



The power of social good  
Welcome to Discovery Group's 2019 Sustainable Development Report

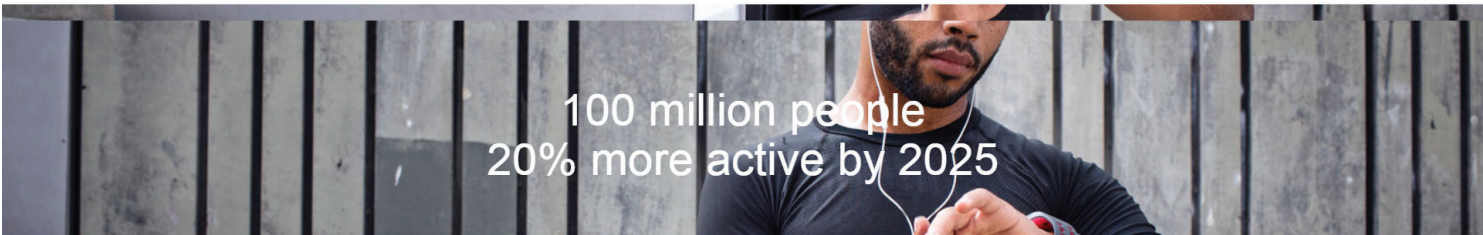
A message from Discovery Group  
CEO, Adrian Gore



Discovery's purpose is to make people healthier and enhance and protect their lives. The health and wellbeing of our members, stakeholders and other constituents is part of our DNA and inseparable from our business model. Since Discovery's inception in 1992, every product and service across the business has been built on the foundation of our Shared-Value business model, which has sustainable development at its core as it intersects with the needs of our clients, communities and nation.

Discovery's revised Group strategy, Ambition 2023, provides a stretch goal to achieve greater scale and impact at a global level, and key to this is being a powerful force for social good. Through the Vitality Shared-Value business model and platform, Discovery – along with its global partners – is changing the way consumers experience financial services. What was once a grudge purchase based on pre-existing risk is now a dynamic and rewarding partnership that encourages healthy behaviour. Vitality operates an economy of behavioural change, where the currency is healthy choice and the interests of client, insurer and society are aligned.

The Group continues to innovate as we expand into new and adjacent industries (most recently banking) and into new markets, extending the impact of shared value. Our purpose, values and model ensure that as we scale, our people remain focused on being a powerful force for social good. As part of this, in partnership with our Vitality network of insurers, we have made a bold public pledge to transform global health by making:



100 million people  
20% more active by 2025



It is a commitment to a social cause that is bigger than any individual organisation – it encompasses partnerships across sectors and nations that make people healthier on a global scale. It also stands as testament to a long-held belief – that if we take care of purpose, profits will follow.

Discovery has been a signatory to the United Nations Global Compact since 2015 and continues to uphold these principles as part of being a responsible corporate citizen.

[Click here to see shared value in action](#)

A message from Discovery Chief People Officer,  
Tswelopele Kodisang





Given its focus on incentivising healthy behaviour, it is inevitable (and even desirable) that Discovery's Shared-Value business model is broadly adopted by insurers worldwide. The model's success is demonstrated in the outcomes from each new insurance partner we work with and in each country we enter. The challenge then for Discovery is how to stay ahead and maintain our leading position in shared-value insurance globally. That comes back to our people – in pioneering and ethical leadership linked to our core purpose, a skilled and engaged workforce with an eye for innovation, and a culture that supports life-long learning.

Discovery's Sustainable Development team is revising the Group sustainability strategy. It is the result of widespread consultation with internal and external stakeholders, and will continue to give expression to what it means for us to be a powerful force for social good. It will also have a more direct link to the outcomes of Discovery's Shared-Value business model and Ambition 2023, and become the pressure test of the extent to which the core business strategy is driving measurable social value.

We believe the revised strategy will enhance Discovery's approach to sustainable development. It means that we are not simply responding to external forces in terms of sustainability, but measuring and reporting on relevant indicators that are aligned to our core business. It also challenges us as a business to test that every strategic decision we make and every product we develop is aligned to our objective of being a powerful force for social good.

The revised sustainability strategy will be submitted to the Social and Ethics Committee of the Board for final approval towards the end of 2019 and we will report against this strategy in the 2020 Sustainable Development Report. It will represent an evolution to a more aligned, measurable and business-driven strategy that reflects the interconnection between shared value and sustainability.

This report thus represents a transition between the previous and revised sustainability strategy.

### About our report

The Discovery 2019 Sustainable Development Report provides details on how Discovery has delivered on its commitment to be a powerful force for social good.

We invite you to explore this website to read more about Discovery's journey to realising our ambitions for the good of our clients, our business, our community and society.

[Details on our Sustainable Development report](#)

We are constantly working to improve our reporting processes and the way in which we measure our impact and outcomes. We welcome stakeholder feedback on our strategy, initiatives and reporting, which can be sent to [sustainability@discovery.co.za](mailto:sustainability@discovery.co.za)

### Our material matters

Discovery has defined material sustainability matters for this report as those matters that will substantively impact a stakeholder's evaluation of Discovery as a powerful force for social good.

The material matters were determined through interviews with executives and specialist teams across the South African and United Kingdom businesses on stakeholder concerns, key risks and management focus for the 2019 financial year. As a synthesis of the concerns of Discovery's leadership and those of key stakeholders, material matters inform and describe strategic decisions in relation to the needs and perspectives of key stakeholders.

The material matters (accessed in the link below and mapped per section in this report) have defined the content to be included in this report.

We are committed to maturing the materiality determination process over time to provide a robust framework for our sustainability and annual integrated reporting.

[Our material matters](#)

## Related Documents

[2019 SUSTAINABLE DEVELOPMENT REPORT SUMMARY](#)

[2019 INTEGRATED ANNUAL REPORT](#)

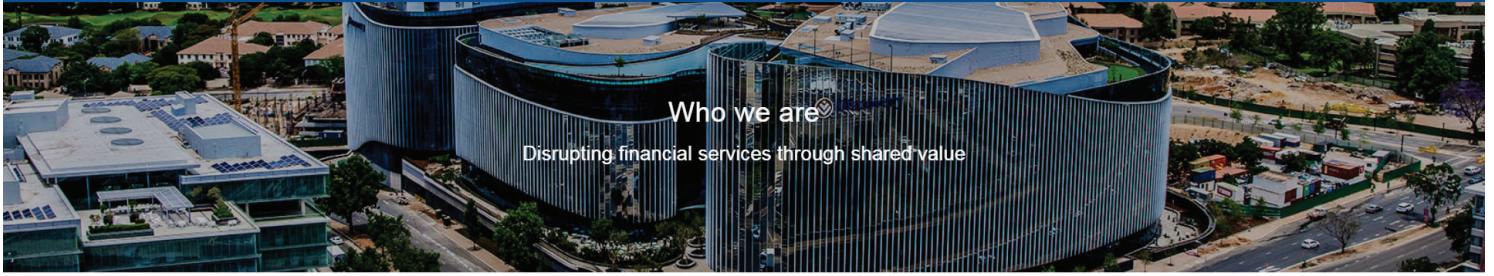
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About our business



Discovery Limited is a South African-founded financial services organisation that operates in the healthcare, life assurance, short-term insurance, savings and investments, banking, and wellness markets.

Established in 1992, Discovery is guided by a clear purpose – to make people healthier and to enhance and protect their lives. Our core purpose has manifested in a globally relevant Shared-Value business model, with Vitality at the centre, which creates value for our businesses, clients and society.

Discovery impacts 25.7 million lives globally and 11.2 million lives on Vitality across all markets. We apply our Shared-Value business model in 20 countries, leveraging the expertise of over 12 950 employees globally.

Primary markets

South Africa

<p><b>Discovery Health</b></p> <ul style="list-style-type: none"> <li>• South Africa's leading medical scheme administrator and managed care provider</li> <li>• Provides medical scheme members with access to quality, affordable healthcare on a sustainable basis, while assisting in enhancing the healthcare system for all South Africans</li> <li>• The business has a market share of over 40% in the overall medical scheme market in South Africa             <ul style="list-style-type: none"> <li>◦ This includes Discovery Health Medical Scheme, South Africa's largest open medical scheme with 2.8 million lives and a 56% share of the open market</li> </ul> </li> <li>• 18 restricted medical schemes are also under Discovery Health administration on behalf of corporate clients, with a 16.5% market share</li> </ul>	<p><b>Discovery Life</b></p> <ul style="list-style-type: none"> <li>• Provides individual and business clients with comprehensive life, capital disability, income protection, severe illness, funeral and other risk protection cover</li> <li>• Clients benefit from competitive premiums and ongoing dynamic pricing, based on a frictionless underwriting and health monitoring process which encompasses all health, clinical, genetic, lifestyle and demographic risk factors             <ul style="list-style-type: none"> <li>◦ Over 400 000 individual policyholders and over 600 000 Group Life policyholders</li> <li>◦ Over 25% protection market share</li> </ul> </li> </ul>	<p><b>Discovery Invest</b></p> <ul style="list-style-type: none"> <li>• Offers long-term savings and investment products</li> <li>• Aims to give clients best market performance and tax- and fee-efficiency, while still offering a level of protection against market volatility</li> <li>• Number-one writer of endowment and voluntary purchase annuities</li> <li>• Over 310 000 clients</li> <li>• R91.6 billion in assets under management</li> </ul>
<p><b>Discovery Insure</b></p> <ul style="list-style-type: none"> <li>• Provides personal and commercial short-term insurance</li> <li>• Lines of business for personal insurance include motor (which represents the greatest segment of</li> </ul>	<p><b>Discovery Card</b></p> <ul style="list-style-type: none"> <li>• Linked to Vitality, Discovery Card is a powerful financial service which helps to benefit and incentivise members to live healthy lives and make healthy choices</li> </ul>	<p><b>Discovery Bank</b></p> <ul style="list-style-type: none"> <li>• World's first behavioural bank</li> <li>• Aims to improve customers' financial health, helping them change how they work with their money by guiding, motivating and rewarding</li> </ul>

- the portfolio), building, household contents and portable possessions
- Commercial insurance was launched in 2018 and provides market-leading multi-peril cover for property and accident, motor and liability lines of business
- Both personal and commercial lines are underpinned by Vitality Drive, the innovative driver-behavioural programme that encourages and rewards good driving practices and improved risk management practices
- 66% of clients on Vitality Drive have a higher status than blue (the lowest tier)
- More than 10 billion kilometres of driving data gathered since 2011
- Over 220 000 vehicles insured

- them for becoming financially healthier
- After a successful completion of an intensive beta programme with staff, Discovery Bank has started a carefully managed and gradual process of on-boarding existing Discovery Card clients
- Digital-only banking product offering personalised interest rates and attractive rewards
- Integrated with other Discovery products to achieve more affordable life insurance, faster growing investments, smarter insurance and convenient health payments



- Largest health-promotion programme in South Africa and globally
- 1.8 million lives impacted in South Africa
- Underpins all Discovery's businesses by creating attraction and persistency for the entire suite of Discovery products
- Draws on behavioural economics to support and incentivise people to improve risk-related lifestyle behaviours and their consequently their health, driving and financial wellness
- Aims to be a growing and sustainable business that dazzles clients and society, and is a force for social good

## United Kingdom

### Vitality HEALTH INSURANCE

- Offers an integrated medical insurance and wellness proposition to individuals, and predominantly, small and medium enterprise clients
- The holistic healthcare solution integrates prevention and health promotion with traditional illness cover
- In the top 5 market leaders
- 643 000 insured lives covered, plus 715 000 non-insured lives covered by Healthy Workplace
- Cash generation of £14.7 million in the 2019 financial year
- Profit growth of 22% in the 2019 financial year

### Vitality LIFE INSURANCE

- Provides individual and business clients with life, capital disability, severe illness and income protection cover
- Serious Illness Cover protects policyholders for almost four times as many conditions as other providers
- Only life insurer that encourages and rewards policyholders for being healthy through a range of Optimiser products
- 543 000 lives covered

### Vitality INVEST

- Combines behavioural economics, savings and wellness to incentivise people to save sooner, invest for longer, manage their income drawdown and take steps to look after their health
- Combines traditional financial metrics with life expectancy insights, using our proprietary Vitality Age

## Discovery partner markets

### Vitality Group

- Operates in 20 countries, and impacts over 3.6 million lives
- Responsible for Discovery's expansion of Shared-Value Insurance beyond South Africa and the United Kingdom
- Fully leverages the capabilities and the Global Vitality Network
- Forms equity or contractual partnerships with leading insurers to integrate Vitality and shared value with our partners' insurance and financial service products
- New Vitality One solution is a globally unified systems architecture that markets can access, allowing rapid and economical deployment to our partners

### Vitality USA

- Corporate wellness offering

## Equity partnerships



## Contractual partnerships



## Recognising the strength of our brand

### 2019 Brand Finance Insurance 100 rating

- ✓ Discovery enters top 100 rating
- ✓ Listed as the world's second strongest insurance brand based on brand strength 20th annual Sunday Times Top Brands Awards

### 20th annual Sunday Times Top Brands Awards

- ✓ Discovery Health Medical Scheme received the Grand Prix award as the 2018 Overall Favourite Brand in the Business category and awarded first place in the medical aid category for the ninth consecutive year
- ✓ Discovery Insure as favourite customer brand in short-term insurance Brandz™ Top 30 – South African Brands 2018

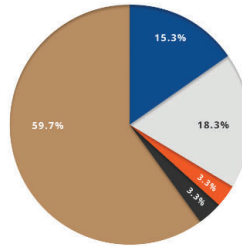
### Brandz Top 30 – South African Brands 2018

- ✓ 9th most valuable brand in South Africa

## Our value-added statement

### Distributing wealth among our stakeholders

One measure of a healthy organisation is its ability to deliver value to its stakeholders and society more broadly. Discovery's value-added statement provides a snapshot of the revenue generated by the Group in 2019 and details how this wealth is distributed among our stakeholders.



[DOWNLOAD 2019 VAS](#)

■ To employees   
 ■ To providers of capital   
 ■ To government  
■ To policyholders   
 ■ Retention for expansion and growth

## Applying behavioural economics

Driving shared value for Discovery, its members and society

[HEALTH AND LIFE INSURANCE](#)   
 [MOTOR INSURANCE](#)   
 [LONG-TERM SAVINGS](#)   
 [BANKING](#)



The Challenge: 4 lifestyle behaviours and 4 chronic conditions contribute to 60% of deaths worldwide



### The behaviours

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



### The conditions

- Cancer
- Lung disease
- Diabetes
- Heart disease

### The source

World Health Organisation and its Global Burden of Disease assessment



Our response: Make people healthier and live longer



### How we do this

As a **catalyst for behaviour change**, we **incentivise and reward** our members to improve their health by providing better value and improved price and benefits.



### Sustaining our business

Healthy behaviours supporting:


- Lower claims
- Higher margins
- Positive selection and lower lapses



### Sustaining society

Savings and healthier behaviours have a **positive societal impact** through:

- A healthier society
- Improved productivity
- Reduced healthcare burden



leading to a virtuous cycle of shared value

Additional information on the Group's strategy, performance and prospects can be found in the [2019 Discovery Integrated Annual Report](#)

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The Challenge: 5 driving behaviours and 3 driving conditions account for 60% of fatal accidents



The behaviours

- Excessive drinking
- Cellphone use while driving
- Excessive speeding
- Harsh braking
- Lack of vehicle care



The conditions

- Distracted driving
- Loss of vehicle control
- Reduction in vehicle safety

The source

Road Traffic Management Corporation and U.S. Department of Transportation



The Challenge: 3 controllable behaviours and 3 conditions result in 90% of people having inadequate retirement funding



The behaviours

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



The conditions

- Early depletion of retirement savings
- Dependence on family for financial assistance
- Dependence on state resources

The source

National Treasury



The Challenge: 5 controllable behaviours and 3 conditions lead to 80% of credit defaults and retirement shortfalls



The behaviours

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



The conditions

- Unable to deal with unplanned expenses
- Unsustainable and expensive debt
- Not being protected in retirement

The source

Journal of Economics and Finance and other sources

## Healthy and responsible products and services

Encouraging behaviours that promote better health, safer driving and financial wellbeing

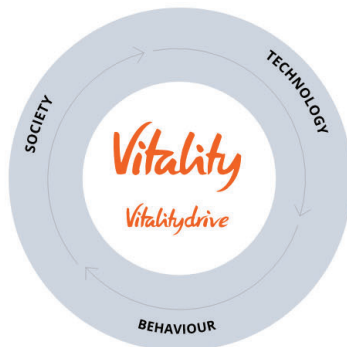


### Related material matters and issues

1. Deepen the social impact of our products and services.
  - Leverage product design and innovation to drive social good.
  - Scale our businesses to achieve greater impact.
3. Leverage our capacity to support resilient ecosystems.
  - Support national objectives to enhance market sustainability.
  - Reduce the cost of healthcare and the burden on public healthcare infrastructure.

## Deepening the social value of our products

In scaling our business globally to achieve *Ambition 2023*, we have retained our commitment of being a powerful force for social good, which is underpinned by the positive impact of our Shared-Value business model.



### Trends underpinning the increasing relevance of the Shared-Value business model include:

Societies require companies to fulfil a socially progressive core purpose

Consumers live in a technology dominated world and seek solutions instead of services

The nature of risk is behavioural, and solutions are becoming increasingly personalised.

Our Vitality One platform is a globally unified systems architecture that markets can access, allowing rapid and economical deployment to our partners. Through Vitality One, we are increasing the positive behavioural impacts of the Vitality programme globally by:

- Enabling more frequent engagement between our insurer partners and their customers
- Leveraging increasing quantities of data gathered from insurers across different countries to improve and develop new models
- Providing our partners with access to increasingly accurate insights on what behaviours and incentives achieve the best outcomes and greater social impact.

Our core markets of South Africa and the United Kingdom have led the way in deepening social value. In South Africa, we are using our unique approach to healthcare insurance to provide products that protect and enhance the lives of people across the socio-economic spectrum, including young people. This is helping to make healthcare accessible to a broader market and further alleviating the burden on public healthcare. This includes:

- **Discovery Health's strategic objective to become the lowest cost administrator, with ongoing investment in technologies to optimise operational efficiency and service levels. This not only supports better business and member satisfaction, but lowers costs.**
  - 8.81 member satisfaction score in Discovery Health Medical Scheme (DHMS)
  - 80% first call resolution
  - 3 483 468 total lives covered across open and closed schemes (at 28 June 2019)
  - R73 million paid from DHMS and select closed schemes in extended benefits
  - In DHMS members pay an average of 16.5% less than they would at the next eight largest open schemes.
- **Discovery KeyCare, an affordable medical aid option that is combined with KeyFit to give access to wellness facilities, incentives and tools to encourage healthier behaviour**
  - 237 368 average number of KeyCare members for the year to 28 June 2019
  - 7.8% lapse rate in KeyCare members, an increase from 7.4% in June 2018
  - 17 135 KeyFit members
- **Discovery Primary Care is a unique healthcare product that enables employers to provide employees and their families with affordable quality private healthcare and wellness management at a cost that is acceptable to employees at all income levels.**
  - 46 772 Primary Care members
- **Vitality Move brings our leading Vitality programme to the mass market.**
- **Vitality Open ran from October to November 2018 to broaden access to the Vitality programme and its rewards to all South Africans with a smartphone for no cost. You can read more about Vitality Open in 'Extending the possibilities of rewards' below..**



We announced Discovery Bank in November 2018 with a broad target market across all segments. Irrespective of income level, healthier financial behaviour will benefit clients through higher interest rates on savings and positive balances as well as lower rates on credit.



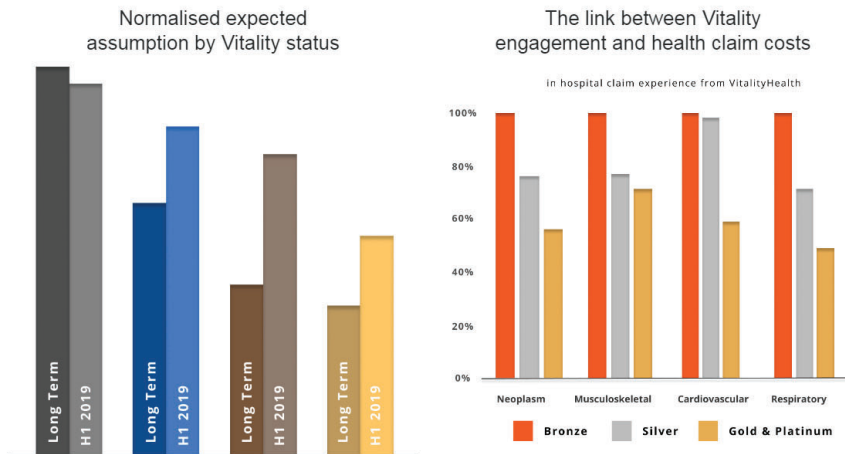
## Promoting better health

Non-communicable diseases (NCDs) such as cardiovascular diseases, lung diseases, diabetes and certain cancers continue to place an increasing burden on healthcare systems across the world. The cause of these 'lifestyle' diseases includes behaviours such as physical inactivity, smoking, substance abuse and poor nutrition – although genetic, environmental and even psychological factors also play a role.

Rapidly increasing rates of NCDs not only drive up costs and overload healthcare systems, but also negatively impact economic productivity. The World Health Organisation estimates that for every 10% increase in NCD mortality, economic growth is reduced by 0.5%.



Vitality's success in engaging our members to reduce health risks and associated healthcare costs is demonstrated in the differentials between Vitality status levels. As per the graphs below, the higher a member's status, the lower their mortality experience, and when they are hospitalised, the higher their status, the lower the claims experience.



When integrated with Vitality, Discovery Life's Shared-Value Insurance model also promotes better physical outcomes. With 80% of Discovery Life's customers also being members of the Vitality integrated products, we have built up a pool of healthy lives – mortality experience for highly engaged clients is 75% lower than for clients who do not actively engage in managing their health. Our unique value proposition has also led to significantly improved persistency for engaged clients, who exhibit lapse rates that are more than 45% lower than clients who do not engage in the Vitality programme.

## Extending the possibilities of rewards

The launch of the new Vitality Active Rewards platform in November 2018 continues to enable Discovery's ability to engage regularly with our members, and has increased Vitality's reward offerings, including new partners, various reward levels for MoveToGive, and the extension of the Vitality programme to the South African public through Vitality Open.

The Vitality Open was a 10-week campaign that was available to all South Africans with a smartphone to heighten awareness about the benefits of physical activity. We incentivised activity using the same Vitality platform, by extending Vitality Rewards for achieving fitness and driving goals.

We worked closely with our partners to extend these health and wellness benefits to the over 550 000 South Africans who participated. With activity tracked across steps, gym visits, park runs as well as driving behaviour, we recorded a 34% increase in physical activity across new participants and 29% of new participants improved their driving behaviour substantially. Discovery paid out over 50 million Vitality Reward Points over the Vitality Open. Considering that exercise for three days a week or more is linked to a 33% reduction in mortality, Vitality Open demonstrated shared value in action. The Vitality Open generated great excitement with our partners and strong media interest, extending awareness on the benefits of healthy behaviours.

In recognition of the link between physical activity and reduction of non-communicable diseases, the World Health Organisation (WHO) has established the Global Action Plan on Physical Activity 2018–2030, which aims to promote physical activity, provide updated guidance for countries and establish a framework of effective and feasible policy actions to increase physical activity at all levels (WHO, 2018).

As a commitment made last year, we continue to involve as many South Africans as possible in turning the tide against non-communicable diseases, and

Vitality's emphasis on moving more and eating healthily is part of that journey. Vitality Move, launched in 2017, provides affordable access to Vitality rewards and discounts with selected partners, and we continue to refine the offering to drive engagement and improved health outcomes for our clients. Part of this is in reducing all activation fees, including at gyms to increase access.

Vitality published *The Road to a Healthier South Africa in 2018* to combine results from the *Fittest City Index* and the *Drive Well Index*. It uses data analytics, clinical knowledge and behavioural insights to provide unique views of South Africans' physical activity and driving habits, and was widely distributed to external health providers and partners, as well as the media to help mobilise individuals, groups and policymakers to create a healthier, safer and more active country.

Access the full report [here](#)

The Vitality Health Check is a simple and convenient set of essential health tests of:

- Blood pressure
- Blood glucose
- Cholesterol
- Weight assessment, which includes weight, height and waist circumference
- Smoker status.

These five measures are key to assessing the risk of developing cardiovascular disease and diabetes.

We performed over 350 000 Vitality Health Checks in our 2019 financial year through accredited Vitality Wellness Centres, pharmacies in the Vitality Wellness Network, at Discovery Wellness Days or at Discovery Stores. We are working to reduce the costs and scale up the number of Health Checks, with an aim of achieving one million Vitality Health checks per year by 2020.



#### LEVERAGING TECHNOLOGY IN HEALTHCARE

#### PARTNERSHIPS FOR A SUSTAINABLE ECOSYSTEM

#### INCREASING SUPPORT FOR MENTAL HEALTH

Technology is a key enabler for us to broaden access and provide more cost-effective and affordable healthcare. During the year, we further enhanced the Discovery mobile app by adding the 'find a healthcare provider' function. This allows Discovery members to find general practitioners, medical specialists, hospitals or pharmacies, along with tips, details on cover through Discovery, and address and contact details.

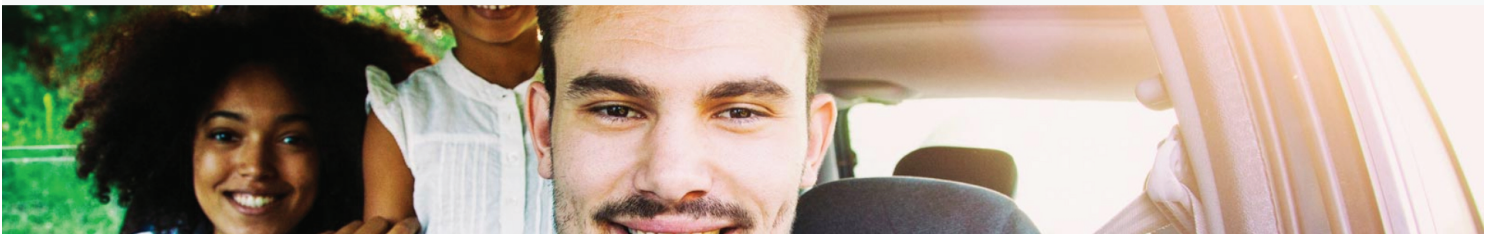
As a key stakeholder in improving health outcomes and efficiency, Discovery is a founding member of the Health Information Exchange initiative, called CareConnect. A memorandum of understanding in collaborative governance, decision-making and resource sharing has been completed and planning for a pilot is currently underway. The initiative aims to securely provide health information sharing services to enhance healthcare consumer engagement and experience, as well as lower healthcare costs for all South Africans.

As reported last year, DrConnect is a digital platform available through the Discovery app or website, where participating medical scheme members can search a growing library of over five billion doctor-created answers to common medical questions or conduct a virtual consultation with a doctor in the network using voice, text or video.

Discovery HealthID, our patient health record platform, shares important information with healthcare professionals selected by patients to give a more complete view of their health history and test results. This improves patient care and reduces the likelihood of serious medical errors, and duplicate or unnecessary pathology tests. In addition, HealthID also reduces the administrative burden for doctors by making it quick and easy to for them to complete Chronic Illness Benefit applications, and provides them with the relevant scheme formulary list. We continue to see consistent engagement on the platform and track the number of members who have given consent for their health records to be accessed.

Our continued focus on innovation and technology is important in driving internal efficiencies and productivity, but in the world of our members, it provides more seamless interaction with key healthcare touchpoints and information sources for a more empowered healthcare consumer.

Also, improvements in technology allow for increased verifiability of member activity levels, supporting the sustainability of the Shared-Value business model that incentivises members for healthy behaviours. Vitality has introduced in-app health management for at-risk members with personalised nutrition, preventative screening, weight management and the medicine tracker.



## Incentivising safer driving and healthier businesses

Better drivers mean fewer accidents and safer journeys for our clients and others on South Africa's roads. Discovery's commitment to "reduce harm on our roads through improved driving behaviour" is driven by monitoring and incentivising adherence to key principles: avoiding speeding, harsh acceleration and cornering, and being more aware while driving (with no phone use and observing a safe following distance). We continue to see the positive impacts with the frequency and seriousness of accident claims being reduced for those with a higher Vitality Drive status.

Relative average car accident claim amount by Vitality Drive status

100

Relative number of car accident claim amount by Vitality Drive status

100