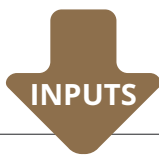




Our business model

Vitality forms the foundation of Discovery's Shared-Value Insurance model. Through this model, Discovery has enabled the world's largest behavioural platform, through which insurers and other financial services companies can access Vitality. Vitality measures engagement clinically and actuarially, enabling the dynamic pricing of mortality and morbidity, as well as financial, driving and health risks. Dynamic pricing enables us to price clients individually at inception, and in life insurance their premiums increase or decrease based on their Vitality engagement. In this way, our model continues to drive shared value: it improves risk behaviour and value for clients, delivers superior actuarial dynamics for the insurer, and a healthier society at large.



Although financial, human, intellectual, social and relationship capital are the most relevant to Discovery, we discuss all the capitals throughout our Integrated Annual Report 2018 and our Sustainable Development Report.

OUR KEY RESOURCES

Financial capital

Human capital

Intellectual capital

Manufactured capital

Natural capital

Social and relationship capital

BUILDING BRILLIANT BUSINESSES THROUGH A GLOBAL PLATFORM THAT HAS HIGH FINANCIAL AND SOCIAL IMPACT

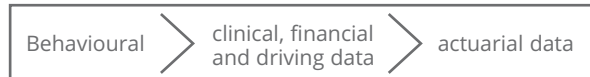
Shared-Value Insurance



Robust governance, risk and compliance structures guide business decisions.



Technology



OUR VALUES

- ◆ Business astuteness and prudence
- ◆ Innovation and optimism
- ◆ Great people
- ◆ Liberating the best in people
- ◆ Integrity, honesty and fairness
- ◆ Intellectual leadership
- ◆ Tenacity, urgency and drive
- ◆ Dazzle clients

CORE PURPOSE

Make people healthier and enhance and protect their lives

AMBITION 2018

To be the best insurer in the world and a powerful force for social good

Read more about our performance against the Ambition 2018 targets on **page 32**.

Read more about our key risks on **page 28** or visit **www.discovery.co.za** for our Governance Report.

Read our Sustainable Development Report on **www.discovery.co.za** for more details about the outcomes of our model in our workplace and in society.

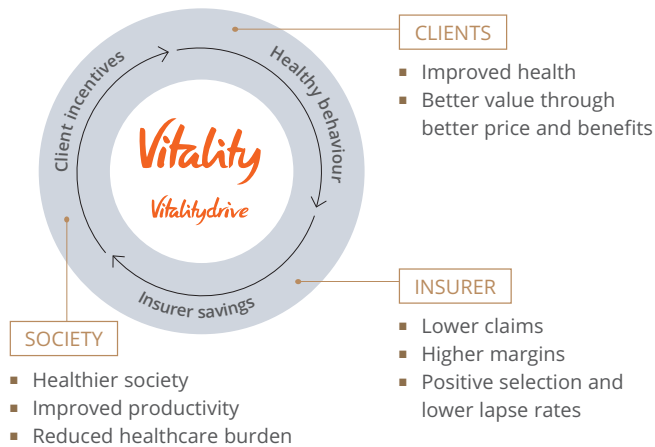
OUTPUTS

Clients can integrate their financial and insurance products to generate more value from financial rewards and incentives as they continue to engage with Vitality to improve their health. For the business, integrated policies are more profitable through stronger persistency, improved claims experience, higher margins and lower lapses and loss ratios.

OUTCOMES

OF SHARED-VALUE INSURANCE

Our Shared-Value Insurance model results in positive outcomes for our business, our clients, society and other stakeholders.



Share price at listing in October 1999

R6.90

Closing share price end of June 2018

R147.50

SHAREHOLDERS

CLIENTS AND OTHER AREAS OF THE INDUSTRY

Our model has shown resilience in varying economic climates and our businesses continue to perform well. We build mutually beneficial partnerships where we operate, and we continue to manage risks and environmental impacts such as:

- Changing regulatory and compliance requirements.
- Responding to slow growth in the South African economy and a low interest rate in our other primary market, the United Kingdom.
- Delivery on our ambitious business growth and managing the associated business, operational and funding risks.
- Ensuring correct use of client data and securing systems for high performance and safety against cyberattacks.
- Speeding up the pace of transformation within senior management in our business.

Refer to our business reviews from page 39.

BUSINESS

	Life insurance	Health insurance	Motor insurance	Long-term savings
SALES	20% – 30% increase in market share	44% increase in market share	6X increase in market share	70% – 200% increase in market share
SELECTION	20%+ better claims experience compared to non-Vitality	Initial engagers have: 28% lower hospital costs, 10% lower chronic conditions	10% better driving score compared to population	85%+ invested into preferred funds
BEHAVIOUR	>50% lower mortality on highly engaged	Members who run at least twice a week save 15% on healthcare costs	15% improvement in driving behaviour	60% lower income drawdowns
LAPSES	15%+ lower lapse rate Loyal clients have 50% lower mortality risk	>3.6x lower lapse rates	60% lower lapse rates Loyal clients have 24.7% lower absolute loss ratios than leavers	3x more ad hoc additions 25% – 50% lower withdrawals
SHARED VALUE	>2x Higher value of new business	4% Lower loss ratio	17% Lower loss ratio	>1.5x Higher value of new business