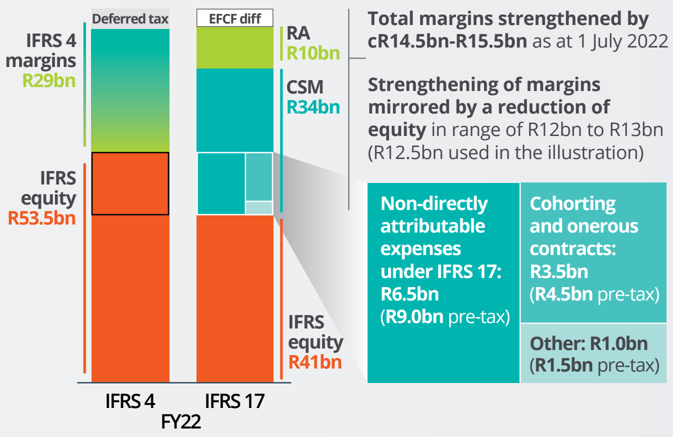
Summary of our statement of financial position/IFRS 17 Insurance Contracts continued

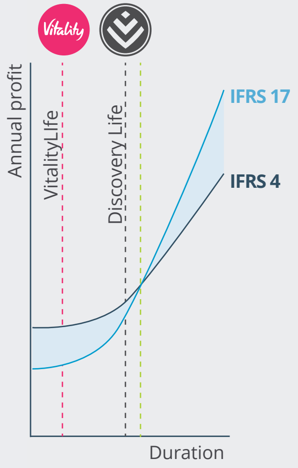
Transition to IFRS 17 and the estimated impact continued

- Changes that result in differences to the IFRS 17 margins relative to the IFRS 4 margins and result in concomitant temporary changes in equity. For example, to the extent that changes resulted in the strengthening of CSM that will release to profit in future periods, such changes are mirrored by a reduction in shareholders' equity upon transition.
- Other changes include remeasurement basis of the expected future cash flows or recognised assets and liabilities from short-term insurance, such as deferred acquisition costs. These remeasurements would result in a change in equity on transition without a visible offset of insurance margins. Similarly, they will indirectly result in higher or lower net profits in future periods (for a reduction or increase in equity respectively).

For Discovery, increases in IFRS 17 margins, most notably CSM, have a far more material impact. Resulting increases of additional IFRS 17 margins on transition will be available as future profit. The main cause for this significant increase in CSM is that Discovery has a more recent and rapidly growing history than very long-standing insurers. As Discovery businesses mature, there is a point of convergence where the annual profit recognition under IFRS 4 and IFRS 17 inevitably cross over.

The most significant changes that increase IFRS 17 margins relative to margins under IFRS 4 can be summarised as follows, together with the concomitant reduction in equity:





Discovery Group's cross-over will lag Discovery Life's, and its earnings as a whole under IFRS 17 are not expected to be significantly different to the IFRS 4 normalised operating profit in the interim, as the other businesses are largely unaffected.

Other factors contributing to the change in equity include alterations in the methodology used to determine fulfilment cash flows, differences in short-term business lines such as risk adjustment for non-financial risks, and the tax effects of changes in the measurement of insurance contracts.

As mentioned, the impact of the above reduction in equity is effectively offset by a significant increase in insurance margins, most notably CSM, that is available for release to profit in future years or to absorb any adverse changes.

On this basis, the total value created through the insurance activities of the Group remains largely unchanged. However, the timing of recognition of insurance-related profits has been deferred. The strengthened IFRS 17 margins result in a higher future release of profits and less volatility due to its ability to absorb negative variances, while the election of OCI results in less volatility due to its ability to manage variances in financial risks.

For more detailed explanations refer to:
- **Results presentation** of Audited results for the year ended 30 June 2023 webcast
- **Annual financial statements**, note 30 on page 177 (Annexure B)
- **IFRS 17** ***Insurance Contracts*** Investor communication webcast
- **IFRS 17** ***Insurance Contracts*** Investor presentation

FINANCIAL ASSETS – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss at 30 June 2023 increased to R155 426 million (FY2022: R141 494 million). This increase is mainly attributable to the growth in assets under administration in Discovery Invest, driven by stronger market performance. These factors are also reflected in the increase in liabilities arising from insurance contracts to R114 807 million (FY2022: R108 067 million) and in financial liabilities – investment contracts at fair value through profit or loss to R48 044 million (FY2022: R38 637 million).

INSURANCE RECEIVABLES, CONTRACT RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2023, insurance receivables, contract receivables and other receivables increased to R16 059 million (FY2022: R13 113 million) significantly impacted by translation differences.

OTHER RESERVES

As at 30 June 2023, other reserves increased to R8 622 million (FY2022: R3 621 million) largely due to the increase in the foreign currency translation reserve, driven by the weakening rand against the pound sterling and US dollar.

BORROWINGS AT AMORTISED COST

R million	FY2023	FY2022
Borrowings from banks and listed debt	**16 328**	16 308
– UK borrowings	**3 682**	3 122
– South African borrowings	**12 646**	13 186
Bank overdraft in underlying liabilities of consolidated Unit Trusts	**33**	156
Lease liabilities	**4 225**	4 120
Total borrowings at amortised cost	**20 586**	**20 584**

We have a continuous process in place to manage the maturity profile of our term debt.

Refer to note 20 on page 100 of the **Annual Financial Statements** for detail on borrowings.

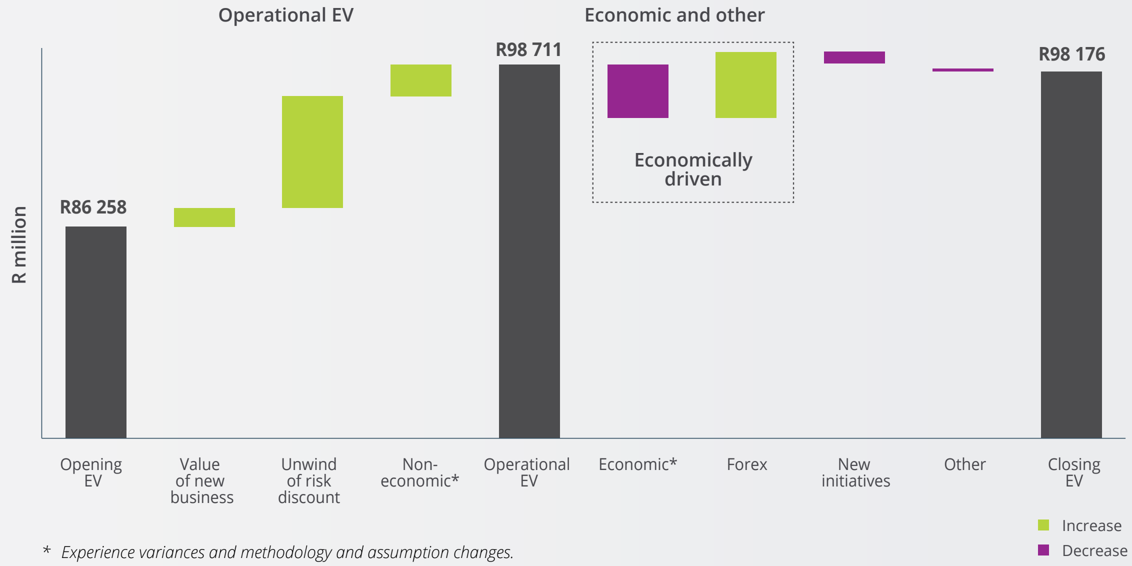
Discovery Limited's credit rating

In January 2023, Moody's Investors Service reaffirmed Discovery Limited's global scale long-term issuer rating of Ba3 and the national scale long-term issuer rating at A1.za. The outlook was unchanged as stable, aligned to the outlook of the country. In addition, the UK composite received an A- default credit rating from Fitch over the period, with both insurers receiving a financial strength rating of A.

Embedded value

Discovery's EV includes certain of the Group's insurance and administration businesses. Covered businesses include business written in South Africa through Discovery Life, Discovery Invest, Discovery Health and Discovery Vitality and, in the UK, through VitalityLife and VitalityHealth. For non-covered businesses such as Discovery Bank, Vitality Global, PAHI and Discovery Insure, no published EV was presented on current in-force business, as these are unsuited for application of an EV methodology or have not yet reached suitable scale with predictable experience.

EV increased by 14% to R98 176 million (FY2022: R86 258 million). Annualised return on opening EV (RoEV) of 13.2% benefited from translation and foreign exchange gains as a result of the weakening rand combined with strong local currency growth for Discovery's offshore operations. R2.6 billion of positive non-economic experience variances were generated over the year, reflecting the positive dynamics of the Shared-value model. However, this was offset by higher long-term interest rates in South Africa and the UK, which created a significant impact on the economic basis within the EV and constrained new business margins materially.



* *Experience variances and methodology and assumption changes.*

The EV statement is included from page 201 in our **Annual Financial Statements**.

Forward-looking

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

The effect of higher inflation and interest rates globally, together with continued currency volatility, is expected to continue for the foreseeable future. Discovery implements hedging and asset-liability matching strategies where appropriate to manage interest and foreign exchange risks. IFRS 17 is expected to reduce economic volatility, through the election to treat insurance finance income and expense through the statement of OCI, most notably the impact of changes in interest rates on the valuation of insurance contracts.

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

A disciplined long-term capital plan remains a key focus as Discovery continues to follow a highly structured approach to capitalising on its growth opportunities while ensuring operational resilience despite the challenging macroenvironment.

FROM A FINANCIAL MANAGEMENT PERSPECTIVE, WE WILL CONTINUE TO FOCUS ON:

- Managing and closely monitoring the Group's capital plan, ensuring robustness through continuous refinement and stress testing as well as optimisation of capital allocation and risk-based return on capital
- Managing our funding plan in line with the above as well as our debt maturity profile
- Full adoption of IFRS 17 and associated reporting metrics including finalisation of business-as-usual future financial and data governance processes and financial reporting controls – this includes the financial statements and restated information in the interim reporting period for the six months ended 31 December 2023
- Implementation of an enterprise performance management system to minimise lead time in generating reports and increase our analytical capabilities
- Responding to regulatory changes across our insurance businesses
- Ensuring that our reporting and disclosure remain comprehensive and transparent, including continuous proactive engagement with stakeholders to increase our understanding of their needs
- Implementing targeted operational and risk management interventions to ensure mitigation of key risks.

The past year was characterised by a complex macroenvironment, but the efficacy of the Shared-value model continued to be demonstrated through a robust operational performance. I am confident that our balanced approach to growth and resilience will continue to yield positive results, and I thank the Discovery team for their unwavering dedication and support. Our successes would not be possible without the contributions of each individual.

DEON VILJOEN

Our business reviews

We create value and differentiate ourselves by integrating our medium-term ambitions with short-term goals and driving our operating model through new business ventures or partnerships across three market-specific composites.

Discovery

SOUTH AFRICA COMPOSITE

The SA composite focuses on being the perfect composite model, number one in every industry, with Discovery Bank pivoting to growth as the composite-maker.

Discovery SA consists of:

- DISCOVERY HEALTH
- DISCOVERY LIFE
- DISCOVERY INVEST
- DISCOVERY INSURE
- DISCOVERY BANK

Vitality

UK COMPOSITE

The UK composite aims to operate as a fully integrated composite business with best-in-breed products and a seamless One Vitality client journey.

Vitality UK consists of:

- VITALITYHEALTH
- VITALITYLIFE

Vitality GLOBAL

VITALITY GLOBAL

Vitality Global strives to be the leading wellness and healthcare platform that provides pre-eminent life and health insurers globally with our Vitality shared-value and health management capabilities.

Vitality Global consists of:

- VITALITY NETWORK
- VITALITY HEALTH INTERNATIONAL

OUR BUSINESS REVIEWS

Discovery (South Africa)

DISCOVERY HEALTH

WHAT WE OFFER

Discovery Health is South Africa's leading medical scheme administrator and managed care provider of high-quality healthcare. We manage 39.1% of the total membership of South African medical schemes, including Discovery Health Medical Scheme (DHMS) – the country's largest open medical scheme, now representing 57.8% of the open medical scheme market.

Discovery Health also provides non-medical scheme related health products. We administer Discovery Gap Cover, to protect clients against unexpected medical costs. We also administer Flexicare which is an affordable healthcare insurance product that provides access to high quality primary healthcare. Discovery Healthy Company is a sophisticated and integrated employee assistance programme.

WHAT SETS DISCOVERY HEALTH APART

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

We focus on balancing long-term sustainability with short-term affordability by enabling meaningful digital healthcare services, enhancing benefits to drive positive outcomes, and expanding access to affordable healthcare. World-class product innovation, sophisticated big data capabilities, and best-in-class service excellence support our fully integrated, value-driven healthcare operating system. By leveraging our scale and innovative nature, we can lead innovation in the healthcare sector, focusing on quality improvements at the lowest cost per unit of care. These value-for-money interventions are being realised through Hospital at Home and point-of-care pathology testing, among other offerings.

Vitality, Discovery's behaviour-change programme, empowers us to meet our core purpose of making people healthier and enhancing and protecting their lives. Our shared-value approach enables value-based measurement and reimbursement that supports quality healthcare while lowering costs, resulting in efficient healthcare delivery and, ultimately, lower member contributions.

Our key performance indicators

Normalised operating profit increased by **7% to R3 854 million**
(FY2022: R3 600 million)

Core new business annualised premium income (API) increased by **19% to R8 678 million**
(FY2022: R7 292 million)

Non-scheme administration income increased by **15% to R1.5 billion**
(FY2022: R1.3 billion)
representing **14.7%** of total revenue
(FY2022: 14%)

Lives under management* exceeded **3.82 million**
(FY2022: 3.77 million)

* *Includes lives with non-medical scheme products.*

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OUR PERFORMANCE AGAINST STRATEGY

Discovery Health experienced robust operating profit growth and strong new business API performance during the year. Expense growth was driven primarily by accelerated technology and infrastructure spend. Our investment in technology continues to differentiate Discovery Health services, drive efficiencies and improve service levels which, in turn, increased digital engagement. 71% of all Discovery Health client engagements were completed through digital channels (FY2022: 70%).

Discovery Health continued to grow administered non-medical scheme products – Flexicare, Gap Cover and Healthy Company – which performed well and now cover over 321 879 (FY2022: 263 840) non-medical scheme lives.

In addition to the DHMS open medical scheme, Discovery Health also administers 17 closed medical schemes that performed well during the year. DHMS delivered strong annual contribution income growth driven by higher-than-expected new business, with lapse rates at 6%. DHMS's open medical scheme market share consequently grew to 57.8%. DHMS remains in a strong financial position, with a solvency level of 35.1% as at December 2022, well over the 25% regulatory requirement.

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

26%

lower and their lapse rate 2.87 times lower compared with non-Vitality members.

Value-based care contracts cover

26%

of all healthcare professional spend and more than 58% of contracted hospital spend – within the schemes we administer that have opted in.

\+ POSITIVE — NEGATIVE O NEUTRAL

+	DHMS collectively lowered health plan contributions by R8.6 billion for all members by deferring contribution increases for 18 months from 2021 to 2023, returning excess solvency to members after reduced healthcare utilisation during the pandemic. This strategy ensured that DHMS's contribution increases remained in alignment with medical inflation, while members benefited substantially from lower contributions during this period.
+	DHMS used excess solvency to provide the WELLTH Fund, which offers members risk funding for screening and preventative healthcare services. As at 30 June 2023, there have been 333 000 WELLTH Fund activations, with R254 million of benefits paid for preventative healthcare, mostly to GPs and dentists.
+	DHMS members have access to Connected Care, a healthcare ecosystem that offers a digital platform of healthcare services, that enables members to manage their healthcare at home. It includes the Discovery Hospital at Home programme, which delivers hospital-level care in patients' homes.
+	Healthy Company, Discovery's employee assistance programme offered to large employers, supports employees' physical, financial and emotional wellbeing, and provides legal support.
+	Discovery Health partnered with Clicks to bring Flexicare, a non-medical scheme health insurance product with day-to-day healthcare benefits, to the mass market.
–	The National Assembly passed the amended National Health Insurance (NHI) Bill on 14 June 2023. There are material concerns about the sustainability and feasibility of the legislation, including that the funding of the NHI remains unclear and that it would exclude private healthcare in the long term.
O	Further submissions have been made to the Council for Medical Schemes (CMS) regarding the Section 59 panel finding of implicit racial discrimination in fraud, waste and abuse processes by medical schemes. Discovery Health conclusively demonstrated that there is no racial discrimination in its processes and algorithms.
O	The Road Accident Fund's (RAF) directive to reject claims of medical aid members was found to be unlawful by both the High Court and the Supreme Court of Appeal. The RAF has sought leave to appeal these judgments at the Constitutional Court.

WHERE WE ARE HEADED

Discovery Health is exploring additional growth opportunities, and we are repackaging our value proposition to offer highly integrated services that are customised to meet various individual and employer needs. We will continue to invest in digital assets that differentiate healthcare for our members and put them at the centre of a digital healthcare ecosystem. As such, we aim to extend access to remote healthcare, improve the quality of care, enhance member experiences and drive personalisation.

Transforming the healthcare system is also a focus area, with ongoing investments in health risk management assets and capabilities that support alternate places of care. Furthermore, we fully support achieving universal health coverage to address inequities and strengthen the South African healthcare system. To this end, we are working to expand our Flexicare and Prepaid retail offerings for the mass market.

Discovery Health is making every effort to extend access to high quality private healthcare to more South Africans. We have played a central role in the formation of the framework for proposed Low Cost Benefit Options (LCBO's) to be introduced into medical schemes. We are hopeful and remain engaged in support of the introduction of LCBO's which would materially improve healthcare access and affordability for many employed but currently uninsured South Africans. We believe this will also improve productivity for these employees, over and above the uplift in acute and preventative care. We await the regulatory developments needed to enable the introduction of LCBO's.

Unfortunately, amendments to the NHI Bill have not included substantial changes to enhance the NHI Fund's feasibility, despite multiple stakeholders' input and concerns. As a result, the Bill will likely face various legal challenges and be contested on constitutional grounds. Although the Bill does not pose an immediate threat to private healthcare, it does introduce a short-term risk of negative sentiment among medical professionals. This could lead to a skills gap in an already constrained healthcare system. We will continue to advocate for a robust NHI framework that collaborates closely with the private sector and achieves universal healthcare, supported by a sustainable economic plan.

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VITALITY HEALTH INTERNATIONAL

OUR BUSINESS REVIEWS

Discovery (South Africa)

DISCOVERY LIFE

WHAT WE OFFER

Discovery Life provides risk protection to individual and business clients through comprehensive life, capital disability, income protection, severe illness and funeral cover. Discovery Life maintained its leading market share in the intermediated retail-affluent South African protection market, with a share of 30.2% in the second quarter of FY2023 – more than double that of its nearest competitor.

WHAT SETS DISCOVERY LIFE APART

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

Our key performance indicators

Normalised operating profit increased by **19% to R4 807 million** (FY2022: R4 028 million)

New business annualised premium income (API) increased by **12% to R2 838 million** (FY2022: R2 543 million)

Cash flow **R2 125 million** (FY2022: -R245 million)*

Embedded value increased by **7% to R41.1 billion** (Discovery Life and Discovery Invest) (FY2022: R38.4 billion)

Maintained leading market share of **30.2%** in the fully underwritten retail-affluent segment

Value of new business **R162 million** (FY2022: R365 million) Value of new business margin decreased to 2.5% (FY2022: 5.3%)

* *Discovery Life and Invest.*

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OUR PERFORMANCE AGAINST STRATEGY

Discovery Life generated a strong performance in FY2023, with growth in normalised operating profit driven by positive overall operational experience and Group Life returning to profitability following the severe COVID-19 impact in prior periods. A positive experience variance of R1 064 million emphasises this performance, with good persistency and mortality offsetting worse-than-expected morbidity claims experience and negative servicing.

Discovery Life showed a robust and improving liquidity and solvency position with a solvency coverage ratio of 188% for FY2023 and strong internal liquidity buffers. Cash flow was strong, with an inflow of R2 125 million for the twelve months to June 2023, exceeding the targeted cash conversion ratio of 30%.

Discovery Life continued its focus on driving profitable new business through product innovation and digitisation that enhances both the adviser and client experience. This was supported by the successful launch of the Funeral Life Plan 2.0 and phase 1 of the transformational Discovery Life Plan 3.0 on the new Adviser 360 sales platform.

For more information on the impact of the increase in interest rates, refer to the Group CFO Report on page 66.

More than

R4 billion

provided to clients through shared-value benefits in FY2023 – including PayBack, Cash Conversions and Premium Savings.

Total gross claims of

R9 billion

paid during the year.

+ POSITIVE — NEGATIVE O NEUTRAL

+ New business growth was driven by strong automatic contribution increases and an increase in servicing production.

– Value of new business and new business margin were negatively impacted by higher interest rates and higher expense unit costs.

+ The innovative new Adviser 360 platform, which went live in the first half of 2023, houses the Discovery Life Plan and enables a client-centric, end-to-end digital sales process with real-time activation, while simplifying the quoting and compliance processes through dynamic pre-population and digital acceptance.

+ The new Discovery Life Plan 3.0 provides clients with a comprehensive suite of risk protection benefits. The plan offers clients incentives for healthy behaviours through premium discounts, PayBacks and Cash Conversions, and is digitised to ensure clients can view their range of benefits on their mobile phones.

+ The Discovery Funeral Plan 2.0 brings tangible value to clients that would otherwise only be realised upon claiming. These include upfront discounts that recognise and reward clients for their lower expected mortality, premiums paid back in cash for clients who retain their policies until age 65, and flexible cover for all needs.

+ Discovery Group Life continued to drive sales through the Strategic Client Solutions Hub and secured new business by leveraging long-term strategic relationships with large schemes. While larger schemes in the industry remain cost conscious, there was a marked increase in the level of quoting activity. The pipeline for new business remains healthy.

WHERE WE ARE HEADED

Discovery Life will continue to improve its digital channels and ease of doing business through product and service initiatives, encouraging high-quality business and growth in market share.

Discovery Life has a targeted strategy to improve new business margin through a combination of product innovation and optimisation, growth in the number of advisers, and reduction of business unit expenses.

The pipeline for new Group Life business is healthy, and we will continue to explore large scheme opportunities. Some of these schemes have complex benefit structures, and we are assessing our ability to service these through a strategic review of our technology platforms to ensure our systems are prepared for these opportunities.

OUR BUSINESS REVIEWS

Discovery (South Africa)

DISCOVERY INVEST

WHAT WE OFFER

Discovery Invest offers a comprehensive and flexible range of local and offshore investment plans to help clients achieve their short-, medium- and long-term investment goals. Discovery Invest is the fastest-growing active fund management retail investment provider in South Africa*, with assets under administration of R140 billion. Our offering extends to corporate clients through our Umbrella Fund business, with assets under administration of R12.2 billion, providing substantial incentives for long-term investing at an attractive price point.

* *Source: ASISA, Analysis Ninety One, as at 30 June 2023.*

WHAT SETS DISCOVERY INVEST APART

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

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

Our key performance indicators

- Normalised operating profit increased by **30%** ***to R1 560 million*** (FY2022: R1 204 million)
- New business annualised premium income (API) increased by **4%** ***to R3 050 million*** (FY2022: R2 920 million)
- Net inflows amounted to **R5.9** ***billion*** (FY2022: R5.75 billion)
- Assets under administration increased by **15%** ***to R140 billion*** (FY2022: R122 billion)*
- Assets under management increased by **17%** ***to R95 billion*** (FY2022: R81 billion)
- Linked funds placed in Discovery Funds remained at **80%** (FY2022: 80%)

* *Excludes the Discovery Invest Umbrella Fund business but includes linked and guaranteed business.*

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OUR PERFORMANCE AGAINST STRATEGY

Discovery Invest's performance proved to be robust during FY2023, despite challenging market conditions driven by high inflation and rand volatility. Net flows were constrained for discretionary savings products against the backdrop of weak economic conditions. However, our asset management strategy and multi-asset fund offering centred around our Balanced Fund, supported our business resilience and provided stable returns. Our Guaranteed Return Plan and Fixed Interest Life Annuity asset matching portfolios performed well as we strengthened our asset-liability management (ALM) expertise during the year, leading to an improved matching strategy and introduction of limited high grade credit into the portfolios.

The increase in normalised operating profit during the year was boosted by the release of tax reserves, following tax amendments implemented in July 2022 that were fully offset with a corresponding increase in tax payable. These tax amendments mean that South African businesses can only deduct 80% of profits against prior period losses. This change directly impacted guaranteed plans and endowments sold by Discovery Invest on a gross tax-basis utilising Discovery Life's tax loss.

During the year, we launched Cogence, a first-of-its-kind shared-value discretionary fund manager, in partnership with BlackRock. In FY2023, we focused on promoting Cogence to advisers and growing its assets under management, which amounted to R280 million as at 30 June 2023. During the year, we selectively rolled out the Cogence portal and Aladdin Wealth™ technology, allowing us to stabilise the technology before mass release. We also completed training on the Cogence portal and Aladdin Wealth™ for all associated brokers and advisers.

Since inception in 2007, we have **paid and accrued over**

R17.4 billion

in shared-value and other benefits, including **more than R3 billion in discounted fees.**

Clients exhibited

11%

lower drawdowns, up to 23% lower lapse rates and 1.7 times more ad hoc contributions to their investment savings compared to figures prior to the launch of our retirement planning model in 2015.

\+ POSITIVE — NEGATIVE O NEUTRAL

- O New business growth was muted due to lower net flows into discretionary savings products and the impact of rand depreciation on offshore products. However, positive performance in compulsory savings products, such as recurring retirement annuities that are linked to inflation, and guaranteed products partially offset this.
- \+ Sales of guaranteed plans increased by 23% and sales of linked products increased by 2% in FY2023.
- O Total funds under administration in our Umbrella Fund business increased by 37% to R12.2 billion (FY2022: R8.9 billion) while sales annual premium equivalent totalled R382 million (FY2022: R414 million, excluding the Discovery staff scheme transfer).
- O In South Africa, National Treasury's new two-pot retirement rules were promulgated in a Tax Laws Amendment Bill in July 2022. The implementation date has been extended to March 2024 to allow for the anticipated time required for system development and revision of fund rules. Although Discovery Invest supports the changes that allow for access to retirement savings in case of emergency, we remain concerned about the implementation challenges to existing retirement products in the current timeframe.
- \+ The Discovery Invest component of the Discovery app provides a comprehensive view of policy information. Our digital enhancements roadmap includes additional anti-money laundering and payment functionality, as well as increased self-service capabilities to empower clients to manage their policies on the app more effectively.
- \+ Discovery Invest introduced the Discovery Capital 200|300+ Fund as a limited offer to provide clients the opportunity to further diversify their portfolios. The fund gives clients 100% growth over five years if the underlying global share portfolio is flat or positive, plus another 100% growth if the global share portfolio grows by 40% or more. In addition, clients have access to a boost of up to 20% on the lump-sum Endowment Plan.

WHERE WE ARE HEADED

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

Our market-leading partnership with BlackRock, a world-class asset manager, enables our clients to benefit from global investment opportunities. Cogence is currently available on three of the largest platforms in South Africa – we will continue to work with other platforms to further expand availability and focus on engaging with financial advisers. Other focus areas include changing the fund structures to allow Cogence portfolios to be used in conjunction with other third-party funds, ensuring the Cogence portal becomes the default practice management tool for advisers, and implementing a focused distribution strategy to grow Cogence's assets under management.

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OUR BUSINESS REVIEWS

Discovery (South Africa)

DISCOVERY INSURE

WHAT WE OFFER

Discovery Insure offers flexible, innovative and comprehensive car, home and business insurance, providing protection from modern and emerging insurance risks. The business covers over 289 000 cars and over R472 billion in personal insured assets. By leveraging the relationships we have with our partners, Discovery Insure continues to grow its footprint and contribute to creating a nation of great drivers.

WHAT SETS DISCOVERY INSURE APART

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

Our key performance indicators

Normalised operating profit increased by
138% ***to R62 million***
(excluding commercial)
(FY2022: –R162 million)

Gross new business annualised premium income (API) increased by
0.3% ***to R1 249 million***
(excluding commercial)
(FY2022: R1 246 million)

Gross written premium earned increased by
10.4% ***to R5 259 million***
(excluding commercial)
(FY2022: R4 762 million)

Operating margin increased to
1.53%,
impacted by rating and excess adjustments as well as operational and procurement changes
(FY2022: –3%)*

* *Personal lines only.*

OUR PERFORMANCE AGAINST STRATEGY

Discovery Insure's personal lines business generated a modest operating profit of R62 million before equity-accounted losses (FY2022: –R162 million) against ongoing challenging conditions – such as increased power surge claims driven by loadshedding, as well as increased vehicle theft severity. The improvement in operating profit resulted from initiatives implemented by Discovery Insure as part of its margin recovery plan – particularly selective repricing and various claims cost reduction initiatives implemented towards the end of FY2022, that included focused efforts around high-risk vehicles. New business increased by a marginal 0.3% to R1 249 million, partly influenced by pricing initiatives, while top-line revenue growth remained strong.

Discovery Insure has collected over 18 billion kilometres of driving data, which enables data analytics and product innovation. We continue to see evidence of the efficacy and sustainability of our Shared-value Insurance model.

We have paid our clients over

R1.4 billion

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

Discovery Insure driver fatality rate is

7.67 driver deaths per 100 000, which is **lower than South Africa's driver road fatality rate**, creating a nation of great drivers.*

* To date since inception in 2011.

+ POSITIVE — NEGATIVE O NEUTRAL

O We implemented several initiatives to reduce the impact of theft claims for high-risk vehicles, including an increase in the theft premium for existing and new business vehicles and mandatory Crowd Search Sensor installations for existing vehicles. Additionally, highest-risk vehicles are selectively accepted on cover.

\+ We retained a quality client base, with lapse rates for Vitality Gold clients 74% lower than Vitality Blue clients.

\+ Our shared-value initiatives continue to enable us to be a force for social good:

- Fire Force, in partnership with Advanced Emergency Management Services in Johannesburg, responds to four fire incidents a week, on average, leading to fewer, less severe fire-related claims.
- Pothole Patrol, a joint initiative with the Johannesburg Road Agency, and former partner Dialdirect and new partner Avis, has filled almost 175 000 potholes across Gauteng since May 2021, resulting in fewer pothole claims. We will continue with this initiative together with our new partner, Avis Southern Africa, in FY2024.

\+ We expanded our insurance offering to include bespoke products for sectional title schemes and tradespersons, as well as embedded watercraft cover. To offset vehicle inflation and ensure clients can cover the cost of replacing their vehicles, clients will receive the retail value of their vehicle plus 15% or 25% on a total loss event when they choose the new retail value booster optional benefit.

\+ We enhanced the Vitality Drive for Business platform by offering the Vitality DriveView device to all commercial vehicles on the platform and updating the online fleet portal with self-service functionality to allow users to manage their drivers.

\+ New digital enhancements include more self-service features on the Discovery app to make interacting with Discovery Insure simpler, and our updated Adviser 360 platform, which allows brokers to quote new business online.

\+ The new generation of Vitality Drive, Vitality Drive 3.0, offers up to R1 500 in fuel cash back each month, the ability to earn fuel cash back in Discovery Miles, a simpler points structure and enhanced Vitality Active Rewards.

WHERE WE ARE HEADED

Discovery Insure products, services and feature enhancements will continue to provide extensive and relevant cover and benefits for our clients and their families. New sales growth will be supported by our focus on driving innovation through data analytics and consumer and market insights, as we aim to increase our scale in terms of market share and implement strategic solutions to rebuild our operating margins. Changes to our products aim to respond to the harsh economic climate and consumer pressure, to ensure clients have sufficient cover and to build on our purpose of creating a nation of great drivers.

We anticipate ongoing pressure from extreme weather events and power surge and theft claims, which increasingly impact our business and may be further exacerbated by our challenging operating context. Using the extensive data available to us, we continue to improve our understanding of these risks, the potential impacts and our response.

Our Shared-value Insurance model is replicable in global markets as Discovery Insure plays a role in advancing the Group's strategy. We expect to increase Vitality Drive's reach through expansion across global markets where we have seen meaningful appetite, some of which we are currently in advanced discussions with.

OUR BUSINESS REVIEWS

Discovery (South Africa)

DISCOVERY BANK

WHAT WE OFFER

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

WHAT SETS DISCOVERY BANK APART

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

Our unique approach is driven by Vitality Money, which considers individual financial behaviours to understand clients' financial health.

As clients improve their Vitality Money status, they earn greater value through a personalised stack of shared-value rewards. Rewards include better interest rates, discounts at lifestyle and travel partners, and Discovery Miles, the shared-value rewards currency that is more valuable than cash when spent within our vast network of online and retail partners.

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

Our key performance indicators

Normalised operating loss decreased by **23%** ***to R767.3 million***
(FY2022: R990.3 million)

702 131 ***clients***
(FY2022: 470 220 clients)

1 625 912 ***accounts***
(FY2022: 1 023 790 accounts)

Retail deposits of **R14.3** ***billion***
(FY2022: R10.6 billion)

Total credit facilities of **R12.8** ***billion granted,*** of which R5.2 billion is being utilised
(FY2022: R10.7 billion/R4.3 billion)

Credit loss ratio of **2.70%**
(FY2022: 1.56%)

OUR PERFORMANCE AGAINST STRATEGY

During the year, Discovery Bank made significant progress towards the target of having over one million clients by 2026 – we endeavour to reach this target earlier than previously expected. We also delivered on our average new-to-Bank sales target rate of 1 000 clients per day towards the end of FY2023. To achieve our ambition of becoming South Africa's best bank, we focus on four strategic areas – accelerating growth; leveraging our composite model; offering disruptive, market-leading products; and providing unparalleled service and operational excellence.

Discovery Bank is a key priority for the Group and the South African composite. In FY2023, we accelerated client acquisition, improved our credit penetration, and invested in product innovation and digital capabilities as the Bank evolves into a composite-maker in the retail Discovery ecosystem.

Clients earned over 6.48 billion Discovery Miles and received an

18%

average discount when spending their Discovery Miles in-store, online and in Vitality Mall.

Discovery Miles D-Day continues to drive engagement with a combined spend of over

1.42 ***billion Miles***

(valued at R132 million) in FY2023.

Clients earned over

R85 ***million***

in interest boosts.

\+ POSITIVE — NEGATIVE O NEUTRAL

\+ Discovery Bank's client quality remains exceptional, with high average levels of non-interest revenue per client and a low credit loss ratio.

O Growth in advances was driven by increased credit applications, higher conversion rates and increased card usage.

– The credit loss ratio remained low despite its increase from the prior year due to sustained macroeconomic pressure. Continuous operational improvements are being implemented with a focus on improving collections considering the negative macroeconomic environment.

\+ Clients' utilisation of Discovery Bank's transaction capabilities grew, with total payment volumes increasing 66% with a 56% increase in value and total spend increasing by 48%.

\+ In FY2023, Discovery Bank enhanced its platform as the operating system for the Discovery composite. Clients can now access and interact with their Discovery products through a single interface in Discovery Bank. The Bank app was logged into over 68.8 million times over FY2023, up by 111% compared to FY2022.

\+ Launched Vitality Active Rewards 3.0 on the Discovery Bank app platform, offering improved goals, rewards, and the choice of an instant reward or gameboard play, on an expanded, personalised gameboard.

\+ Discovery Bank partnered with Rubicon, an industry leader in solar solutions, to offer Discovery Bank clients flexible funding options on solar and backup power solutions for their homes.

\+ Discovery Bank clients have access to the EasyEquities platform to trade and invest in local and international markets directly through the Discovery Bank app.

\+ We enhanced the Vitality Travel booking process to make booking flights simpler and more convenient on the Discovery Bank app.

\+ Despite increased volumes, service levels were maintained above industry payment processing success rates. We improved in all key net sentiment metrics, with above market average app ratings. In addition, Discovery Bank delivered brilliant client experiences, as evidenced by the increase in client-based research scores compared to the prior year.

\+ Health Pay allows clients to link their Discovery Account or Discovery Bank card to their Discovery Health Medical Scheme plan through the Discovery Bank app, to automatically pay for remaining balances on medical claims or out of pocket medical expenses.

WHERE WE ARE HEADED

Discovery Bank is on track to achieve operational break-even in FY2024 through consistent growth in income and operational expense efficiencies generated through economies of scale.

We are growing our client base by offering disruptive products with seamless digital journeys to become South Africa's best bank. To deliver brilliant and unique client experiences, we are building a personalisation ecosystem, leveraging data science and analytics models to elevate the experience and delight the client.

We plan to expand and diversify our product and lending suite to attract new segments and we plan to enhance the Discovery ecosystem to entrench Discovery Bank as the operating system for Discovery's South African operations.

OUR BUSINESS REVIEWS

Vitality (UK)

VITALITYHEALTH

WHAT WE OFFER

VitalityHealth specialises in private medical insurance (PMI), providing a unique and comprehensive health and wellbeing solution to individuals, corporates and small and medium-sized businesses in the United Kingdom (UK), either directly or through financial advisers. By insured premium, VitalityHealth is the third largest PMI health insurer in the UK, with a 13% share of the PMI market.

WHAT SETS VITALITYHEALTH APART

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

VitalityHealth prioritises prevention, primary care and digital pathways that enable members to better understand and navigate the complex healthcare system. We further provide employers with tailored PMI products and broader wellbeing programme options for their workforce. Care Hub, our digital platform, provides a list of healthcare providers through the Consultant Finder feature – including Vitality Premier Consultants, a panel of designated, high-performing consultants who demonstrate superior performance outcomes like lower lengths of stay and reduced re-admission rates.

Our key performance indicators

Normalised operating profit decreased by
9% ***to***
£60 million
(R1 283 million)
(FY2022: £66 million/R1 328 million)

New business annualised premium income increased by
12% ***to***
£96.3 million
(R2 064 million)
(FY2022: £85.8 million/R1 738 million)**

Earned premiums increased by
11% ***to***
£623.6 million
(R13 364 million)
before the additional unearned premium reserve
(FY2022: £560.2 million/R11 344 million)*

Return on capital of
14.4%
(FY2022: 16.4%)

* *Excludes notional premium for Trust schemes.*
** *Excludes Type II expansions.*

OUR PERFORMANCE AGAINST STRATEGY

Despite the economic impact on clients and the cost-of-living crisis, VitalityHealth achieved good performance across its key metrics, notwithstanding a reduced operating profit. The operating profit reduction was due to a strong prior year result, robust new business resulting in elevated new business strain and PMI claims returning to pre-COVID-19 levels. PMI claims were partly offset by the release of the £15.2 million (R304 million) unearned premium reserve (UPR) adjustment recognised at 30 June 2022. VitalityHealth did not recognise any UPR adjustment at 30 June 2023. Beyond VitalityHealth's strong results, there was an impairment of VitalityCar's intangible assets following a review of the business.

VitalityHealth maintained excellent retention, with an increase in earned premiums, excluding UPR adjustments, and increased new business annualised premium income. The total number of lives increased by 13% to 959 075. Cash generation was robust, with the back book generating £99.4 million (R2 130 million) in cash. After new business acquisition costs, which were higher than expected this year given the very strong business growth, and investment in developing the business, the book generated a £5.6 million (R120 million) cash surplus.

For more information on the UPR and VitalityCar, refer to our Group CFO review on page 66.

VitalityHealth claims were up to

46% lower

for highly engaged members across major claims categories between 2017 and 2021.

While our incentives-based approach helps members build long-term positive lifestyle behaviours, clinical disease prevention through interventions and screening is just as important to improve health outcomes.

Annual health checks give members a clearer picture of their health and areas that may need improvement. We use the results of these annual checks to drive personalised programmes of lifestyle-related support to provide members with the tools to make positive lifestyle changes.

+ POSITIVE — NEGATIVE O NEUTRAL

+ Primary Care services continue to be in demand, comprising 55% of all member claims – up from less than 10% in 2015 – representing a shift in the type of care people are expecting. Primary Care services encompass digital care pathways and go beyond GP access. They include commonly used treatments that do not need a GP referral, such as physiotherapy and Talking Therapies.

+ The Premier Consultant Network continues to improve claims cost efficiencies. As at June 2023, 54% of our consultant-led consultations were through the Premier Consultant Network. Under our other partner networks, 93% of new outpatient physiotherapy authorisations and 96% of new outpatient mental health authorisations were within the network.

+ Care Hub membership engagement continued to grow with one third of claims now being completed digitally. In FY2023, 80% of all physio authorisations and 77% of all mental health authorisations were completed digitally.

+ With positive mental health an essential part of overall wellbeing, VitalityHealth introduced changes to its Mental Health Cover to provide clients with more access to treatment and Talking Therapies.

+ The recently deployed Integrated Primary Care – enabling the digital authorisation from the Vitality GP consultation into the Care Hub for members to seek and book a consultant – is expected to substantially improve throughput rates in the coming months.

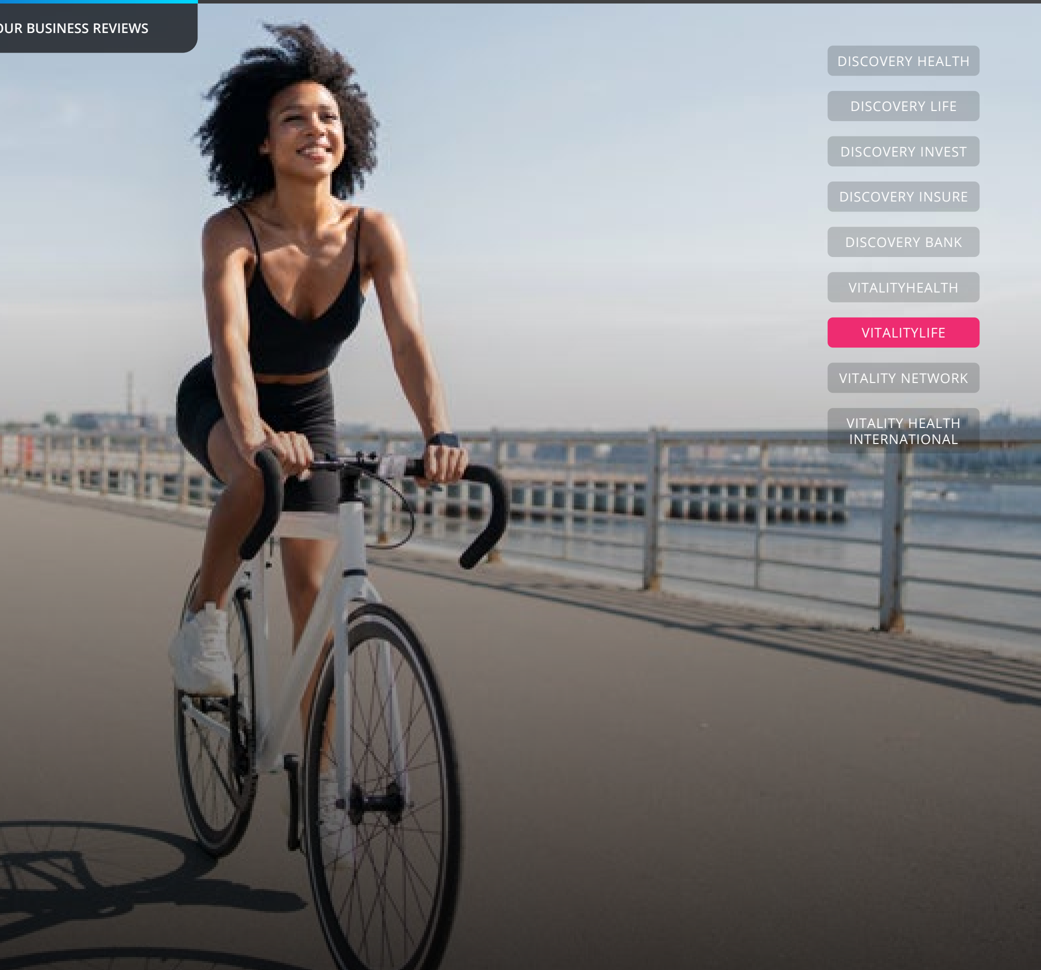
– The UK car insurance market has experienced unprecedented claims inflation leading to significant price increases, which our underwriter has had to pass on to our VitalityCar members. These increases have materially impacted our ability to deliver value for good drivers, and has led to the decision to not offer members cover beyond their current plan year and run off the book. This has resulted in an accelerated write-off of the business's capitalised systems and intangible assets.

WHERE WE ARE HEADED

VitalityHealth continues to strive for growth by creating innovative and disruptive products and services, in line with Discovery's core purpose of making people healthier and enhancing and protecting their lives. We remain focused on improving our clients' health to reduce future morbidity and mortality and increase their healthy years. We have disrupted and transformed the health insurance market by being the first insurer to prioritise prevention, pioneering the provision of primary care and providing seamless access to advanced digital pathways.

As a comprehensive, digital-first health insurer, we push the boundaries of what health insurance provides and actively seek out the technology that can transform how people access and use our services. The unprecedented demand for Primary Care services supports our approach to invest in differentiated products that provide genuine options for clients' access, choice and quality. We will continue to enhance our digital healthcare experience through our member Care Hub, and our quality care pathways through our Premier Consultant Network.

Our future focus areas include continuing to enhance our behavioural rewards, sustaining new business growth and retention, managing risk profit with a focus on claims and premium management, growing Primary Care and managing care pathways.



OUR BUSINESS REVIEWS

Vitality (UK)

VITALITYLIFE

WHAT WE OFFER

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

WHAT SETS VITALITYLIFE APART

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

As the needs of our clients change, VitalityLife has the opportunity to move away from a transactional approach to insurance and adapt its products and services to what our clients require. This will increasingly address wider societal issues by easing the healthcare burden and embedding these products and services into everyday life. Daily interactions that incentivise and reward healthy behaviour not only improve the lives of members and deliver tangible value, but generate newfound levels of engagement and, in turn, improve persistency.

Our key performance indicators

Normalised operating profit increased by
47% ***to £48.5 million***
(R1 039 million)
(FY2022: £33.1 million/R671 million)

New business increased by
30% ***to £80.3 million***
(R1 721 million)
(FY2022: £62.0 million/R1 256 million)

Annualised new business margin decreased to
-1%
(FY2022: 1.4%)

Earned premiums increased by
10% ***to £365.6 million***
(R7 835 million)
(FY2022: £333.3 million/R6 750 million)

New business from serious illness cover product increased to
29.7%
while optimised new business decreased to
53.9%
(FY2022: 28.1%/56.8%)

OUR PERFORMANCE AGAINST STRATEGY

VitalityLife's normalised operating profit growth was driven by positive operating experience variances, most notably significantly improved premium indexation in the higher inflationary environment. In addition, lapse experience has remained positive despite high inflation and the cost of living crisis. This result is a combination of a multi-year focus on enhancing the quality of the portfolio, including an increase in the proportion of index-linked policies and persistency initiatives previously implemented coming to fruition. The new pricing engine strongly supported the increase in new business annualised premium income, while continued focus on retention delivered higher earned premiums.

Market interest rates underwent unprecedented volatility in the past 12 months but show a strong upward trend. The hedging programme effectively managed this volatility with an overall gain due to interest rate movements of £6.8 million (R147 million). In June 2023, we made several changes to our hedge strategy relating to IFRS 17, including the sale of the interest rate swaption which resulted in a realised cash gain of £22.5 million (R482 million).

UK inflation has been high during the past year, resulting in much higher than expected premiums through the indexation of policies. This has contributed an additional £18.3 million (R392 million) operating profit during the year. The inflation increases have also eroded new business margin through higher interest rates, removing just over 3% from the new business margin while pricing adjusts.

For more information on our hedge strategy, and the impact of IFRS 17, refer to our Group CFO review on page 66.

99.7%
of life cover claims paid totalling **£60 million** and

92.5%
of serious illness cover claims paid totalling **£35.5 million**.*

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

VitalityLife saved members more than £42 million on their insurance premiums through Optimiser.*

* *In CY2022.*

+ POSITIVE — NEGATIVE O NEUTRAL

+ Lives covered increased by 9% to 764 699 and in-force policies increased by 20% to 622 451, driven by strong retention and new business sales performance.

– Management expenses increased by 12% to £117.6 million (R2 521 million), driven by inflationary pressures, IT investment, increased sales costs due to higher-than-planned sales and franchise distribution channel investment.

+ Lapse rates remain encouraging given the complex economic environment. Research shows clients who are highly engaged with the Vitality programme are, on average, almost 60% less likely to cancel their plan.

+ In FY2023, VitalityLife introduced several enhancements to its plans, including simplified Serious Illness Cover and Vitality Income Boost, a shared-value feature that provides increased income protection based on members' Vitality status.

– Significant interest rate increases during the year negatively affected the profitability of new business written. To improve this position, we will review pricing and work towards an improved business mix.

+ VitalityLife entered a mass lapse reinsurance treaty which has improved our solvency position.

WHERE WE ARE HEADED

Going forward, VitalityLife's priority is to enhance returns and drive sales. We plan to achieve this by focusing on profitable segments, quality business and an optimal business mix.

We will increase volumes in the newly launched serious illness and income protection products to optimise our business mix. Furthermore, we are improving system functionality and stability to reduce underwriting turnaround times and enhance adviser experience.

OUR BUSINESS REVIEWS

Vitality Global

VITALITY NETWORK

WHAT WE OFFER

Vitality Network is a distinct business unit of Vitality Global and operates through partnering and licensing shared-value insurance, related expertise, data and technology to some of the largest insurers and employers, globally. Vitality Network operates in 36 markets globally.

WHAT SETS VITALITY NETWORK APART

Vitality Network strives to be the world's largest and most sophisticated behavioural change platform in the insurance and financial services industries. We partner with aspirational reward offerings and bring a dynamic and diverse perspective to partnerships with the world's largest and most forward-thinking insurers.

With 3.8 million members and daily activities recorded from 1.9 million devices, Vitality Network is using the Shared-value Insurance model to drive global behavioural change. By introducing the concept of shared value into insurance, Vitality Network created a new insurance category that positively disrupted the industry. Our shared-value insurance offering is underpinned by one of the world's largest and richest data sets, analytical expertise and proven solutions that make people healthier and transform insurance economics.

Vitality Network's solutions are underpinned by the Vitality1 platform, which is scalable and easily deployed to multiple markets in multiple languages.

Our key performance indicators

Normalised operating profit increased by
8% *to US$23.1 million*
(R411 million)*
(FY2022: US$21.4 million/R325 million)
(including new initiatives)

Revenue* increased by
3% *to US$69.5 million*
(R1.2 billion)*
(FY2022: US$67.7 million/R1 billion)

Integrated annualised premium income (API) by insurance partners remained largely unchanged at
US$1.4 *billion*
(R25.2 billion)
(FY2022: US$1.4 billion/R21.7 billion)

Insurance partner membership increased by
22% *to 3.66 million*
(FY2022: 3 million)

* *Excluding revenue from service fees and rewards income.*

DISCOVERY HEALTH
DISCOVERY LIFE
DISCOVERY INVEST
DISCOVERY INSURE
DISCOVERY BANK
VITALITYHEALTH
VITALITYLIFE
VITALITY NETWORK
VITALITY HEALTH INTERNATIONAL

OUR PERFORMANCE AGAINST STRATEGY

Vitality Network's revenue from insurance partners increased during the year, and we delivered strong operating profit growth supported by continued investment in expansion opportunities in insurance partner markets and post-pandemic recoveries in the Asia-Pacific markets. Growth in integrated API by insurance partners was constrained by significant foreign exchange movements across the globe – particularly the depreciation of the yen against the US dollar, which negatively impacted API by 2%.

Increased insurance partner membership was supported by growth in existing markets and new market launches such as TATA AIA Vitality in India. Our partnership with Prudential plc in Latin America expanded to create a total wellness ecosystem, called Fully powered by Vitality, that allows clients to engage with their physical, mental and financial wellbeing through a single app. Manulife in Canada successfully rolled out Go Big – an entry-level Vitality product now sold with every Manulife policy – and Go Big Plus, supporting its expansion in Canada.

Vitality Network continues to positively impact its partner businesses through the Shared-value Insurance model, growing policy sales, reducing lapse rates and making people healthier. At the highest level, the model has been shown to create a profit margin up to three times that of traditional insurance models while decreasing the cost of insurance for clients. Among partners, longitudinal analyses have shown mortality improvements above expectations of over 40% for most engaged members.

Vitality Network is impacting

3.8 million lives,

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

The Vitality1 platform operates successfully at scale across the globe, adding value to our partners by allowing for continual product enhancements, new features that are readily available to all markets and better performance at decreased costs of shared services and localisation.

\+ POSITIVE — NEGATIVE O NEUTRAL

- \+ In FY2023, Sumitomo Life Insurance was awarded the Golden Order of Merit by Japan's Red Cross Society. Through Sumitomo Life Vitality and our Active Challenge benefit, over ¥46 million (R6 million) has been donated to the Society by members through achieving their weekly exercise goals.
- \+ Sumitomo Life Insurance reached 1.5 million policy sales in FY2023 since the beginning of the partnership in 2018.
- \+ Member engagement increased in our Asia-Pacific markets as COVID-19 pandemic restrictions were lifted.
- O Penetration rates across all AIA markets reached 58%, while three-month rolling engagement rates were 37% (FY2022: 60%/30%).
- \+ Manulife Insurance leveraged Go Big and Go Big Plus, which increased their sales and supported their expansion throughout Canada. 74% of Manulife's members have registered for the product, with strong engagement at 78% for Go Big Plus members.
- \+ IGI in Pakistan reported that 82% of their policies sold for FY2023 were integrated with Vitality.
- \+ Member engagement was positive, with an increase in rewards and goals achieved of 61% and 49% respectively, as seen through activities tracked daily on the Vitality1 platform.
- \+ Vitality1 received ISO27001:2022 certification, confirming the platform has robust controls to protect intellectual property and data. Vitality Network is one of the first organisations in the industry to receive this accreditation.

WHERE WE ARE HEADED

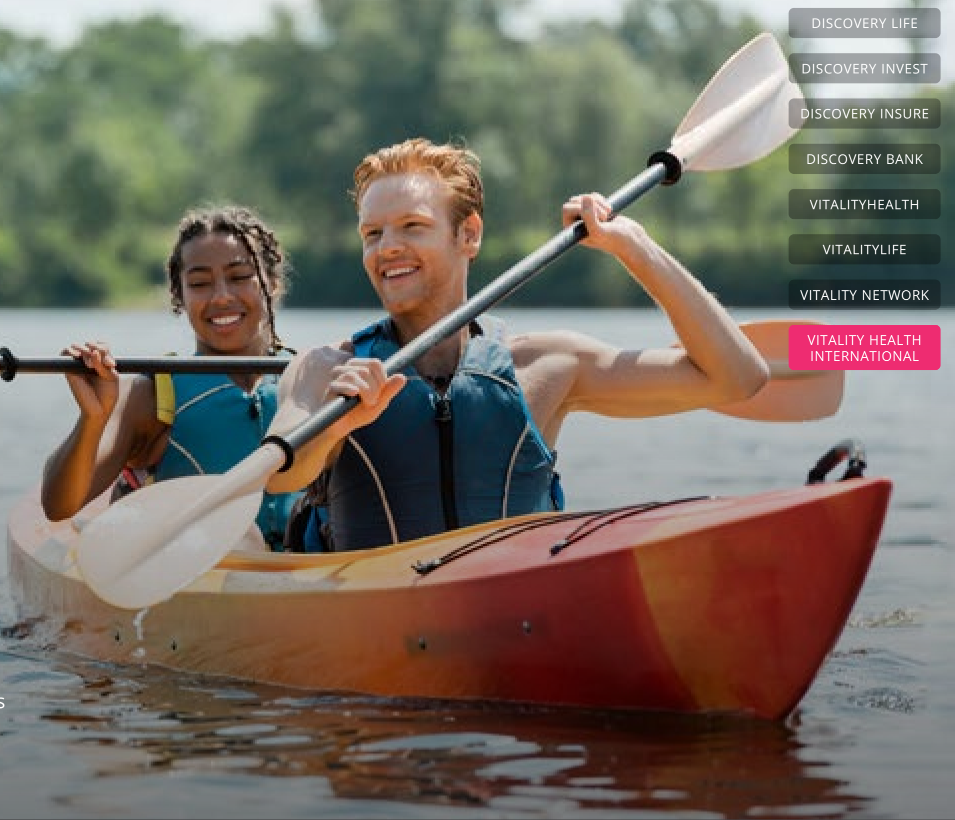
Vitality Network remains committed to increasing revenues and profits while keeping expenses low and maintaining investment in the Vitality1 platform. The business continues to drive product innovation and delivery through Vitality1, enhancing the platform's performance and driving operating efficiencies.

We will continue to build an ecosystem around the Vitality1 platform, our Vitality Shared-value Insurance model and our insurance partners that are gaining traction. This further leverages Vitality and our wealth of health-related intellectual property, transforming our partners' businesses and exploring opportunities for growth across the insurance value chain.

Given the success of the Vitality Shared-value Insurance model in our partner businesses, our primary focus remains on growth within our existing markets. We will also focus on engagement and new growth opportunities that have emerged in Latin America, Canada and India. Our growth ambitions are reinforced by continued investment in shared-value insurance by our partners, as the efficacy of the model is evidenced by data globally.

OUR BUSINESS REVIEWS

VITALITY HEALTH INTERNATIONAL



WHAT WE OFFER

Vitality Health International (VHI) is a distinct business unit of Vitality Global and leverages both Discovery Health and Discovery Vitality's intellectual property to create strategic partnerships through equity holdings in health insurance and health technology and solutions businesses.

VHI offers health insurance in China, through a 24.99% equity stake in Ping An Health Insurance (PAHI), and provides health technology and solutions through its 25% shareholding in Amplify Health Asia (a joint venture with AIA) and its 100% shareholding in Vitality US. VHI also owns 50% of Quantium Health, a data and analytics company joint venture with Quantium Group, headquartered in Australia.

WHAT SETS VITALITY HEALTH INTERNATIONAL APART

VHI, which houses all of Discovery Limited's international health interests outside of South Africa and the UK, brings a dynamic and diverse perspective by successfully partnering with the most forward-thinking global insurers, health services providers and employers. VHI has also taken strategic equity stakes in health businesses in rapidly growing markets, creating opportunities to deploy VHI's health-related intellectual property into key global markets with high growth potential.

Our key performance indicators

VHI normalised operating profit increased by
137% to US$22.5 million
(R401 million)
(FY2022: US$9.5 million/ R145 million)

Normalised operating profit from PAHI (after tax) increased by
63% to RMB233.7 million
(76% increase to R596.3 million)
(FY2022: RMB143.6 million/ R337.5 million)*

Administration and intellectual property revenue (excluding PAHI) increased by
64% to US$55.5 million
(R986.4 million)
(FY2022: US$33.7 million/ R513.1 million)

PAHI SPECIFIC KEY PERFORMANCE INDICATORS:

PAHI new business premium (PAHI own licence) decreased by
9% to RMB3.4 billion
(R8.7 billion)
(FY2022: RMB3.8 billion/ R8.8 billion)

PAHI total revenue (written premium) (PAHI own licence) increased by
13% to RMB14.3 billion
(R36.5 billion)
(FY2022: RMB12.7 billion/ R29.9 billion)

PAHI total earned premium** increased by
16% to RMB15.9 billion
(R40.5 billion)
(FY2022: RMB13.7 billion/ R32.2 billion)

Number of lives insured increased by
3% to 28.1 million
(FY2022: 27.3 million)

* *After Discovery's costs to support the business.*

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

DISCOVERY HEALTH
DISCOVERY LIFE
DISCOVERY INVEST
DISCOVERY INSURE
DISCOVERY BANK
VITALITYHEALTH
VITALITYLIFE
VITALITY NETWORK
VITALITY HEALTH INTERNATIONAL

OUR PERFORMANCE AGAINST STRATEGY

Amplify Health continued to build its integrated health solutions for the pan-Asian market (excluding China) and acquired AiDA Technologies, a leading provider of artificial intelligence (AI) solutions to companies across Asia-Pacific. This acquisition will accelerate the deployment of the solution that detects fraud, waste and abuse in health insurance claims, and the development of new products such as Smart Claims+. Revenue generated from the accounting recognition of the Amplify Health transaction exceeded Amplify's equity-accounted losses for the period, resulting in a profit for the Group overall.

Vitality US continues to make progress that enables the business to provide more holistic health solutions through its Vitality 3.0 product. Strategic interventions have led to sales for FY2023 being at its highest over the last five years, with a robust pipeline of sales prospects in the health plan and employer space. In addition, the business' integrated healthcare platform solution will enable opportunities to partner with a wider set of healthcare players, including providers and 'payviders'.

PAHI remains resilient and is supported by strong business fundamentals including a strong balance sheet with a comprehensive solvency ratio of 267%. PAHI showed operating profit growth and a turnaround in investment return during the second half of FY2023 despite the complex operating environment in China and resultant investment market volatility. New business on the PAHI own insurance licence decreased due to challenges experienced by several channels, continued COVID-19 lockdowns in the first half of FY2023 and poorer than expected sales in the 2023 'Red Door' sales campaign. Although the subsequent lifting of the Zero-COVID policy resulted in a significant wave of COVID-19 infections, PAHI's COVID-19 claims have been limited to date. Total written premiums increased, despite the anticipated scaling down of the reinsurance agreement between Ping An Life and PAHI. PAHI continues to focus on its own channels, broker channels and digital distribution in order to drive growth.

Vitality engagement impacts healthcare costs, with a

15 – 19%

reduction in clients' medical claims costs for highly engaged Vitality US members compared to those least engaged.

35%

of Vitality US members are highly engaged reaching Silver status or above, compared to an average benefits engagement of c5-10% in the US market.

+ POSITIVE — NEGATIVE O NEUTRAL

+ Amplify Health progressed against its strategic priorities since its launch in March 2022. It made its first solution sale, that is aimed at automating claims processing and detecting fraud and waste in health insurance claims, to AIA Malaysia. Amplify Health continues to invest in technology and analytics to drive business development.

+ Vitality US is in a rapid build phase of its new health technology capabilities and has received early positive feedback from the market as demonstrated by its strong sales.

O Vitality Global closed the sale of its shareholding in AIA Health on 31 January 2023, as it focuses on efforts in the Asian health markets through Amplify Health.

— Quantum Health's main revenue driver – its COVID-19 support work for the Australian government – has greatly reduced following the end of the pandemic, resulting in a material rapid decline in revenues. Management are actively addressing this issue, including active marketing to private sector clients in Australia and to private and public sector clients in the UK. Quantum Health has been awarded significant contracts to implement an advanced data engineering and machine learning platform for some Discovery business units.

+ Quantum Health is implementing a data science platform with AI-driven personalised health recommendations for Vitality UK and is in discussions to extend this offering to other parts of Discovery.

+ PAHI's eShengBao product underpins the development of different insurance products for specific types of clients. This continues to encourage increased client spend and promotes the development of mid-market products and integration with Health & Wellness services.

+ PAHI added several new offerings to its health management business, including the development of industry-leading care navigation and hospital concierge services. This, together with the existing set of chronic and health management services, will further enhance client healthcare journeys.

+ PAHI individual business combined operating ratio (COR) improved by 4.2% during the six months ending June 2023, through effective expense management, the development of specialist risk management interventions and improved management of high-cost claimants.

WHERE WE ARE HEADED

VHI remains a key investment and growth area for the Group, and maintains its focus on leveraging emerging healthcare ecosystems to expand its footprint through equity partnerships in key markets. Digital health solutions have been established within Amplify Health, accelerated by the acquisition of AiDA Technologies. As Amplify Health expands, VHI's key focus remains on supporting management with its programme of advancing product and business development. VHI will continue to pursue opportunities to bring Quantum Health to the UK, the US and the Middle East while Vitality US focuses on delivering its new Vitality 3.0 product and health technology platform to the US market.

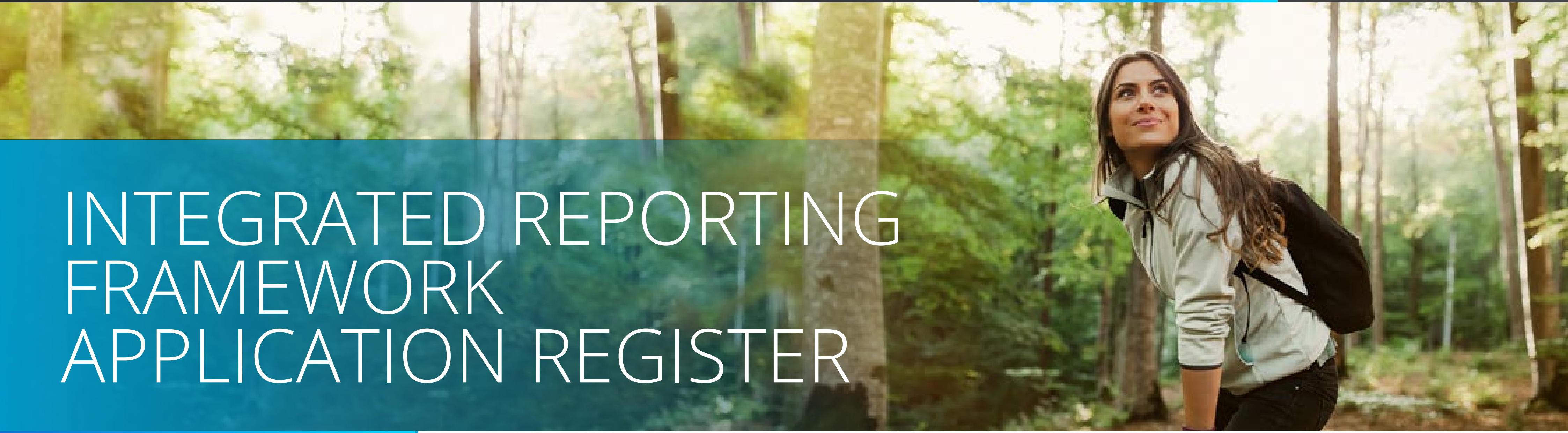
PAHI is focused on diversifying and growing insurance distribution channels to increase new business and reduce dependency on Ping An Life agency force. This will be done by targeting multiple distribution channels to scale and acquire clients and managing channels to generate sustainable and profitable growth. Health & Wellness capabilities under Le Jian Kang ('fun health') and an Active Rewards-type offering under HuoLiGO ('VitalityGO') are both housed in the redeveloped integrated PAHI app and the PAHI WeChat mini-program. To support profit growth over the next three years, PAHI will continue to focus on cost optimisation and loss ratio management.

The Ping An Group aims to build efficient access to online and offline healthcare services. PAHI leverages this healthcare ecosystem to build capabilities and products that provide superior value to clients. PAHI aims to develop across three platforms to enhance its insurance capabilities. The online and digital platform will increase the automation of claims and policy administration. The IT-support platform aims to improve product design, data management and capabilities. The Health & Wellness platform seeks to attract and retain healthy lives and generate services revenue. In May 2023, Discovery appointed a CEO of Vitality China, based in Shanghai, to represent Discovery on the PAHI Board of Directors and with primary responsibility for managing the relationship between Discovery and Ping An Group.

06

Integrated reporting framework

Integrated Reporting Framework application register



INTEGRATED REPORTING FRAMEWORK APPLICATION REGISTER

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

Our resources and relationships (capitals) and what they mean for us

FC FINANCIAL CAPITAL

The pool of funds, including equity and debt, used to support our global expansion, and investments in new businesses and initiatives.

HC PEOPLE

The human capital we depend on, including their diversity, skills, experience and expertise.

IC DATA AND INNOVATION

The intellectual capital we leverage to enhance our data and actuarial science capabilities to drive innovation – supported by big data, machine learning, automation and artificial intelligence.

MC TECHNOLOGY AND DIGITAL ASSETS

Our manufactured capital, including the Shared-value model and Vitality1 platform, as well as the assets developed through the model such as behaviour-change programmes.

SC RELATIONSHIPS

The social and relationship capital we rely on to establish equity and credibility in the market, including global partnerships and relationships with clients, governments and communities, and brand assets.

NC ENVIRONMENTAL RESOURCES

The natural capital used during normal business activities, including energy consumption and water usage.

In preparing our FY2023 Integrated Annual Report, we were guided by the requirements of the Integrated Reporting Framework. Our Board of Directors assumes responsibility for the integrity of this report and confirms that it complies with these requirements. We reference the application of the framework's guiding principles and content elements in the sections that follow.

Guiding principles

STRATEGIC FOCUS

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

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

Group Chief Executive's report on page 27.

Our strategy on page 30.

Risks and opportunities on page 40.

Our trade-offs on page 52.

How we create value on page 10.

CONNECTIVITY OF INFORMATION

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

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

Integrated thinking on page 3.

How we create value on page 10.

STAKEHOLDER RELATIONSHIPS

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

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

Engaging with our stakeholders on page 54.

Our material themes and material matters on page 14.

Our risks and opportunities on page 40.

More information is also included in our full **Governance Report**.

MATERIALITY

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

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

Our material themes and material matters on page 14.

Our risks and opportunities on page 40.

Guiding principles continued

Guiding principles

CONSISTENCY AND COMPARABILITY

The information in an integrated report should be presented:

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

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

Group Chief Executive's report on page 27.

Group Chief Financial Officer's review on page 66.

Our business reviews from page 76.

CONCISENESS

An integrated report should be concise.

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

Governance overview on page 16.

Our strategy on page 30.

Group Chief Financial Officer's review on page 66.

Our business reviews from page 76.

RELIABILITY AND COMPLETENESS

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

Our reporting process is subject to a rigorous internal review as part of our commitment to providing accurate information. Following an extensive review by our Group Internal Audit function, we believe that the quantitative information in this report – which includes both positive and negative information – is an accurate representation of Discovery's FY2023 performance. The report is also reviewed by our Group Audit Committee and, in turn, approved by our Board.

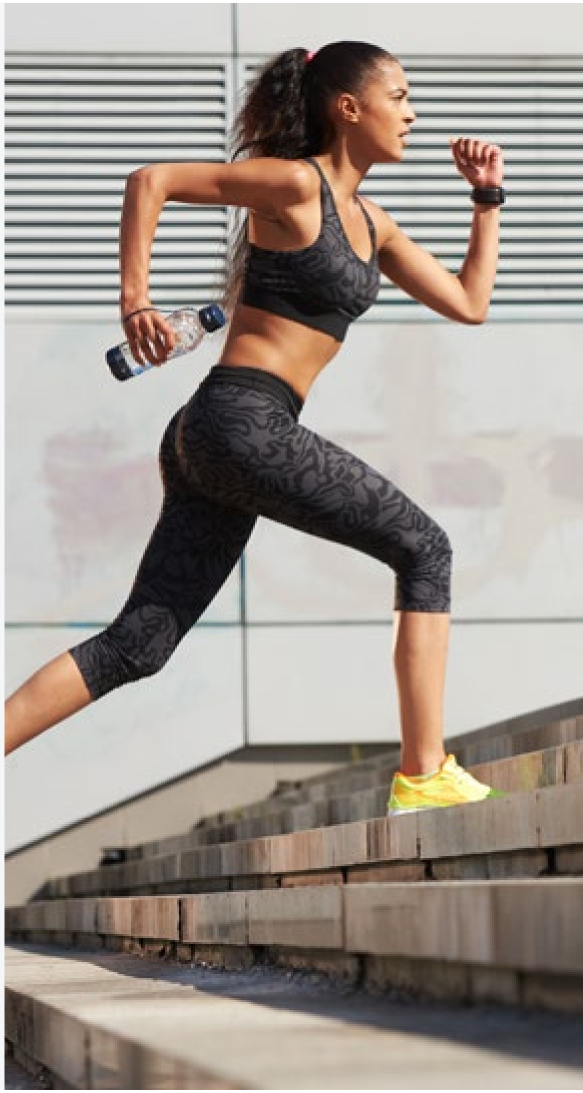
About this report on page 3.

Snapshot of FY2023 on page 9.

Our material themes and material matters on page 14.

Group Chief Financial Officer's review on page 66.

Our business reviews from page 76.



Content elements

ORGANISATIONAL ELEMENTS

What does the organisation do and what are the circumstances under which it operates?

We unpack who we are as a South African-founded diversified financial services organisation and global leader in shared-value insurance. We explain why we are in business, how we operate and what we do, and include key quantitative information to provide a holistic overview of our business and performance. We also disclose the material trends impacting our operating environment and our ability to create value in the short, medium and long term.

Group overview on page 5.

Our operating environment on page 49.

Our business reviews from page 76.

GOVERNANCE

How does the organisation's governance structure support its ability to create value in the short, medium and long term?

Our report provides insight into our leadership structure, including our Board members' backgrounds, qualifications, skills, experience and expertise. We also disclose key indicators of our Board composition, including race, gender, independence and tenure. Furthermore, we explain how our governance structures support value creation for our stakeholder groups by monitoring the Group's strategic direction.

Our leadership on page 19.

Governance overview on page 16.

Our full **Governance Report**.

Our full **Remuneration Report**.

BUSINESS MODEL

What is the organisation's business model?

Throughout this report, we use icons to indicate the various elements of our business model as defined by the Integrated Reporting Framework. We also include a detailed section to explain how we create value including how our business activities transform our inputs into outputs – our products and services – and outcomes in pursuit of our medium-term strategic focus, Ambition 2023 and our long-term objectives.

Our WHY, HOW and WHAT are fundamentally linked to our integrated thinking and the resources and relationships that we rely on to create and preserve value for our stakeholders.

Our Shared-value model incentivises positive behaviour change – delivering better value for clients, superior actuarial dynamics for the insurer, and a healthier society.

How we create value on page 10.

Our Shared-value model on page 11.

RISK AND OPPORTUNITIES

What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?

This report identifies Discovery's current and emerging risks, along with the steps we are taking to mitigate these and capture any opportunities that may arise.

Our risks and opportunities on page 40.

Content elements continued

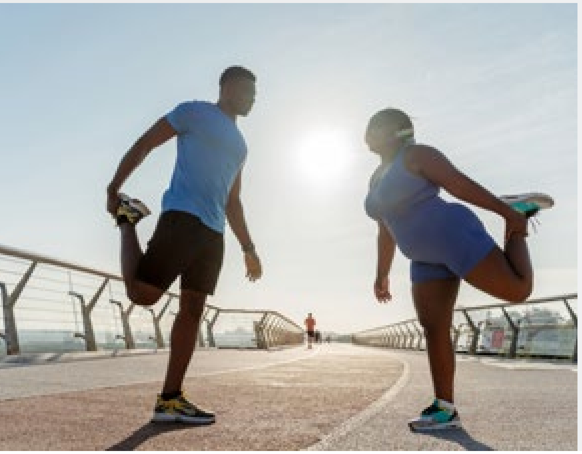
Content elements

STRATEGY AND RESOURCE ALLOCATION

Where does the organisation want to go and how does it intend to get there?

We detail our purpose-driven strategy, including our long-term strategic objectives across market-specific composites – South Africa, the UK and Vitality Global – along with our performance against Ambition 2023, our new medium-term ambition statement (Ambition 2026) and the short-term key performance indicators that will help us get to where we want to be.

- Group overview on page 5.
- Group Chief Executive's report on page 27.
- Our strategy on page 30.



PERFORMANCE

To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

Throughout this report, we disclose both quantitative and qualitative information on Discovery's performance during FY2023. We report on our progress against key performance indicators across our three strategic objectives, as well as how our performance impacted the six capitals. We also unpack the performance of each of our business units during the year.

- Snapshot of FY2023 on page 9.
- Group Chief Executive's report on page 27.
- How we create value on page 10.
- Our strategy on page 30.
- Our trade-offs on page 52.
- Group Chief Financial Officer's review on page 66.
- Our business reviews from page 76.
- Governance overview on page 16.

OUTLOOK

What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

We highlight Discovery's expectations for the short and medium term, as well as how we plan on achieving our long-term strategic objectives. We explain how we respond to changes in our operating environment to ensure the sustainability of our business, as well as the current and emerging risks we are likely to face in the short, medium and long term. Furthermore, we provide information on whether we are equipped to respond to future challenges given the difficult macroeconomic environment.

- Chairperson's reflections on page 17.
- Our operating environment on page 49.
- Group Chief Executive's report on page 27.
- Our strategy on page 30.
- Group Chief Financial Officer's review on page 66.
- Our business reviews from page 76.

BASIS OF PREPARATION AND PRESENTATION

How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

The content in this Integrated Annual Report is guided by issues that could substantively impact our ability to create or preserve value for our stakeholder groups over time, as well as those issues that could erode value if not managed effectively. As such, we outline a summary of the materiality determination process followed during FY2023, as well as the material themes and material matters that arose from this process. During the preparation of this report, we were also guided by specific principles, requirements and legislation.

- About this report on page 3.
- Our material themes and material matters on page 14.

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