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Our Report to Society provides information about our framework for sustainable development and our performance in each focus area. For an overview of how Discovery performed in each of the various business areas, go to [www.discovery.co.za](http://www.discovery.co.za) for our 2011 Integrated Annual Report.

About Discovery

“ We provide key facts about Discovery: where we operate, our businesses and number of employees. ”

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“Discovery today is a highly complex business that operates in different markets and industries. We serve nearly five million clients in four continents. With this increased scale comes the responsibility to be an effective leader that acts in the best interests of all stakeholders. Our core purpose guides us in how we do business and how we interact with people. As a company we continuously strive to find better solutions for people through innovations that provide unique value and protection over the long term. In this way we deliver on our core purpose of making people healthier and enhancing and protecting their lives.”

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**Our core purpose  
is to make people  
healthier and to  
enhance and  
protect their lives**

## How our core purpose contributes to a sustainable business

‘*Making people healthier*’ speaks to improving the quality of people’s lives by making them aware of their specific health risk factors and engaging them in the management and improvement of their health. This has become a particularly important pursuit in light of the increasing prevalence of chronic, non-communicable diseases of lifestyle such as cancer, stroke, cardiovascular disease and diabetes, which are severely impacting the economic and social development of both emerging and developed countries. Achieving this purpose requires an innate understanding of the complex behavioural motivators that cause individuals to pursue activities that impact their health in the long term.

Vitality is the product manifestation of this purpose, and is a systematised wellness programme that uses clinical and behavioural tools to motivate lifestyle behaviour change. It is the world’s longest-standing wellness programme that uses incentives to bring about sustained behaviour change in relation to both simple and complex lifestyle behaviours. We launched Vitality in 1997 as a response to the wellness trend and as a strategy to differentiate our business. We soon realised the power behind this simple concept: give people the tools and access to improve their health, measure their participation and reward them for adopting a healthy lifestyle.

Today, we understand the scientific link between behavioural economics and clinical and scientific wellness principles far better. This knowledge, coupled with a broad and extensive Vitality dataset (comprising over 150 million months of data), allows us to apply the Vitality methodology to markets other than wellness. The result is innovations such as VitalityDrive™ – our incentive programme aimed at improving people’s driving behaviour – and the HealthyFood™ benefit that aims to encourage people to change the complex health behaviour of following a more nutritious and healthy diet.

‘*Protecting lives*’ is about giving people the peace of mind that they will be protected should a life-changing event happen. It also means protecting people’s financial security. This need defined our approach in life assurance and investments. In life assurance, we entered an industry which, despite large established competitors, suffered from both a lack of transparency and product design that failed to take into account the changing needs of consumers. Life assurance typically relied on subjective, occupation-based definitions to assess disability claims. This meant that unless a policyholder was partially or temporarily disabled, the chances of a payout would be minimal. We addressed this issue by assessing claims based on the severity of the impairment according to a predefined scale. This meant that claims assessment was objective and transparent. This approach still forms the basis of innovation for Discovery Life clients.

Conversely, in investments, the use of open architecture platforms and development of a specialist asset management industry has driven the market to transparency and efficiency. As such, Discovery Invest developed unique value-adding solutions that wrapped around traditional products to provide unique protection to consumers.

The idea of ‘*enhancing lives*’ in our purpose is an extension of the Vitality proposition. Enhancing lives is about creating value: by encouraging people to lead healthier lives and giving them financial rewards and benefits to do so.

Finally, in talking about *people*, and not only clients, we introduce inclusiveness in our core purpose. This is because we are able to use our resources to extend our core purpose to more people – whether through increasing our scientific understanding of wellness, or through our corporate social investment in community healthcare projects. The Discovery Foundation is an example of how we strive to make more people healthier. In looking after our clients’ health, we understand how important it is for our healthcare system to have enough skilled and quality doctors. Our doctors are a national asset that we need to nurture and develop. For this reason we invest in their education through a series of awards, grants and fellowships.

“Our core purpose is to make people healthier and enhance and protect their lives.”



Sustainable development to us means creating long-term value in our business and for our stakeholders, while improving the lives of the people we interact with, as well as protecting our environment. Our framework for sustainable development consists of six focus areas where we can create value for our stakeholders.

1

**A values-based culture of opportunity and innovation**

- Create opportunities for our people to grow and develop their full potential
- Create an environment for innovation
- Embrace diversity and transformation in our business

2

**Strengthen the healthcare system and expand access to care**

- Use our healthcare assets to improve the efficiency and quality of care for our clients
- Invest in building healthcare capacity to make primary healthcare accessible to more South Africans
- Invest in scarce healthcare skills for South Africa
- Build a robust healthcare system through key partnerships and stakeholders

3

**Improve the financial security of our clients and protect them through innovative products and services**

- Provide life assurance, short-term insurance and investment products that address areas of need for consumers, such as the problem of underinsurance in South Africa
- Continuous innovation to meet the evolving needs of clients at every life stage
- Use the power of integration to deliver unique value to clients

4

**Use the principles of behavioural economics to drive positive behaviour change**

- Lower healthcare costs and improve the morbidity and mortality experience in life assurance through Vitality
- Help people make the positive lifestyle changes that are needed to address the increasing risk of chronic diseases of lifestyle
- Apply the philosophy of Vitality to structurally reduce the cost of insurance through positive behaviour change

5

**Promote a stable society**

- Ensure that the way we do business is accountable, transparent and ethical
- Build a world-class business that enhances South Africa's reputation internationally
- Support a culture of confidence and entrepreneurship in South Africa

6

**Our environmental responsibility**

- Measure, understand and monitor our direct environmental impact
- Find innovative ways to improve our operational efficiencies by reducing our environmental impact
- Understand the impact of environmental issues, such as climate change, on our business



For an overview of how Discovery performed in each of the various business areas, go to [www.discovery.co.za](http://www.discovery.co.za) for our 2011 Integrated Annual Report.

Key facts

6 323 employees

South Africa

The industries in which we operate

- Health insurance
- Life assurance
- Long-term savings and investments
- Short-term insurance
- Wellness and lifestyle benefits
- Credit card



Launched in 1992. One of South Africa's leading healthcare funders and administrator of the largest open medical scheme in South Africa. Read about Discovery Health's performance on page 46 of the 2011 Integrated Annual Report.



Launched in 1997. Science-based wellness programme, competitive differentiator and value creator. Read more about Vitality and DiscoveryCard on page 70 of the 2011 Integrated Annual Report.



Launched in 2001. Discovery Life is South Africa's fastest growing major life insurer in the risk market, and the first South African insurer to separate risk from investment, leading significant change in the industry. Go to page 56 of the 2011 Integrated Annual Report for more information on Discovery Life.



Launched in 2004. A Visa credit card offering that integrates with the Vitality and VitalityDrive™ programme to give clients cash back on shopping and travel.



Launched in 2007. Provider of innovative investment and long-term savings solutions that address gaps in the market by offering greater protection against poor investment choices. Information about Discovery Invest's performance is on page 65 of the 2011 Integrated Annual Report.



Launched in 2011. Discovery Insure provides comprehensive short-term insurance solutions and encourages better driving through its incentive-based driver programme, VitalityDrive™. Go to page 84 of the 2011 Integrated Annual Report for information about Discovery Insure.

\* Number of policies sold at the time of writing the report

726 employees

United Kingdom

The industries in which we operate

- Health insurance
- Life assurance
- Wellness and lifestyle benefits



Launched in 2004. PruHealth is a leading UK-based health insurer that offers private medical insurance and the only health insurer in the UK market that rewards people for leading a healthy lifestyle.



Launched in 2007. PruProtect offers pure-risk protection products in the UK market and is the only life insurer to give clients the opportunity to reduce their monthly premiums when they look after their health with Vitality. Read about PruHealth and PruProtect on pages 76 and 80 of the 2011 Integrated Annual Report.

Visit [www.pruhealth.co.uk](http://www.pruhealth.co.uk) for more information about PruHealth's unique approach to healthcare in the UK private medical insurance market.

Visit [www.pruprotect.co.uk](http://www.pruprotect.co.uk) for more information about how PruProtect offers comprehensive life cover, serious illness cover and income protection cover in the UK market.

54 employees



### United States of America

The industry in which we operate

- Corporate wellness solutions



Launched in 2008. The Vitality programme is a comprehensive health and wellness solution that educates, assists and motivates individuals to engage in healthy behaviour. The Vitality Group offers the Vitality programme to employers as a stand-alone programme.



Launched in 2011. HumanaVitality is a joint venture between Humana Inc and Discovery Holdings that makes Vitality available to Humana clients with commercial medical plans. Read about The Vitality Group's performance on page 90 of the 2011 Integrated Annual Report.



Go to [www.thevitalitygroup.com](http://www.thevitalitygroup.com) and [www.humana.com/vitality](http://www.humana.com/vitality) for more information about Vitality in the USA market.

4 employees



### China

The industry in which we operate

- Health insurance

### 中国平安 PING AN



In 2010, Discovery Holdings acquired a 20% share in Ping An Health Insurance Co. of China Ltd, a subsidiary of Ping An Insurance (Group) Company of China, Ltd. Read about Ping An Health's performance on page 94 of the 2011 Integrated Annual Report.



Our 2011 Integrated Annual Report is available at [www.discovery.co.za](http://www.discovery.co.za). Go to Investor Relations.

Our performance highlights in 2011

Operating profit increased by **32%** to **R2 838 million**

Gross inflows under management increased by **21%** to over **R50 billion**

Embedded value per share increased by **19%** to **R48.45**

We acquired Standard Life Healthcare and increased our shareholding in PruHealth and PruProtect from **50%** to **75%**

The Vitality Group completed a joint venture with Humana in the USA and capitalised a new entity, HumanaVitality

We launched Discovery Insure, our entry into the short-term insurance market

PruHealth delivered an operating profit of **R61 million**

**680 000** members committed on Vitality in the USA

The Discovery Foundation increased its funding commitment to **R69 million** and the number of recipients to **143**

Key innovations launched during the year include VitalityDrive™, AccessCover™ and Discovery Guaranteed Escalator Annuity, as well as PracticeXpress and MedXpress

The Discovery leadership team took part in the second Inspiring Excellence Challenge aimed at encouraging innovation in our business

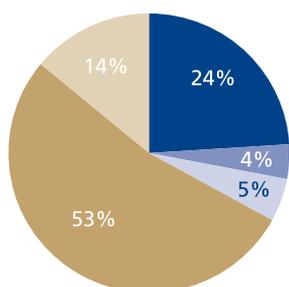
We contributed over **R15 million** towards developing small and medium enterprises in our supply chain

We finalised our climate change policy

Value-added statement for the year ended 30 June 2011

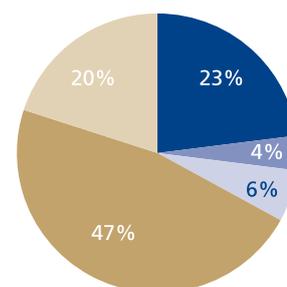
	2011		2010	
	R million	%	R million	%
<b>Value added</b>				
Net income of Group	16 154		13 115	
Investment income	1 016		540	
Financing costs	(168)		(14)	
Foreign exchange (loss)/gain	(14)		(3)	
Acquisition costs	(1 998)		(1 842)	
Payments to suppliers of material and services	(2 880)		(2 220)	
Share of loss from associates	(4)		-	
Non-recurring transactions	(374)		-	
	<b>11 732</b>		<b>9 576</b>	
<b>Value allocated</b>	<b>(8 239)</b>			
<b>To employees</b>				
Salaries, wages and other benefits	2 823	24	2 255	23
<b>To providers of capital</b>	447	4	373	4
Dividends paid to equity holders	445		375	
Minority shareholders	2		(2)	
<b>To government</b>	644	5	572	6
Normal taxation	377		362	
Value-added tax	158		162	
Capital gains tax	52		1	
Secondary tax on companies	45		37	
Other	12		10	
<b>To policyholders</b>	6 170	53	4 462	47
Policyholder claims	4 640		1 745	
Transfer from assets/liabilities arising from insurance contracts	1 530		2 717	
<b>Retention for expansion and growth</b>	1 648	14	1 914	20
Retained income	882		1 342	
Depreciation and amortisation	368		190	
Deferred taxation	398		382	
	<b>11 732</b>	<b>100</b>	<b>9 576</b>	<b>100</b>

2011



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

2010



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

## A summary of our progress in 2011



Read our detailed performance reviews in our 2011 Integrated Annual Report available at [www.discovery.co.za](http://www.discovery.co.za)

### Key to symbols

● Priority achieved

◐ Priority ongoing

○ Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Creating benefit and contribution stability for the Discovery Health Medical Scheme members and improved quality of care	<ul style="list-style-type: none"> <li>Average contribution increase of 7.9% for 2011</li> <li>Benefit enhancements introduced</li> </ul>	◐
Continued product innovation for Discovery Life that leverages the integration capabilities of Discovery Vitality	<ul style="list-style-type: none"> <li>New products launched: AccessCover™, Philanthropy Fund™, Income Continuation Benefit Extender</li> </ul>	●
Developing targeted product offerings for Discovery Vitality	<ul style="list-style-type: none"> <li>We launched KeyFIT, our wellness programme aimed at the KeyCare market</li> </ul>	●
Investing in the international capabilities of Vitality	<ul style="list-style-type: none"> <li>We have invested in the core capabilities of Vitality with a view to rolling it out in other markets</li> </ul>	◐
For Discovery Invest, a continued focus on distribution support, product innovation, brand credibility and awareness	<ul style="list-style-type: none"> <li>Discovery Guaranteed Escalator Annuity™, Discovery Classic Flexible Investment Plan, Discovery Best Ideas Fund and Discovery Global Escalator Fund launched</li> <li>We hosted the second Discovery Invest Leadership Summit</li> </ul>	●
Leveraging the strengths of Standard Life Healthcare and PruHealth to create the leading private medical insurance provider in the UK	<ul style="list-style-type: none"> <li>We started integrating the Standard Life Healthcare business into the PruHealth business. New product range launched</li> </ul>	◐
Focusing and developing integration opportunities across Vitality and PruProtect	<ul style="list-style-type: none"> <li>We launched VitalityPlus in the UK market. Innovative benefit enhancements launched, including Education Cover product</li> </ul>	◐
Completing our stakeholder engagement on our environmental policy and strategy and implementing our policy	<ul style="list-style-type: none"> <li>Internal stakeholder engagement completed</li> <li>Environmental and climate change policy completed</li> </ul>	◐
Agreeing on and implementing reduction targets	<ul style="list-style-type: none"> <li>We have not agreed on specific reduction targets yet</li> <li>We are currently investigating different ways of reducing our energy usage</li> </ul>	○
Implementing recommendations from the energy efficiency audit to further reduce our electricity consumption	<ul style="list-style-type: none"> <li>We are currently investigating different ways of reducing our energy usage</li> </ul>	○
Delivering on the environmental initiatives identified by the Green Forum	<ul style="list-style-type: none"> <li>Discovery currently operates a 60% paperless environment in the area of communication to clients</li> <li>Discovery's Green Forum is investigating reducing our reliance on paper even further in other areas of the business</li> </ul>	◐
Formulating and rolling out awareness and communication campaigns to educate our employees on environmental issues	<ul style="list-style-type: none"> <li>Employee awareness campaign hosted on World Environment Day</li> </ul>	◐

**Key to symbols**

 Priority achieved

 Priority ongoing

 Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Rejuvenating our core values throughout Discovery	<ul style="list-style-type: none"> <li>Project to rejuvenate Discovery's core values throughout the business started in the second half of 2011</li> </ul>	
Continuing to embrace diversity in our business to meet our transformation goals	<ul style="list-style-type: none"> <li>Targeted mentorship and development programme implemented in 2010. The Discovery CEO programme is aimed at developing high-potential, primarily black senior leaders at Discovery</li> </ul>	
Fully integrating and aligning the Standard Life Healthcare team into Discovery	<ul style="list-style-type: none"> <li>Successful integration of Standard Life Healthcare team into PruHealth</li> <li>First PruHealth Leadership Conference hosted</li> </ul>	
Continuing to develop our leaders	<ul style="list-style-type: none"> <li>The Discovery Leadership Architecture, aimed at developing leaders at all management levels, was completed during the year</li> </ul>	
Increasing employee engagement in Discovery and retaining talented employees	<ul style="list-style-type: none"> <li>Increased employee engagement in our internal rewards programme, Prosperity</li> </ul>	
Continuing our engagement with stakeholders on healthcare issues in South Africa	<ul style="list-style-type: none"> <li>We continued our engagement with stakeholder groups such as the Department of Health and the Government on issues impacting healthcare in South Africa</li> </ul>	
Implementing three private-public initiatives with the Department of Health and other stakeholders	<ul style="list-style-type: none"> <li>Partnership with the South African National Council for the Blind continued. This project is aimed at increasing the number of cataract surgeries in the public sector</li> <li>A training programme on antiretroviral treatment for nurses was done in partnership with the Lung Institute of the University of Cape Town</li> <li>We partnered with the Operation Abraham Collaborative to facilitate training of healthcare professionals in KwaZulu-Natal on high-volume medical male circumcision</li> </ul>	
Implementing a national immunisation project in partnership with UNICEF	<ul style="list-style-type: none"> <li>The Discovery Fund implemented a partnership with UNICEF to expand coverage of immunisation in South Africa</li> </ul>	
Continuing the impact and work of the Discovery Foundation to increase the number of specialists in South Africa	<ul style="list-style-type: none"> <li>We increased our financial support for specialist training to R69 million, and the number of Foundation Award recipients to 143</li> </ul>	
Developing our enterprise development strategy further to identify more opportunities for business partnerships that will benefit our supply chain	<ul style="list-style-type: none"> <li>We have contributed over R15 million towards developing small and medium enterprises in our supply chain</li> </ul>	
Engaging with internal and external stakeholders on Discovery's sustainability strategy	<ul style="list-style-type: none"> <li>We have completed an extensive internal stakeholder engagement process on Discovery's framework for sustainable development</li> <li>We have not yet completed our external stakeholder engagement process</li> </ul>	
Defining, communicating and implementing our sustainability strategy	<ul style="list-style-type: none"> <li>We started a change management programme to communicate and drive sustainability initiatives and objectives within Discovery</li> </ul>	
Discussing and agreeing on sustainability targets for our various business areas	<ul style="list-style-type: none"> <li>We have agreed on and implemented specific priorities for each area of sustainability</li> </ul>	

Our key priorities for 2012

Have a positive impact on society through our products and services and the way we do business

- Continue to use innovative product solutions to service the needs of the lower-income market, and form key strategic partnerships in the area of healthcare to broaden access to care
- Continue the impact and work of the Discovery Foundation to increase the number of specialists in South Africa
- Increase the focus of the Discovery Fund on nutrition as an important element of primary healthcare
- Roll out an awareness campaign and implement working plans for the Discovery UNICEF Immunise SA programme
- Increase the number of Discovery employee volunteers and improve the quality of engagement with community projects
- Encourage positive health behavioural change for Vitality clients through different platforms
- Refine important Vitality benefits to drive higher engagement levels in key health behaviours and activities
- Build on the success of the HealthyFood™ benefit to improve the nutrition and well-being of our members and provide them with more value
- Expand access to financial products by developing products targeted at the lower-income market
- Continue to measure and track our environmental performance
- Agree on targets for reducing our carbon emissions
- Implement a working plan to meet the commitments of our climate change policy

Play a leadership role for our clients and in our industries and country

- Continue to leverage our scale, resources and partnerships to provide access to quality healthcare on a sustainable basis, and impact on the entire industry in a positive way
- Leverage Vitality as the global thought leader in wellness and have a positive impact on society in the area of wellness
- Implement our enterprise development strategy to focus on opportunities to develop a culture of entrepreneurship in South Africa
- Continue to encourage entrepreneurial and business knowledge in South Africa through the Discovery Invest Leadership Summit

Build financial strength and sustainability to benefit all stakeholders

- Provide benefit and contribution stability across the Discovery Health product range
- Bring down the cost of healthcare for Discovery Health members
- A continued focus on managing financial risk for Discovery Life
- Further development of Ping An Health's operational, service and risk management infrastructure in China
- Drive new business for Discovery Insure to reach scale

Invest in the talent of our people

- Continue to identify, develop and retain talented employees through our talent management programme
- Focus on developing the leadership skills of Discovery people through our Leadership Development Architecture, with a special focus on senior leadership development
- Focus on rejuvenating Discovery's core values throughout all our businesses
- Continue our focus on diversity and transformation
- Encourage the health and wellness of our employees
- Engage employees in our business through our internal rewards programme, Prosperity

Deliver innovation for the benefit of our clients

- Drive further service and benefit innovations for Discovery Health members, healthcare professionals and financial advisers
- Continue to use innovation to ensure Discovery Life and PruProtect clients are adequately insured
- Enhance Discovery Life's Group Risk offering for corporate employers
- Encourage consumers to increase their level of savings through innovative savings and investment products
- Continue Discovery Invest product innovation to offer investors greater value and protection
- Introduce innovative products to the Chinese market
- Create an engaging online and social media presence for PruHealth clients



“ We are a proudly South African company that aims to be a leader in our respective industries as well as in the South African economy and society. We seek to add value to people’s lives by delivering positive structural change to the markets and industries in which we operate. Our products and services are designed to make people healthier and enhance and protect their lives across a spectrum of financial and protection needs. ”

Our

# FRAMEWORK

for sustainable development



# Our framework for sustainable development

## How our business works

“Discovery’s business model ensures we create value by delivering on our core purpose of making people healthier and enhancing and protecting their lives. The way we do business, the products and services we deliver and our interactions with our stakeholders must add value to people’s lives.”

### Our business model relies on key strategic competencies to create and deliver value

Innovation and financial prudence	Integration	Wellness	Consumer engagement	Incentive-based insurance
We use innovation to disrupt markets and create value. Central to our business model is the ability to combine and balance innovation with financial prudence and a focus on meeting consumers’ needs by creating products and services that deliver value and efficiency.	Our best-of-breed products and services enable us to use the principle of integration to give consumers value by creating efficiency and long-term value. Our product offerings integrate seamlessly through the Vitality programme and DiscoveryCard to enhance value for clients. Integration as a key strategic competency creates efficiency and long-term loyalty, thereby contributing to the profitability and sustainability of our business.	Our philosophy is to contribute to a healthier society by giving people access to healthcare and encouraging healthy behaviour and lifestyles. Across our product offerings, we provide consumers with the tools and incentives to become healthier through Vitality. Vitality is a unique differentiator and driver of competitive advantage and has been scientifically proven to improve health outcomes and lower healthcare expenses.	A focus on consumers and their needs forms the basis of our approach. Our client-centric approach aims to create products which fully engage our clients, bring positive change in their behaviour and offer them real value.	Incentive-based insurance applies the principles of behavioural economics to insurance. Through a combination of financial incentives and increased client knowledge, an incentive-based insurance model structurally reduces the cost of insurance and significantly improves the value consumers receive.

### What we value in our business

Eight values frame our business methodology and guide us in how we do business:

1. Innovation and optimism
2. Business astuteness and prudence
3. Great people
4. Liberating the best in our people
5. Integrity, honesty and fairness
6. Intellectual leadership
7. Tenacity, urgency and drive
8. Dazzle clients

## Our key impacts

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### **Our employees**

We impact the lives of employees in four countries. It is our responsibility to ensure they are treated fairly and have a safe working environment where their innovation and drive will contribute to the company's continued success.

### **Our customers**

Our customers rely on the financial protection we provide in the area of healthcare, life assurance, investments and short-term insurance. Financial protection and especially healthcare are important for the wellbeing of our customers, and how our communities and society develop over the long term. We consider the impact of our products and services, and the way we do business, as critical.

### **The South African healthcare industry**

The scale of the Discovery Health Medical Scheme positions Discovery Health as a leading roleplayer and collaborator in the South African healthcare industry. The way in which we manage healthcare for our members also has a ripple effect for the entire industry in terms of approach, costs and systems.

### **The financial services industry**

Discovery Life is a leading life assurer in the financial services market in South Africa. Our approach to risk management has led to a structural change in the life assurance industry with the majority of life assurers separating risk and investment policies – a move away from universal life policies.

Discovery Invest has grown significantly since its launch in 2007 and today has more than R17 billion in assets under management. Innovation in the investment products and services we provide, impacts the wider long-term savings and investment industry.

Discovery Insure was launched in May 2011. Our approach to short-term insurance is characterised by innovation and the principle of behavioural economics. Discovery Insure aims to structurally reduce the cost of insurance through positive behavioural change. We also aim to reduce the cost of fuel for clients and to make the roads safer for families insured by Discovery.

### **Our community**

The majority of South Africans rely on public healthcare to meet their healthcare needs. In the broader community, we are able to use our skills and resources to support and strengthen healthcare delivery.

## Our framework for sustainable development

### Discovery and sustainability

Sustainability for Discovery means a business that continuously works to improve the lives of the people who interact with us. One of our important stakeholder groups is our clients. We serve nearly five million clients in complex financial services markets. This means that we understand the material issues that impact our industries, markets and people. Within the complex healthcare environment for example, it means understanding the issue of cost per benefit unit and the quality of care people receive and ensuring an optimal balance between these two factors. Another important stakeholder group for example, is our employees whose skills and talent contribute to the long-term success and sustainability of our business.

It is also important to understand that we operate in an interdependent environment where a broad range of social, environmental and economic issues may impact on Discovery, and where in turn, our business impacts various stakeholders. Risks to our business, whether financial or non-financial, range from uncertain macro-economic conditions and increasing market volatility to climate change uncertainties and the need for social development. To ensure our business develops in a sustainable manner to the benefit of all stakeholders, we must not only address and manage these risks in a responsible manner, but we must also find innovative ways to turn risks into opportunities.

“Our main strategy to ensure sustainable development focuses on using innovation to create and add value. We aim to deliver innovative solutions that not only create value for our stakeholders over the long term, but also extend our core purpose to the broader community.”

### Our engagement on sustainability

To understand sustainability in the context of Discovery, we started an internal engagement process in 2009. This process helped us define our business strategy in relation to sustainability issues. The development of the strategy framework involved understanding our current context and how it relates to our business, international best practice, and guidelines and standards. This resulted in an initial framework which was further developed through extensive consultation and engagement. This assisted us in defining the key material issues that relate to our core business. Through this process we developed our framework for sustainable development.

#### We asked the following questions:

- ▶ How is the world enriched, or diminished, by our products and services?
- ▶ How do we impact society?
- ▶ How does the way we do business reflect how we impact society?
- ▶ Who are the people we impact?
- ▶ How do we include them in the way we do business?
- ▶ How do we take the needs of society and future generations into account?

Our Transformation and Sustainable Development Committee, as well as the Discovery Executive Committee, reviewed and gave input on the key issues and the framework.

The framework further informs our sustainability strategy. Discovery's Sustainability Division coordinates the implementation and management of this strategy as well as reporting and internal communication.

At a Group level, the Director of People and Sustainable Development oversees all our sustainability initiatives. Discovery's Sustainability Division reports on progress made on our objectives to a sub-committee of the Board of Directors – the Transformation and Sustainable Development Committee.

## Our framework for sustainable development

### Our six areas of focus

“Discovery’s framework for sustainable development represents our approach to sustainability and sustainable development as it relates to our core business and the environment and context in which we operate. The framework consists of six focus areas based on the material risks and opportunities for the business.”



#### ► 1. A values-based culture of opportunity and innovation:

At Discovery, we aim to inspire our people to liberate their potential through a vibrant culture of innovation and performance, which leverages diversity and embraces transformation.

#### ► 2. Strengthen the healthcare system and expand access to care:

We aim to use our resources and expertise to build a better healthcare system for all South Africans. We also aim to extend this priority to include underserved communities as we recognise the importance this has on our business, for our members and broader society.

#### ► 3. Improve the financial security of our clients and protect them through innovative products and services:

Through innovative product solutions we offer our clients unique financial and lifestyle protection.

#### ► 4. Use the principles of behavioural economics to drive positive behaviour change:

We leverage our experience in incentivising behavioural change to develop innovative products which create value for our clients and address critical societal problems.

#### ► 5. Promote a stable society:

We aim to build a sustainable business to benefit our clients today as well as future generations. We are also committed to South Africa’s future growth.

#### ► 6. Our environmental responsibility:

We aim to decrease our environmental footprint and enhance our understanding of and responsiveness to environmental challenges.

# Our framework for sustainable development

## Our management of sustainability

### We approach the management of sustainability in an integrated way

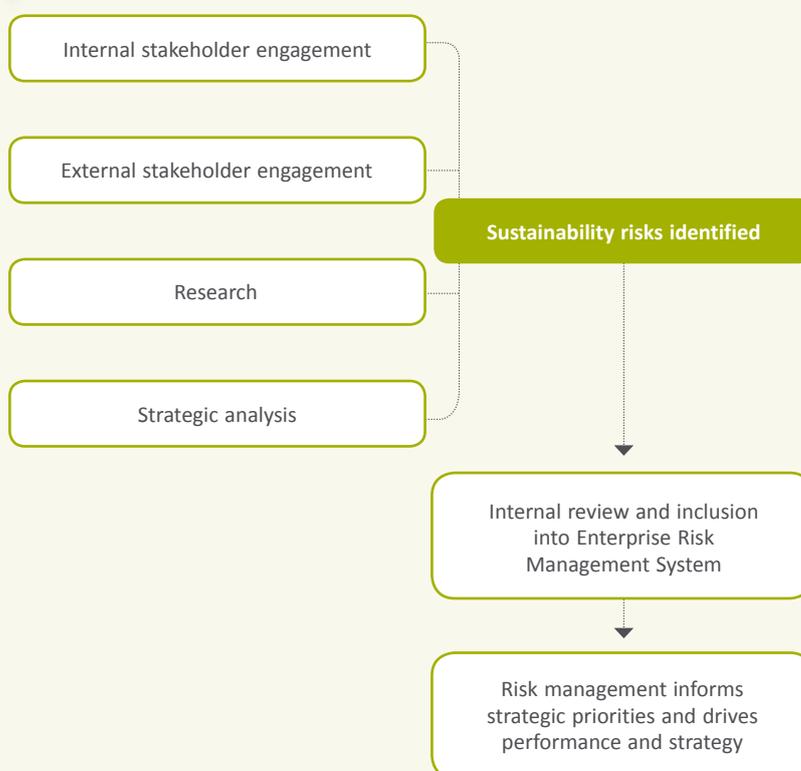
- Discovery’s Executive Committee oversees the implementation of our sustainable development strategy, and the projects that support this strategy
- Our Transformation and Sustainable Development Committee, a sub-committee of the Board, oversees and monitors our progress against sustainability objectives
- Discovery’s Sustainability Division drives, coordinates and implements sustainability initiatives across the business. This includes communication and change management programmes on sustainability. Various business areas, including Marketing, Discovery People, Risk and Compliance, are responsible for managing aspects of the framework
- We have assigned a focus head to each sustainability area. The focus head is accountable for objectives and outcomes in the specific sustainability area
- Sustainability change agents in each business area act as sustainability champions by encouraging communication and engagement on sustainability.

### Risk management

A key aspect of sustainability management is the identification and mitigation of risk. During the past year we completed an engagement process to identify and understand risks that relate specifically to Discovery’s sustainability issues. The identified risks were incorporated into the Enterprise Risk Management System where they will be managed by relevant units within the business.

The risk process assisted us in refining our strategic priorities and projects to mitigate material risks.

### Our dialogue around sustainability risks



## Our framework for sustainable development

### Our stakeholders

“ In the normal course of business, we regularly engage with and talk to our stakeholders. From time to time, we may also speak to selected stakeholder groups on specific issues. King III promotes the ‘stakeholder inclusive model’ where the Board considers the legitimate interests of all stakeholders when making decisions in the best interests of the company. This may mean integration and a trade-off between the interests of different stakeholders at different times, to meet the objectives of the company. ”



### A framework to manage our engagement with our stakeholders

During the year, we started work on a framework to manage our relationships and engagement with all stakeholders. We engage with numerous stakeholders on an ongoing basis. This framework aims to facilitate the management of stakeholder engagement and ensures that our engagement builds trust. It also informs our strategy and approach to sustainability. The framework has been developed using an internationally accepted standard, the AccountAbility AA1000 Stakeholder Engagement Standard. The AA1000SES assists companies in detailing the following:

- ▶ **Main objectives**
- ▶ **Key material issues**
- ▶ **Identified stakeholders**
- ▶ **Methods of engagement**
- ▶ **Monitoring of engagement**
- ▶ **Review of engagement**

The draft stakeholder engagement framework was circulated for completion and comment to all relevant stakeholders in the business and has been accepted. We now aim to develop the stakeholder engagement process further by following the steps outlined in the AA1000SES guidelines.

Our stakeholder engagement framework will ensure that we understand our stakeholders’ concerns and needs, and that we take into account their interests in our decision-making process.

A priority for our Sustainability Division is to investigate a system to monitor engagement throughout the business.

# Our framework for sustainable development

## Our stakeholders

Stakeholder group	How we engaged with our stakeholders during the past year	Examples of outcomes from stakeholder engagement
<b>Our clients</b>	<ul style="list-style-type: none"> <li>• Member-based research and surveys</li> <li>• Outbound surveys and interviews</li> <li>• Complaint and escalation process</li> <li>• Discovery website</li> <li>• Social media (Facebook and Twitter)</li> <li>• Discovery magazine</li> <li>• Electronic newsletter</li> <li>• Claims statements</li> <li>• Corporate Health Managers who regularly meet with employers</li> <li>• Employer website and call centre</li> <li>• Year-end revision launches and communication</li> <li>• Presentations to employees of companies</li> <li>• Discovery Invest Leadership Summit</li> <li>• Discovery Invest Moneyweb seminars</li> <li>• Regular product and benefit updates</li> </ul>	<p>Our regular member surveys and research help us to assess our service to our members and to identify any areas for improvement. For 2012, we have launched a series of initiatives aimed at helping members navigate the healthcare system. This includes HospitalXpress – an online tool that makes hospital admission more convenient and seamless for members. This service offers express pre-admissions and online tools to authorise admissions and confirm cover</p>
<b>Our employees</b>	<ul style="list-style-type: none"> <li>• Discovery intranet</li> <li>• Employee roadshows</li> <li>• Discover internal magazine</li> <li>• Stay and exit interviews</li> <li>• Leadership roadshows and conference</li> <li>• Company-wide performance appraisals</li> <li>• Electronic newsletters</li> <li>• Annual Leadership Conference</li> <li>• Employee engagement survey</li> </ul>	<p>To achieve our goal of retaining talented, high-performing employees at Discovery, it is essential that we understand what issues are important to them and how they feel about working at Discovery. In February 2011, we ran the Corporate Leadership Council's employee engagement survey across the company. This measured employees' rational and emotional commitment to Discovery, as well as their intent to stay. The online survey is used globally and results can be compared to global, South African and Discovery benchmarks</p>
<b>Healthcare professionals</b>	<ul style="list-style-type: none"> <li>• Thought Leadership Summit</li> <li>• PracticeXpress</li> <li>• Key account managers</li> <li>• Engagement with representative bodies on specific industry issues</li> <li>• Articles in medical journals</li> </ul>	<p>PracticeXpress is aimed at not only improving the quality of care a patient receives within the healthcare system, but also gives healthcare professionals an integrated view of a patient's medical history. It also reduces the administrative burden on doctors by allowing a seamless integration of downstream care</p>

# Our framework for sustainable development

## Our stakeholders

Stakeholder group	How we engaged with our stakeholders during the past year	Examples of outcomes from stakeholder engagement
<p><b>Industry bodies, regulators and government</b></p> <p>The industries in which we operate and the regulators that govern our industries are important stakeholders to us. We have a responsibility to engage with the regulators and industry representatives on key industry issues</p>	<ul style="list-style-type: none"> <li>Regular meetings and engagement with regulators, including the National Credit Regulator, Financial Intelligence Centre, the Council for Medical Schemes, the Department of Trade and Industry, the Financial Services Board in South Africa, the Association of Savings and Investments of South Africa (ASISA) and the Financial Services Authority in the UK</li> <li>Active participation in industry bodies and debates</li> </ul>	<p>We actively engaged with the Government and regulators to contribute to strategic development initiatives in our industries. This included:</p> <ul style="list-style-type: none"> <li>Participation in ASISA forums about various changes in the regulatory environment</li> <li>Participation in industry forums on the Protection of Personal Information Act</li> <li>Continuing our participation in the industry regulatory workshop, the Solvency Assessment Management project</li> <li>Continuing our work with industry stakeholders to develop an industry code that will address the requirements of the Consumer Protection Act</li> <li>Continuing our support for the Prescribed Minimum Benefits project to finalise the Code of Conduct</li> </ul>
<p><b>Financial advisers</b></p> <p>We work with independent financial advisers and Discovery proprietary distribution channels to ensure proper financial advice to our clients</p>	<ul style="list-style-type: none"> <li>Discovery Insights Series</li> <li>Product launches for Discovery Health, Discovery Invest, Discovery Insure and Discovery Life</li> <li>Supporting marketing material and tools</li> <li>Ongoing communication through electronic newsletters and website articles</li> <li>Intermediary Advisory Forum</li> <li>Training material and support</li> <li>Continuous Professional Development days that form part of quarterly training</li> <li>Recognition for high performers in Discovery's proprietary distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>The Discovery Insights Series is a series of regular workshops on relevant industry topics. These workshops are aimed at equipping financial advisers to provide high-quality advice and service on complex financial products</li> <li>A range of additional knowledge courses offered by our training department</li> <li>We introduced development consultants to ensure business consultants are best equipped to market our products</li> <li>Recognition programmes aim to increase new business and quality service to clients</li> </ul>

## Our stakeholders

Stakeholder group	How we engaged with our stakeholders during the past year	Examples of outcomes from stakeholder engagement
<b>Investors and analysts</b> Investors and analysts are important stakeholders to us, as their perception of our performance could impact how the market views Discovery	<ul style="list-style-type: none"> <li>• Annual and interim results announcements</li> <li>• Annual Report</li> <li>• Investor relations website</li> <li>• Investor one-on-one meetings with institutional investors and sell-side analysts after results announcements</li> <li>• Investor roadshows</li> </ul>	<ul style="list-style-type: none"> <li>• We received the Investment Analyst Society award for “Best Company Presentation to the Society” for companies with a market capitalisation above R20 billion</li> <li>• We received the Nkonki Financial Mail Integrated Reporting survey award. Discovery’s Annual Report was rated second out of the 15 financial sector company reports</li> </ul>
<b>The media</b> The media has an important role to play in public debates about healthcare, financial services and wellness. Our engagement with the media helps us to build necessary relationships	<ul style="list-style-type: none"> <li>• Editor forums and round-table discussions</li> <li>• Media lunches</li> <li>• Discovery Health Journalism Awards</li> <li>• Discovery Rhodes Centre for Health Journalism</li> </ul>	<ul style="list-style-type: none"> <li>• The Discovery Health Journalism Awards help to develop health reporting in South Africa – a critical factor for encouraging health debate in South Africa. During the year we awarded the second group of awards to journalists</li> <li>• Specialist courses offered in health journalism as part of our partnership with Rhodes University support the objective of the Discovery Health Journalism Awards</li> </ul>
<b>Small to medium enterprises (SME) and entrepreneurs</b> We have partnerships with small and medium businesses, as well as entrepreneurs that form part of our supply chain. Through our enterprise development investments, we help develop and grow young and talented entrepreneurs	<ul style="list-style-type: none"> <li>• Working with Enterpriseroom, a specialist enterprise development consultancy, to develop our enterprise development programme further</li> <li>• Support for incubators to help develop entrepreneurship in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Discovery has provided R3 million to The Awethu Project, an initiative launched in April 2010 to develop entrepreneurial potential in young South Africans from poor communities</li> </ul>
<b>Community and public healthcare organisations</b> We are able to use our resources to help support and develop our communities in the area of healthcare. We currently provide ongoing support to 32 community healthcare organisations. We have provided grants and scholarships for medical specialist training to 143 healthcare professionals	<ul style="list-style-type: none"> <li>• Symbolic hand-over meetings with community projects and one-on-one meetings</li> <li>• Meetings with deans and medical schools for the Discovery Foundation</li> <li>• Discovery Foundation Alumni Conference, aimed at giving recipients the opportunity to build relationships and networks with their peers</li> <li>• Discovery volunteers provide long-term support for community projects through the Adopt a Project programme</li> </ul>	<ul style="list-style-type: none"> <li>• We hosted the fourth Discovery Foundation Alumni Conference in June 2011</li> <li>• The Discovery Foundation has commissioned Health and Development Africa (Pty) Ltd to conduct a mid-term evaluation of the Foundation Awards programme. The outcomes of this report will contribute to the Foundation’s strategic direction for the next five years</li> </ul>

## Key sustainability indicators

	GRI indicator	2011/2010	2010/2009	2009/2008	2008/2007
Market capitalisation (R million)		22 817*	20 747*	15 296*	12 845*
Earnings per share		464.4*	309.9*	219.9*	212.9*
Price earnings per share		8.30*	11.31*	11.75*	10.19*
Dividend yield		2.33*	1.97*	2.26*	2.05*
Net asset value (R million)		8 973*	8 382*	7 013*	6 164*
Authorised shares		1 000 000 000*	1 000 000 000	1 000 000 000	Not reported
Issued shares		591 872 390*	591 953 180	591 953 180	Not reported
Members of the Discovery Health Medical Scheme – South Africa's largest open medical scheme		2 539 806*	2 346 212	2 151 544	2 031 366
Discovery Health Medical Scheme lapse rate		4.07%	4.1%	4.6%	3.96%
Discovery Life individual policyholders in South Africa		704 503	341 584*	331 572*	324 064*
New Business API (R million)		7 458*	7 618*	5 866*	5 144*
Total assets (R million)		30 905*	20 994*	14 931*	11 038*
Number of permanent employees worldwide	LA1	7 107	Not reported	Not reported	Not reported
Total number of incidents of discrimination and actions taken	HR4	None	None	Not reported	Not reported
Number of dismissals	SO4	24	Not reported	Not reported	Not reported
Investment in the community through the Discovery Fund (committed) (R million)		11 370 371	8 598 420	4 230 000	4 745 100
Value of Discovery Foundation funding (committed) (R million)		16 038 334	Not reported	Not reported	Not reported
Spend on Public-Private Initiatives (R million)		10 050 831	Not reported	Not reported	Not reported
Number of employee volunteer Adopt a Project initiatives		21	Not reported	Not reported	No reported
Enterprise development loans granted (R million)		15 400 000	Not reported	Not reported	Not reported
Number of incidences of non-compliance across the business	PR9	0	Not reported	Not reported	Not reported
Value of fines for non-compliance	SO8	R0	Not reported	Not reported	Not reported
Direct energy consumption by primary source	EN3	3 420MWH	1 238.12 MWH	Not reported	Not reported
<i>*Figures are restated according to audited information</i>					
Indirect energy consumption by primary energy source	EN4	29 412.63 MWH	30 825.29 MWH	Not reported	Not reported

Key sustainability indicators

	GRI indicator	2011/2010	2010/2009	2009/2008	2008/2007
Total water withdrawal by source	EN8	110 587KL	62 049 KL	Not reported	Not reported
Total direct and indirect greenhouse gas emissions by weight	EN16	4 171.95 tons**	1 275.26 tons	Not measured	Not measured
Other relevant indirect greenhouse gas emissions by weight	EN 17	44 852.86 tons	44 213.58 tons	Not measured	Not measured
Total weight of waste by type and disposal method	EN22	89 124.40 kg	34 325 kg	Not reported	Not reported
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EN28	R0.00	R0.00	Not reported	Not reported
Total environmental protection expenditure and investments by type	EN30	R201 600 <b>Investment breakdown:</b> R79 200 carbon footprint audit for 2010/2011 R90 000 supplier retainer for various projects R32 400 Carbon Disclosure Project	R1 199 750 <b>Investment breakdown:</b> R900 000 for energy efficient lighting and sensors in Cape Town and Durban branches R299 750 for carbon audit and energy efficiency audit	Not reported	Not reported
Inclusion in JSE SRI		Not available	✓	✓	✓
Participation in CDP		✓	✓	✓	

\*\*We have improved the scope and measurement of our greenhouse gas emissions and have amended our baseline year to the financial year: 1 July 2010 to 31 June 2011



Our  
**SUSTAINABILITY**  
performance during the past year

## Our sustainability performance during the past year

### Our sustainability priorities for 2011

## Our important focus areas during the past year

### Engaging with stakeholders on our sustainability strategy

During the year under review, we completed an extensive internal stakeholder engagement process at different levels within our company. This engagement provided insight into the business and assisted in refining our approach to sustainability. It simultaneously assisted in embedding sustainability into the business. No significant concerns were raised through this process. We did not start our process of engaging with external stakeholders and will focus on this area going forward as we are currently developing a robust stakeholder engagement process.

### Communicating our sustainability strategy

Achieving our sustainability objectives depends on our sustainability approach being firmly entrenched into the business at all levels. To embed sustainability into Discovery, a sustainability change management programme was started during the past year. Our internal stakeholder engagement process formed part of this programme to engage our employees on sustainability and what this means to Discovery. The programme also included the development of a change agent network, consisting of employees from all business areas that act as sustainability champions throughout the business.

#### Discovery's change management programme

Discovery's sustainability strategy and framework for sustainable development are currently being rolled out into the business. This is being done through the change management programme, which was launched in January 2011 to ensure that sustainability is firmly integrated and entrenched into our core business and across the different companies. This is a year-long project and is being facilitated by Accenture, a company with extensive experience in change management and sustainability.

A number of activities have been undertaken. These include:

- **Future Visioning workshops** held with the senior leadership team as well as dialogues on risk to create a long-term sustainability vision for Discovery
- **Action plans** which will detail the key sustainability projects and initiatives, objectives and timelines. These will be used to monitor our progress in achieving our sustainability objectives
- **Focus groups** with employees throughout the business. The aim was to engage employees on the strategy and framework, and to share Discovery's vision. Employees were encouraged to look at what is currently working in the company to support sustainability, what should start happening and what needs to stop. Distinct themes emerged from the process, which are providing a great deal of insight
- **An employee survey** to measure employee engagement with sustainability.

### Agreeing on sustainability targets across our business

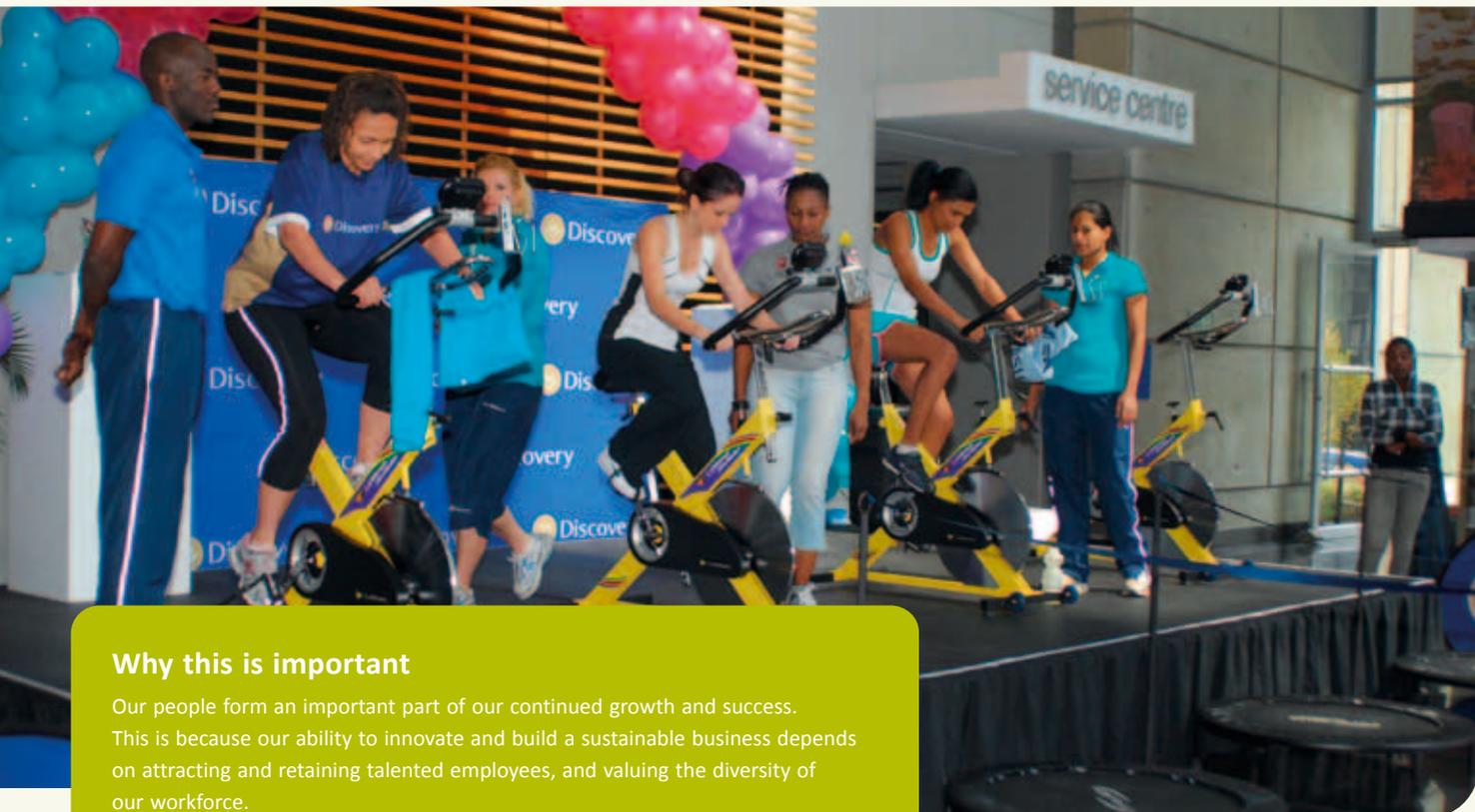
After extensive internal engagement, we have agreed on and implemented specific priorities for each key sustainability area. These are set out in detail from page 26 of the report.

We have recently completed work on developing a sustainability performance management system. This process will assist us in monitoring, tracking and reporting on our sustainability performance to ensure we are meeting our targets and objectives. We are currently examining key inputs for the system, such as conducting risk assessment workshops, developing guidelines and processes, as well as developing a data management system.

In the year under review, Discovery joined the National Business Initiative (NBI), a voluntary coalition of 140 South African and multinational companies working together towards sustainable growth and development in South Africa. The NBI has been acknowledged by the Government and other stakeholders as a credible partner to engage with on socio-economic and environmental issues.

Our performance in each key sustainability area

## A values-based culture of opportunity and innovation



### Why this is important

Our people form an important part of our continued growth and success. This is because our ability to innovate and build a sustainable business depends on attracting and retaining talented employees, and valuing the diversity of our workforce.

### Our priority

Our priority is to enable our people to develop their full potential through a culture of innovation and performance that embraces diversity and transformation.

### Our priorities for 2011

- Rejuvenating our core values throughout the business
- Continuing to develop our leaders
- Continuing to embrace diversity in our business to meet our transformation goals
- Increasing employee engagement in Discovery and retaining talented employees
- Integrating and aligning the Standard Life Healthcare team into Discovery

## Our focus areas during the past year

Focus area

### Rejuvenating our core values

The core values of our business form an important part of our company culture and guide us in how we do business. During the year we focused on developing a long-term plan to rejuvenate the values of Discovery throughout all our businesses. We started implementing this plan during the second half of 2011 and we will continue with this plan over the next year.

Focus area

### Developing our leaders

We understand and recognise the importance of equipping our leaders to inspire and mobilise our people to deliver current business requirements and meet future demands. To achieve this we developed an integrated model of leadership development aimed at developing leaders at all levels within the business.

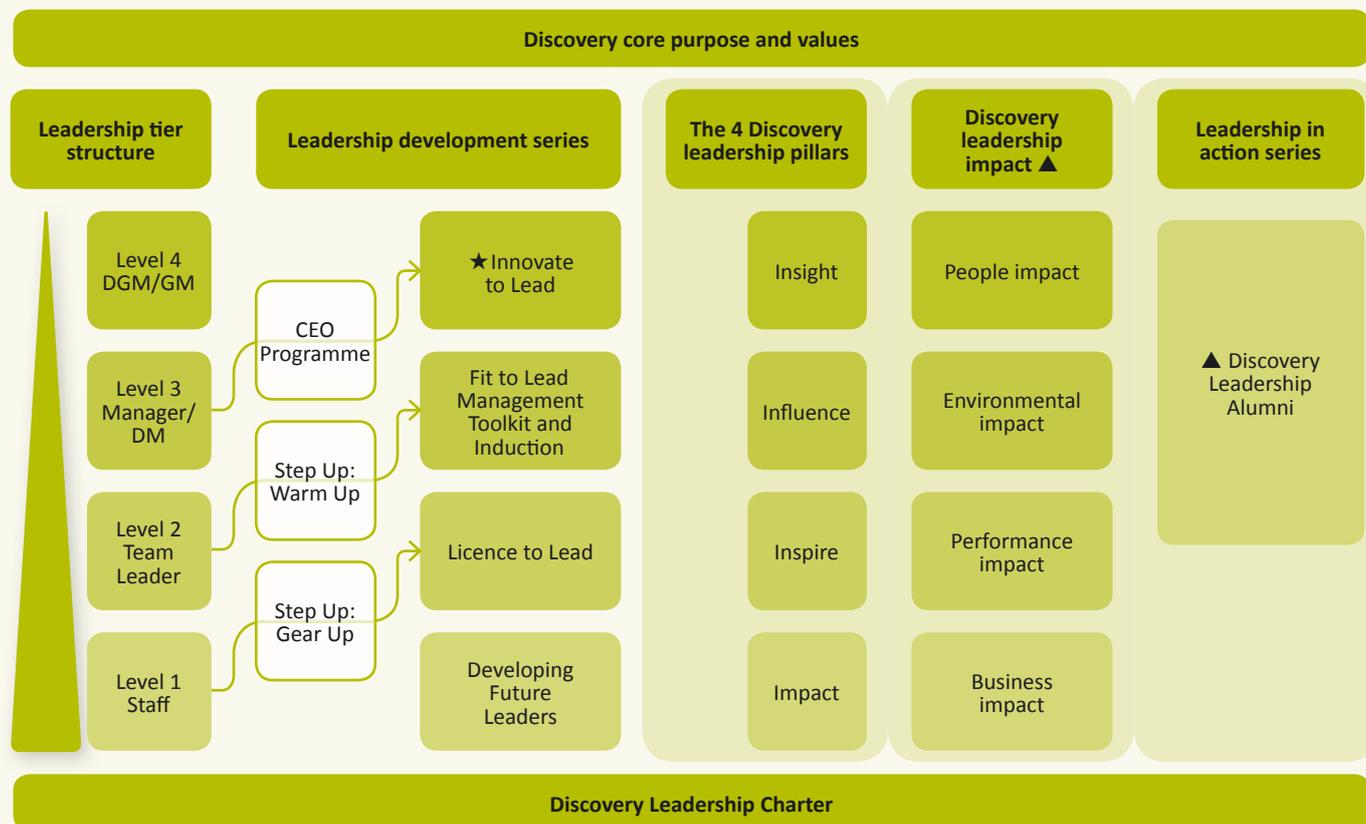
Our performance in each key sustainability area

## A values-based culture of opportunity and innovation

Focus area

### Developing our leaders

This is captured in the Discovery Leadership Architecture. Discovery’s core purpose, values and leadership charter are the blueprint for the design of this architecture.



★ To be designed  
▲ To be piloted

### CASE STUDY

#### Discovery leaders never stop learning

We designed a leadership development series to ensure that Discovery leaders are equipped with the essential skills to perform at each level in our business. The development series and structure are aligned to create transparent opportunities for leadership development and potential career progression. The aim is to develop a Discovery leadership standard to meet both current and future business priorities.

To measure the impact of our development series, we developed a model based on four factors: people, environment, performance and business impact. This new model will be piloted in two of our existing programmes.

Our leadership charter states that “Discovery leaders never stop learning” and the leadership in action series aims to live this

principle through an “alumni” approach. The series, to be piloted within the next year, is based on three key components:

- **Programme Reconnect** – allows delegates from specific development programmes to reconnect with each other through a range of platforms. The focus is on refreshing learnt leadership principles and sharing application experiences
- **Discovery Leader Connect** – allows delegates to connect across the development series. The focus is on highlighting internal Discovery leadership initiatives and exploring new thought leadership opportunities
- **Global Leader Connect** – allows delegates to connect across the entire Discovery group. The focus is on harnessing the collective pool of leadership talent to explore leadership trends both locally and internationally.

Our performance in each key sustainability area

## A values-based culture of opportunity and innovation

Focus area

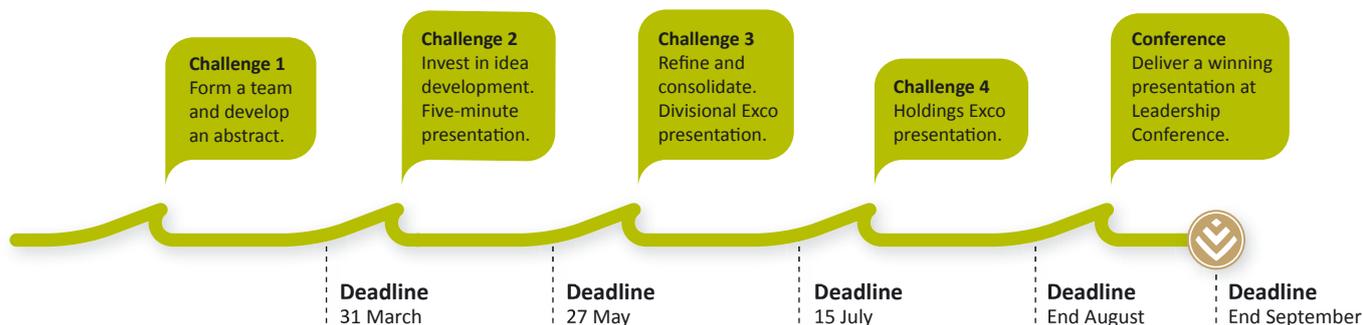
### Developing our leaders

#### CASE STUDY

#### Discovery Inspiring Excellence Award

In 2010, we launched the Discovery Inspiring Excellence Award aimed at encouraging our leaders to be innovative by either identifying smarter ways of doing things or by coming up with a new idea that would add value to the business. The process is rolled out through a series of challenges throughout the year, and culminates in the selection of an overall annual winner.

The award process is broken up into a series of challenges, with best teams and ideas moving through to the next challenge. The teams that move through to the fourth challenge have the opportunity to present their ideas to their peers at the annual Discovery Leadership Conference.



#### Training and development

Continuous learning is key to ensure we deliver quality and innovation in our everyday work. We provide opportunities for Discovery employees to develop their skills and expertise – both through online training as well as targeted training and learning opportunities.

To manage and administer our training interventions, we have focused on automating certain key learning processes within Discovery. We have developed a Learning Management System to bring together training interventions and delegates, and to facilitate administration, tracking and reporting on training. Our priority for 2012 is to focus on how we leverage the existing capability of the system across the various business areas by identifying high-demand, high-impact opportunities.

The training and skills development spend as % of payroll	3
Average number of hours of training per employee	5
Number of black candidates enrolled on the CEO programme	17
Number of disabled candidates on learnerships	25

#### CASE STUDY

#### An innovative idea to help eradicate cervical cancer

One of the outstanding ideas in the 2010 Discovery Inspiring Excellence challenge was that of a team from Discovery Vitality. Their idea, HPV Vaccination for All, is a radical plan to eradicate cervical cancer in South African girls.

Cervical cancer is the leading cause of cancer death of women in the developing world and the second most common cancer (after breast cancer) among women worldwide. Globally 500 000 women develop cervical cancer and 276 000 women die from the disease annually (World Health Organization statistics). In South Africa, cervical cancer is a national health priority.

Vitality supported research by the University of Pretoria on vaccination for HPV (Human Papilloma Virus) of Grade 6 girls and the screening of their mothers, and is vaccinating the girls participating in the study. This is taking place at three pilot sites in Pretoria and the Western Cape.

The aim of the HPV Vaccination for All project is to have vaccinated 2 000 girls by the end of 2011. There is an opportunity to vaccinate a further 4 000 girls in 2012 and 2013. The Discovery Fund has committed funding for the delivery of the vaccines, which started in March 2011. Ongoing meetings are being held to look into the delivery and funding of a national HPV vaccination programme.

Our performance in each key sustainability area

A values-based culture of opportunity and innovation

Focus area

Embracing diversity in our business

We are committed to transforming our workforce into an engaged, diverse and representative community. All South African businesses are faced with the challenge of attracting, developing and retaining black employees at senior and executive management levels. One of the ways in which Discovery addressed this challenge and supported our transformation objectives during the year under review is through the Discovery CEO programme, aimed at high-potential, primarily black senior leaders within Discovery. The programme, launched in 2010, was used to attract new talent as well as develop existing talent. The objective was to position these individuals for possible future executive positions, thereby strengthening leadership bandwidth while at the same time meeting our diversity objectives.

**131%**  
more people with disabilities employed by Discovery during the year

Providing development opportunities for people with disabilities is a further transformation priority for us. During the year, we implemented the following approach:

- Increasing the skills of people with disabilities through a specifically designed bridging programme
- Including people with disabilities in learnerships
- Recruiting people with disabilities at all levels of the organisation by ring-fencing positions and working with agencies specialising in placing people with disabilities
- Empowering and liberating existing and new employees living with disabilities and supporting them where necessary.

CASE STUDY

Discovery CEO programme

The Discovery CEO programme, launched in 2010, had the dual objectives of strengthening our senior leadership group and supporting our leadership objectives. The programme is aimed at developing talented, high-potential black employees at executive management level. It was designed in partnership with Duke Corporate Education and exposed the 21 candidates to the best in local and global business thinking. A combination of formal and informal learning, coaching and mentoring, together with a challenging role in the business ensured a holistic development experience for the candidates.

The programme ran for 14 months and ended in August 2011. It consisted of:

- Formal classroom-based learning, partnering with Duke Corporate Education
- One-on-one and group executive coaching sessions
- On-the-job experiences, such as involvement in key business projects
- Exposure to the Discovery executive team through planned engagement sessions
- A trip to the USA covering a stimulating mix of executive education and company visits (the group met executives at Google and PepsiCo, among others).

**YOUNG & POWERFUL BUSINESS**  
EDITED BY GILLIAN BLOOM & NAZLY DARR

**Fikile Futwa (34), Executive Associate, Group Finance: Discovery**  
What does your job entail? It involves participating in strategic debates with management and corporate governance structures. I also engage in project management.  
What personal qualities have been most beneficial to your business success? Being action-orientated; it's important to deliver. Passion: you have to enjoy what you do. Humility: treat all people with respect and dignity.  
What challenges are currently facing the financial industry? The role of finance professionals has evolved from being "bean counters" to a more strategic one. Finance teams need a deeper understanding of business in order to ensure continuous growth and development.  
Tell us about the Discovery CEO programme. This leadership development programme focuses on personal and professional growth. Each one of us has an executive mentor and access to leading thinkers, both inter-organisationally and within the company, through structured training interventions.  
**"The role of finance professionals has evolved from being 'bean counters' to a more strategic one."**

**Althea Discala (31), Joint Venture Manager, Real Estate Investments: Standard Bank Property Group**  
Accounting was always the subject I enjoyed and excelled at most in school. After researching the CA profession, I realised this field was almost an uncharted territory for African, Indian and coloured (AIC) women in SA. I've always wanted to work in an investment bank, so I got my foot in the door as an Investment Accountant at Standard Bank.  
"Initially, being an AIC female working in a predominantly white male environment was challenging, but it's essential to accept and complement people with different personalities, objectives and values."  
"Becoming a CA is one of my greatest achievements. I'm also proud that I made it into property distribution, which was previously a male-focused area."  
"There isn't sufficient guidance and support for potential CAs, especially in black communities. There aren't enough mentors to assist, educate and prepare students for the hard work that lies ahead. As a result, a large number of students don't complete their qualifications."  
"I'm a results-orientated person who believes that with a positive outlook, perseverance and a never-say-die attitude, you can achieve the impossible!"

Our performance in each key sustainability area

## A values-based culture of opportunity and innovation

Focus  
area

### Embracing diversity in our business

#### Employment equity

We have developed a successive employment equity plan for 1 July 2010 to 30 June 2013. This development plan sets out our targets and goals for achieving employment equity. Significant progress has been made over the past financial year towards the Economically Active Population (EAP) targets as outlined in the employment equity plan, especially with regards to African women. White men and women remain over-represented, and considerable focus is still required to increase African representation.

#### Total number of permanent employees by race and gender as at 30 June 2011

Occupational levels	Male					Female					Total
	African	Coloured	Indian	White	Foreign Nationals	African	Coloured	Indian	White	Foreign Nationals	
Top management	0	0	1	18	0	1	0	0	0	0	20
Senior management	13	8	14	108	8	20	6	21	80	6	284
Professionally qualified and experienced specialists and mid-management	30	13	42	153	4	40	31	51	185	11	560
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	228	139	293	356	29	334	223	361	502	30	2 495
Semi-skilled and discretionary decision-making	454	180	252	350	22	673	270	290	348	34	2 873
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PERMANENT</b>	<b>725</b>	<b>340</b>	<b>602</b>	<b>985</b>	<b>63</b>	<b>1 068</b>	<b>530</b>	<b>723</b>	<b>1 115</b>	<b>81</b>	<b>6 232</b>
<b>GRAND TOTAL</b>	<b>725</b>	<b>340</b>	<b>602</b>	<b>985</b>	<b>63</b>	<b>1 068</b>	<b>530</b>	<b>723</b>	<b>1 115</b>	<b>81</b>	<b>6 232</b>

Employment equity figures are for South African permanent employees only.

Our performance in each key sustainability area

## A values-based culture of opportunity and innovation

Focus  
area

### Increasing employee engagement and retaining talented employees

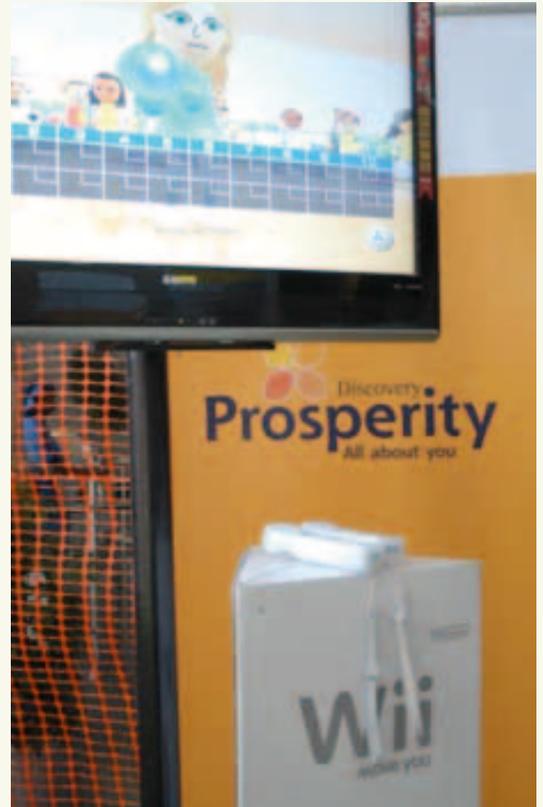
To achieve our goal of retaining talented, high-performing employees at Discovery, it is essential that we understand what issues are important to them and how they feel about working at Discovery. In February 2011, we ran the Corporate Leadership Council's employee engagement survey across the company. This measured employees' rational and emotional commitment to Discovery, as well as their intent to stay. The online survey is used globally and results can be compared to global, South African and Discovery benchmarks.

This year, we had an 83% response rate overall. The results showed that Discovery is significantly above the global benchmark for "Highly Committed True Believers" (Discovery 12%, benchmark 7%). The number of disaffected or unengaged employees has reduced from 22% in 2010 to 20% in 2011. Emotional and rational commitment both remained high against the international benchmark at the 75th and 85th percentile respectively.

The "Intent to Stay" score has increased by 15% compared to 2010, but remains comparatively low at the 40th percentile. "Intent to Stay" increased globally as a result of the financial crisis, which resulted in fewer opportunities for movement and people remaining in their existing jobs. The financial crisis did not have as severe an impact in South Africa, where the job market remained relatively buoyant. This may explain why Discovery's "Intent to Stay" score appears relatively low, even though both rational and emotional commitment is high.

On the question "How likely are you to recommend Discovery as an Employer of Choice?", net promoters increased from 19% in 2010 to 23% in 2011.

An in-depth talent management programme is currently underway across Discovery. The programme is engaging business heads, executives and managers in identifying high-potential employees and future Discovery leaders at senior management levels throughout the business. Once individuals have been identified, they will be appropriately developed and managed to retain their skills and talents within our organisation.



“Over the past year, we have increased our employees' engagement in Discovery Prosperity, our internal rewards programme, through regular communication about the programme, how it works and the associated rewards. This exclusive programme aims to encourage employees to improve their skills, look after their health and wellness, and offer their time and skills in the Discovery Employee Volunteer Programme. By participating, employees stand the chance to double their salary in a particular month, win R100 000 and earn extra leave.”

## A values-based culture of opportunity and innovation

Focus area

### Integrating the Standard Life Healthcare team into Discovery

Discovery acquired Standard Life Healthcare, the fourth largest health insurer in the UK, in August 2010.

We completed the process of integrating Standard Life Healthcare into PruHealth and Discovery.

The first PruHealth Leadership Conference was held in the UK in March 2011, at which leaders were given the opportunity to explore the business strategy, values, brand, and value proposition to the market. We also hosted employee roadshows at our three UK sites. Several initiatives were launched to employees, who also had the opportunity to engage with one another and the Discovery values.

We launched the Annual Discovery Star Awards programme in the UK. This year will see six individuals joining winners across Discovery on an international trip and a learning experience at a globally recognised institution.

Other initiatives included:

- Long Service Awards which included a breakfast with the PruHealth CEO for all award winners
- Leadership breakfasts with the PruHealth CEO, which was a chance for employees to hear company updates and ask questions
- “Get in the Loop” sessions with leaders from around the business who gave updates on their business areas
- Exchange sessions, at which employees were invited to exchange views on particular topics
- The launch of Discovery’s intranet to PruHealth and PruProtect employees
- The rollout of Vitality to all employees supported by an internal campaign which engaged people in healthy activities.

#### CASE STUDY

#### Wellness at Discovery

We understand that the workplace provides a good opportunity to promote and encourage a healthy lifestyle that not only impacts employees positively, but also impacts the company’s financial performance positively. Our priority is therefore to provide a working environment that enables them to lead full and healthy lives. We provide health, lifestyle and financial services to make their lives easier and encourage them to be healthier. These services range from an onsite gym at all our South African sites, a wellness centre, Wellness Days, HIV counselling and testing, an employee assistance programme as well as a crèche in Sandton.

During 2011, in addition to our normal wellness activities, we ran a six-week campaign encouraging our employees to have their health checked and take part in mini-triathlons. The campaign included various forms of exercise, free flu vaccines, stress, nutrition and fitness assessments, and special offers by Vitality partners such as Weight Watchers and Smokenders.



Discovery mini-triathlon participants

1 000 people	took part in the mini-triathlons
1 389 people	had a free flu vaccine
3 252 people	attended the Wellness Day
3 250 people	had an HIV test

A total of 59% of our employees attended the Wellness Day and had their health checked – a 12% increase in attendance compared to 2010. The results of the Wellness Day highlight the need to continue focusing on our risk factors which include nutrition, exercise and smoking.

Our performance in each key sustainability area

A values-based culture of opportunity and innovation

Focus area

HIV and AIDS in our workplace

In November 2010, a Knowledge, Attitudes and Practices (KAP) survey was rolled out to all permanent employees to assess the change in Discovery people’s knowledge, attitudes and practices since the first KAP survey in 2006.

All answers were anonymous and confidential and participation was voluntary.

The results of the survey indicated:

- High levels of awareness of the Discovery HIV and AIDS policy (an 18% increase to 73%)
- 33% participated in information talks and awareness training
- 25% participated in HIV testing initiatives
- While most employees wanted additional training on HIV and AIDS, 22% wanted no additional training

- 64% of respondents felt Discovery was doing enough regarding HIV and AIDS in the workplace and 8% believed the company was doing too much
- Where additional training was requested, emphasis was placed on more advanced topics such as new treatment updates and assistance with children and teenagers
- 80% of respondents were uncertain if those living with HIV had the support of their managers or the company as a whole.

During the new financial year, the results of the KAP survey will drive our HIV and AIDS initiatives. Managers will be invited to attend training sessions on how to support HIV-positive employees more effectively and our employees will be exposed to more awareness and communication initiatives regarding HIV and AIDS.

34%	employees completed the KAP survey
83%	are in the 21-40 year age group
48%	have worked for Discovery for 4 years or more
77%	are in long-term relationships (2006 – 67%)
43%	are managers

Our priorities for 2012

- Continue to identify, develop and retain talented employees through our talent management programme
- Focus on developing the leadership skills of Discovery people through our Leadership Development Architecture, with a special focus on senior leadership development
- Focus on rejuvenating Discovery’s core values throughout all our businesses
- Continue our focus on diversity and transformation
- Encourage the health and wellness of our employees
- Engage employees in our business through our internal rewards programme, Prosperity

Our performance in each key sustainability area

## Strengthen the healthcare system and expand access to care



### Why this is important

Access to healthcare is a challenge in South Africa as well as globally. Resources to meet the needs of people are limited – from funding for healthcare services to the number of healthcare professionals working in the healthcare sector.

### Our priority

As a leader in the South African healthcare industry, we have a responsibility to use our resources to strengthen the healthcare system and broaden access to care. We do this by ensuring the Discovery Health Medical Scheme continues to provide quality healthcare cover on a sustainable basis. We also have the opportunity to make a positive difference in society. For this reason we invest in community projects and partnerships that aim to strengthen and support healthcare delivery in South Africa.

### Our priorities for 2011

- Ensuring premium and benefit stability for the members of the Discovery Health Medical Scheme
- Using our scale and expertise to improve the quality of care for members
- Continuing to increase access to quality healthcare for more people
- Further developing Vitality product offerings, specifically the wellness programme, for the lower-income market
- Engaging with specific stakeholder groups such as the Department of Health and the Government on issues impacting healthcare in South Africa
- Implementing three partnerships with the Department of Health and other stakeholders to help strengthen the public healthcare system in key areas of need
- Implementing a national immunisation project in partnership with UNICEF
- Continuing the impact and work of the Discovery Foundation to increase the number of specialists in South Africa

Our performance in each key sustainability area

## Strengthen the healthcare system and expand access to care

### Ensuring sustainability for our members

In the healthcare industry, our first responsibility is to ensure that the members of the schemes under our management have access to quality healthcare on a sustainable basis. Through innovation, we have grown into the market leader in the healthcare industry, and we use our healthcare expertise to continuously improve the efficiency and quality of care for our members, and to bring down the cost of healthcare for our members and the industry.

### Focusing on underserved communities

Our ability to innovate has also enabled us to extend our core purpose – to make people healthier, and enhance and protect their lives – to the broader community. We have developed products aimed at the middle-income market at consumers who may have been previously excluded from private healthcare cover by price and regulatory limitations. This has also been made possible by our understanding of the regulatory reforms needed.

### Key partnerships to increase access to wellness

Discovery has also responded to the needs of under-resourced communities through the establishment of key partnerships. We have established partnership networks to increase access to the foundational elements of wellness, such as affordable, nutritious food, and knowledge and prevention of lifestyle-related diseases.

### Making a positive contribution

Discovery sees healthcare as a national asset and as an area in which we can make a significant contribution. Our size and scale and position in the industry mean we have a material impact on the public healthcare sector where transformation is needed to give more South Africans access to healthcare.

We believe private and public healthcare are interdependent and must work together to ensure a strong and equitable healthcare system and to broaden access to healthcare. Our investments in public and community healthcare therefore not only aim to provide immediate relief, but also aim to build capacity in the public sector that will strengthen the healthcare system over the long term and will make primary healthcare accessible to more South Africans.

Our corporate social investment activities reflect this philosophy and leverage the assets we have built up within Discovery. These assets include our skills, data, expertise, financial resources and our exposure to healthcare-related issues and developments internationally. In this way, we align our involvement with the broader community with our business strategy.



Discovery Foundation Awards



## Our performance in each key sustainability area

### Strengthen the healthcare system and expand access to care

Discovery's corporate social investment programme follows a clear approach with four key areas of focus:

1. Building capacity for healthcare delivery through investments in infrastructure projects or in public sector healthcare resources, including human resources, equipment and other investments
2. Working with multiple stakeholders to build capacity in specific areas in public healthcare
3. Enabling or supplementing primary healthcare delivery
4. Investing in the wellbeing of the youth through healthcare and social development projects aimed at children and adolescents.

We have created well-governed structures through which we fund and manage our investments to help build capacity in the public sector to allow more people to receive quality healthcare. They include:

1. The **Discovery Fund**, an independent trust through which we fund sustainable public sector healthcare projects, especially in the area of primary healthcare. These projects complement the delivery of primary and preventive care in the public sector and help to relieve the burden on state facilities

2. The **Discovery Foundation**, an independent trust which provides fellowships and grants to individuals and centres of excellence in support of the medical education of specialists and Academic Medicine in the public sector. By contributing to the education of more specialists and further medical research, we are able to provide support in a critical area for South Africa
3. A partnership with the **Laureus Sport for Good Foundation**, which uses sport to bring about social change in communities. Through this partnership, more young people experience the positive impact of sport in their lives
4. Through our **public-private investments**, we have committed funding to help develop capacity and infrastructure in the public healthcare sector by working with the Department of Health and other stakeholders.

Underpinning all four key areas is the **Discovery Employee Volunteer Programme**, which enables Discovery employees and other stakeholders to support our CSI projects. Our volunteers take part in national initiatives and also commit to long-term involvement with community projects.



Discovery employee volunteers

## Strengthen the healthcare system and expand access to care

Focus area

### Premium and benefit stability for Discovery Health Medical Scheme members

Discovery Health is South Africa's largest healthcare funder, providing cover to more than 2.5 million people and administering 14 medical schemes. This includes the Discovery Health Medical Scheme, the country's largest open medical scheme and the only one to enjoy an AA+ rating for its claims paying ability and risk management. This rating is the industry ceiling rating from international rating agency Global Credit Ratings. We have been voted top healthcare product supplier by the Financial Intermediaries Association (FIA) for the past four years. Consumers also voted us the top medical aid brand in the 2009, 2010 and 2011 Sunday Times Top Brands surveys.

Our key objectives are to provide quality benefits and competitive contributions for our members. At the same time, we have the responsibility to ensure the Discovery Health Medical Scheme remains financially sustainable over the long term. For our members, one of our most important stakeholders, ensuring quality benefits while maintaining costs, is one of our key challenges.

During the year under review, we ensured the sustainability of members' benefits. Our average contribution increase for 2011 of 7.9% ensured that we continued providing quality benefits to all members.

#### CASE STUDY

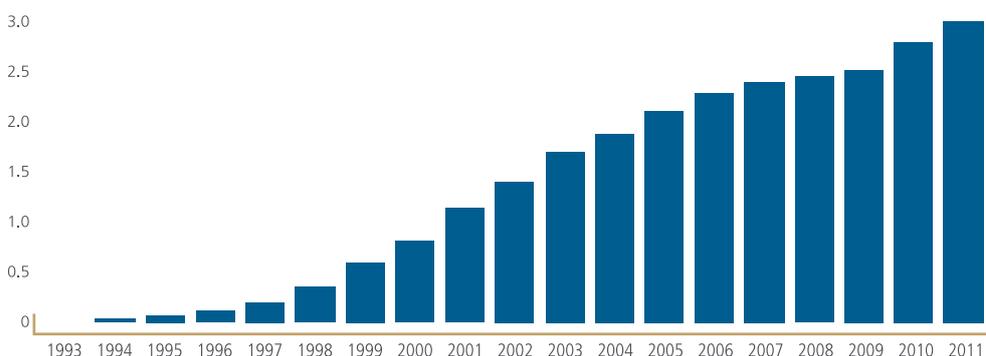
#### Growing the Discovery Health Medical Scheme sustainably

Healthcare funding in South Africa is highly complex and medical schemes face a number of challenges to ensure their continued sustainability. These include balancing the needs of various stakeholders (including healthcare professionals, hospitals, pharmaceutical providers, intermediaries and members), managing a complex system based on cross-subsidisation, finding sustainable ways to fund new medical technologies, and managing scheme cost drivers.

The challenges of managing a complex healthcare environment has led to industry consolidation, both in the number of medical schemes and medical scheme administrators operating in private healthcare in South Africa. Over the past 10 years, 60 medical schemes have closed or merged. In addition, the cost pressures on schemes have led to continued financial underperformance.

In order to ensure a sustainable growth path, our primary strategy has been to invest significantly in our assets. During the year under review, the success of this strategy was evidenced in strong membership growth – 87 691 new principal members were added. Solvency levels crossed the R7 billion mark at the end of the financial year. Integral to our growth is our ability to offer competitive contributions and benefits. Comparisons between Discovery Health's overall value proposition and competitor schemes show that Discovery Health offers 20% more value in benefits at lower contribution rates.

**Discovery Health's growth path:**  
(million)



Discovery Health's risk management capabilities and direct payment arrangements with healthcare professionals as well as hospital arrangements resulted in a low rate of medical inflation for the Discovery Health Medical Scheme, compared to other schemes in the market. Over the last four years the Discovery Health Medical Scheme experienced an effective medical inflation rate of 8.3%, versus a market average of 11.6%.

During the year under review, Discovery Health invested considerably in tools that minimise the cost of care for members. We began rolling out PracticeXpress – an electronic tool based on iPad functionality that gives healthcare professionals access to patients' electronic health records at the point of care, and allows them to interface online with Discovery Health, and with various aspects of the healthcare system such as pharmacies, MedXpress and other healthcare professionals.

## Our performance in each key sustainability area

### Strengthen the healthcare system and expand access to care

Focus area

#### Improving the quality of care for Discovery Health members

One of our key strategies during the past financial year was to use our scale and expertise to improve healthcare delivery for our members. We launched a series of new initiatives:

- The Discovery Trauma Support Service that provides 24/7 access to a fleet of trauma support vehicles staffed by trained trauma counsellors to assist our members and their families after an incident of trauma
- Discovery MedXpress, a dedicated new medicine delivery service which guarantees members in major metropolitan areas same-day delivery for their chronic and prescription medicines, through a contracted network of retail pharmacy partners and a courier pharmacy
- The Discovery Integrated Care Unit that provides members who have extensive medical needs with holistic treatment from a team of medical experts, care coordinators and community-based care providers, all provided at no additional cost to members. Members receive treatment from the time they are admitted to an extensive care unit to when they are discharged and thereafter, at their homes and communities. The Integrated Care Unit is currently being implemented in centres across South Africa
- The first Discovery Health member lounge at the Life Fourways Hospital in Gauteng, where members and their families have access to facilities and support services during a hospital stay
- Extension of our Member and Oncology Liaison Manager service that provides personal support to members who are admitted to hospital or who are facing cancer treatment.

Discovery Health's scale and size has allowed us to enter into payment arrangements with medical specialist groups to ensure certainty of cover and higher levels of reimbursement for healthcare professionals. Over 87% of interactions with specialists take place within a payment arrangement, guaranteeing no out-of-pocket payments for members and direct payment to specialists.

Focus area

#### Continue to increase access to quality healthcare for more people

In 2002, Discovery Health launched the KeyCare series that enables us to offer quality private healthcare access to lower-income earners and specifically the previously uninsured market. Membership has since grown to the equivalent of the third largest medical scheme in South Africa – in 2010, membership grew by 34% to 340 000. Our KeyCare hospital and GP networks now comprise 106 hospitals and over 2 000 GPs. The KeyCare Plus plan offers unlimited benefits for in-hospital medical needs and a GP-focused benefit for day-to-day needs.

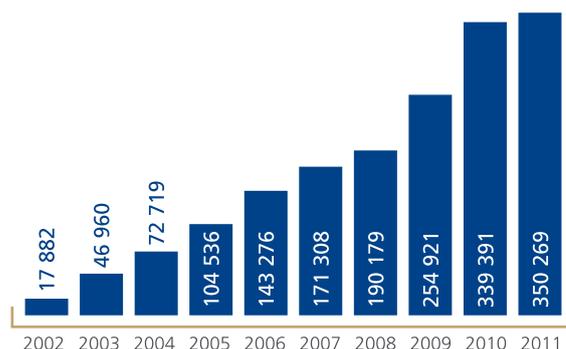
Focus area

#### Vitality product offerings for the lower-income market

We launched KeyFIT, Discovery's wellness programme for the KeyCare market. It combines Vitality's proven methods of promoting exercise, good nutrition and preventive screening with KeyCare's experience in managing cost-efficient networks to give members access to the facilities, incentives and tools they need to improve their health.

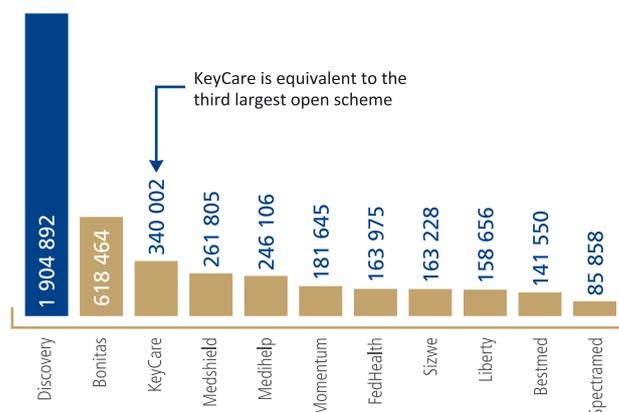
#### KeyCare growth and size

##### Growth in lives covered



##### Size of KeyCare in relation to the market

(Lives covered – December 2010)



## Our performance in each key sustainability area

### Strengthen the healthcare system and expand access to care

#### Focus area Engagement on issues impacting healthcare focus

During the year under review, Discovery continued to engage with stakeholder groups such as the Department of Health and the Government on issues impacting healthcare in South Africa. One of these is the National Health Insurance (NHI) policy. The Department of Health's Green Paper – the policy proposal for the implementation of comprehensive NHI for all South Africans – was released in August this year.

Discovery supports the roll-out of an NHI system, as we believe South Africa needs healthcare reform to ensure a comprehensive healthcare

system for all South Africans. We believe the policy proposals are rational and appropriate. They aim to address human resource shortages in the healthcare system, raise additional revenue for healthcare delivery and recognise the role of both the public and private healthcare sectors. Discovery is confident that if properly executed, South Africa's healthcare system will be strengthened. We remain confident of our own role in this emerging environment and will continue to be part of the engagement process.

#### Focus area Partnerships to strengthen public healthcare focus

The development needs and priorities of the public healthcare sector can only be met through meaningful public-private investments. Discovery has thus developed partnerships with key government and non-government organisations to uplift areas that have previously not had access to quality healthcare, and in so doing, expand and strengthen healthcare systems in South Africa.

Our partnerships during the past financial year include:

- Enabling Healthy Eyesight, a partnership between Discovery, the Department of Health and the South African National Council for the Blind (SANCB). This two-year programme (2010 and 2011) aims to help 3 600 people see again through funding for cataract surgeries in areas with the biggest needs. More than 350 000 South Africans need cataract surgery, and most of them live in rural and indigent areas. Discovery Health has committed more than R10 million over the two-year period to enable an extra 150 cataract surgeries to be done every month, thereby easing the pressure on the already over-burdened public facilities.
- A partnership with the Operation Abraham Collaborative, a training programme in KwaZulu-Natal on medical male circumcision to prevent HIV. The Minister of Health advocated the promotion of

medical male circumcision as part of the national HIV Counselling and Testing campaign launched in 2010, and KwaZulu-Natal was selected as the first province in which to expand the service. Three training delegations provided training to teams of public sector doctors in KwaZulu-Natal on high-volume circumcision. The training helped to build local capacity for the procedure in Ethekezi's five hospitals. The trained teams are currently performing medical male circumcision on more than 1 000 men every month.

- The Nurses Training Project, in partnership with the Lung Institute of the University of Cape Town and the Department of Health. This was a national training programme for nurses to facilitate antiretroviral treatment. In May 2010, in line with the Government's commitment to fighting HIV and AIDS, a directive from the Director-General of Health determined that public sector nurses could initiate and manage antiretroviral treatment after completing training on the integrated management of tuberculosis, HIV and sexually transmitted infections. Discovery funded the training of nurses in six provinces – Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, the North West and the Northern Cape. A total of 429 training sessions were conducted and 12 805 nurses trained.



Read our interview with Discovery Health CEO Dr Jonathan Broomberg on the National Health Insurance (NHI) Green Paper in the 2011 Integrated Annual Report on page 52.

## Strengthen the healthcare system and expand access to care

“Vaccination is the most effective measure against serious diseases in childhood and prevents an estimated 2.5 million child deaths globally each year. However, around 23 million children worldwide are not protected by life-saving vaccinations.”

### Focus area

#### Implementing a national immunisation project

The Discovery Fund has partnered with UNICEF in an initiative to increase immunisation coverage throughout South Africa, especially in areas of critical need. The Discovery UNICEF Immunise SA programme is the Fund's flagship project and aims to support the Department of Health in its efforts to improve maternal and child health through intensifying the Department's existing vaccination drive.

The Discovery Fund is working closely with UNICEF and the various national, provincial and district departments of health to implement the programme, officially launched in April 2011. The Fund is giving R5 million a year over the next three years to extend the vaccination programme in chosen districts in South Africa. The initial focus areas are in the Amathole and Alfred Nzo districts in the Eastern Cape, and the Sisonke and Umgungundlovu districts in KwaZulu-Natal. These provinces have already recognised they are struggling to provide full immunisation.

In South Africa, as many as 105 000 infants are not fully immunised, leaving them vulnerable to diseases such as measles, diarrhoea, pneumonia, meningitis and other life-threatening conditions. An estimated 400 000 children are not fully immunised against measles. Diarrhoea accounts for 15% of childhood deaths each year, and 9% of deaths are caused by pneumonia. Both of these conditions are preventable with vaccines.

For Discovery, child health is an important area in which we can help to improve people's lives. By partnering with UNICEF, a global foundation and experienced implementation partner, we can support the fourth Millennium Development Goal – to reduce child mortality rates by two-thirds by 2015 – and we can also help to strengthen healthcare in South Africa.

### Focus area

#### Continuing the work of the Discovery Foundation

The Discovery Foundation focuses on the education and training of medical specialists and the development of academic and research centres, with a particular focus on those areas with the greatest need. The Foundation is an outcome of Discovery's business strategy to achieve a sustainable business and healthcare system for all South Africans. The Foundation supports the strengthening of healthcare delivery and developing capacity and infrastructure in the public healthcare system. One of the major problems identified is the lack of skilled medical personnel in all areas of healthcare. Medical education is a long and expensive process, so it is not possible to address this problem with a quick fix. Furthermore, there is a lack of skilled and experienced specialists to teach medical skills. The Discovery Foundation therefore supports the Government in its efforts to improve the healthcare system and to provide relief from some of these challenges.

The Foundation provides an important boost for specialist training across South Africa, with preference given to women and previously disadvantaged individuals. The direct beneficiaries of the Foundation Awards are registrars and specialists who work in the public healthcare sector in South Africa. As recipients are committed to serving public healthcare in South Africa, the indirect beneficiaries are typically people who rely on public healthcare in areas of the greatest need. Communities also benefit directly from the funding of public healthcare organisations delivering key services.

To date, the Foundation has committed more than R69 million in scholarships and grants to 143 recipients, including several organisations working in public healthcare. Most of this investment (about R31 million) has gone to Academic Fellowship awards (including MMed and PhD research), followed by Sub-specialist training (about R15 million) with the remainder going towards Rural Institutional and Excellence awards for institutions making a significant impact in the healthcare setting.

Our performance in each key sustainability area

## Strengthen the healthcare system and expand access to care

**Focus area** Continuing the work of the Discovery Foundation

### Summary of all awards since 2007

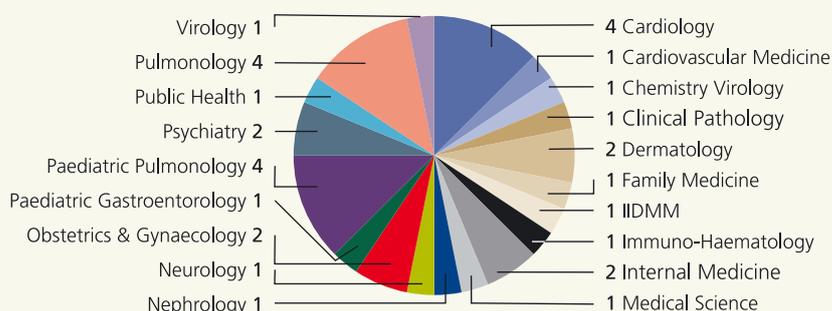
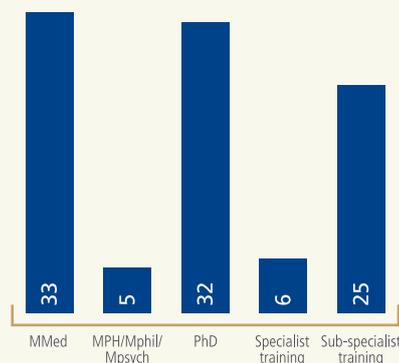
Year	Academic	Rural	Specialist/ Sub-specialist	Excellence	Total
2007	14	6	7	2	29
2008	11	0	9	2	22
2009	11	10	9	2	32
2010	15	13	5	1	34
2011	10	10	5	1	26
	<b>61</b>	<b>39</b>	<b>35</b>	<b>8</b>	<b>143</b>

“The Discovery Foundation was established in 2006 as one element of Discovery Holdings’ black economic empowerment transaction. The aim is to invest more than R100 million over a 10-year period in training 300 medical specialists.”

The highest number of awards has gone towards funding students completing MMed or PhD research:

### Discovery Foundation awardees by types of degree or training (2006 – 2011)

(Number of students)



This year, the Discovery Foundation committed a total of R22 million to 29 recipients – 10 Academic Fellowship, five Sub-specialist and 13 Rural Fellowship awards were granted. The 2011 Discovery Foundation Excellence Award went to the South African National Council for the Blind.

We also hosted the annual Discovery Foundation Alumni Conference that provides an opportunity for past and present recipients to engage, share experiences and research results, and form networks with peers. In this way, the Foundation hopes to strengthen the Academic Medicine knowledge base in South Africa.

The progress of the Foundation Awards programme is subject to regular review by the Foundation trustees, who meet on a quarterly basis. All recipients must submit written progress reports halfway through and detailed reports at the end of the research period to secure final payment. We engage extensively with stakeholders (universities, health sciences faculties and the medical fraternity) to review the relevance of awards, obtain feedback and encourage more applications.

During 2011, the Discovery Foundation has commissioned Health and Development Africa (Pty) Ltd to conduct a mid-term evaluation of the Foundation Awards programme. The outcome will inform the Foundation’s strategic direction for the next five years.

Our performance in each key sustainability area

## Strengthen the healthcare system and expand access to care

Focus area

### Continuing the work of the Discovery Foundation

#### CASE STUDY

##### Giving children a normal childhood

Dr Chris Scott, one of only five paediatric rheumatologists in South Africa, specialises in the treatment of children suffering from a potentially debilitating condition often misdiagnosed – juvenile idiopathic arthritis. He was granted a Discovery Foundation Award to specialise further in Paediatric Rheumatology at the University Hospital in Leuven, Belgium.

Today, at his clinic in Groote Schuur, Dr Scott sees more than 200 children in chronic follow-up, with some 500 referrals a year. His long-term goal is to assist in future efforts to develop the care of children with rheumatic diseases. “The idea is to preserve the joints and give children a fully normal childhood. They should be able to climb trees and ride bicycles and do all the other things children ought to do,” he says.



Dr Chris Scott



#### CASE STUDY

##### Helping those living with epilepsy

The Discovery Foundation Excellence Award was granted to Epilepsy South Africa in 2010. Founded in 1976, Epilepsy SA is a registered non-profit organisation dedicated to improving the quality of life of those living with and affected by epilepsy. It achieves this through public awareness, education, lobbying and advocacy initiatives, as well as providing quality, accessible care and integrated holistic support services.

The award has helped Epilepsy SA set up a direct service point in the Eastern Cape. Developing this project was in response to needs identified through site visits and online counselling services. The project is targeting people with epilepsy and other disabilities in the economically active population, including development of children and youth with disabilities and a focus on HIV and AIDS. It offers training and capacity building directly to people with epilepsy and indirectly through capacity building to ensure continued services.

## Our performance in each key sustainability area

## Strengthen the healthcare system and expand access to care

Focus  
area

## Discovery Fund: Providing access to healthcare facilities to communities in need

Through the Discovery Fund, we are committed to investing in public sector health facilities that make it possible for communities in need to receive quality care. Our investments are in primary healthcare initiatives, such as projects in rural areas, HIV and AIDS programmes, and projects that deal with infectious diseases. From time to time, we also embark on large capital infrastructure projects that help to improve healthcare delivery.

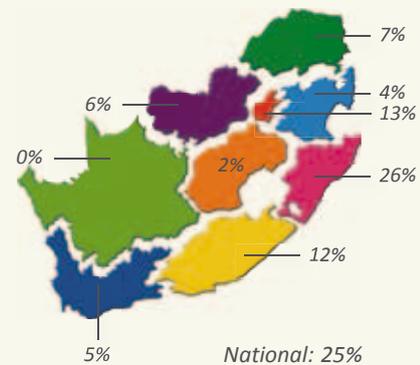
The Discovery Fund has a long history of commitment to investing in the community. It was established in 1999, when R800 000 was contributed towards helping poor communities in the public healthcare sector. This past financial year, the Fund approved an amount of R11 370 371 for 32 community health projects.

We have over the past year extended the geographical reach of Fund support for projects that focus on healthcare delivery and infrastructure. We now fund projects in the North West and Limpopo, and are currently looking at extending our support to the Northern Cape.

## Our new projects over the past year include:

- **Doctors Without Borders (MSF):** MSF provides medical and humanitarian assistance, including primary healthcare services, to Zimbabwean refugees and migrants in Musina and along the border in remote rural and farm areas
- **Catholic Institute of Education, based in KwaZulu-Natal and the Eastern Cape:** Runs a health screening project at seven schools for children in Grade 0 and Grade 1
- **Cotlands in Johannesburg:** Offers a variety of residential and community-based programmes to meet the needs of vulnerable children
- **Ndlovu Care Group:** Aims to promote sustainable community health and community care. There are two healthcare centres in Limpopo and Mpumalanga. Services include integrated primary healthcare, tuberculosis, and HIV and AIDS care
- **Hoedspruit Training Trust (HTT):** The focus is community development in rural areas, with an emphasis on primary healthcare, and HIV and AIDS

## The geographical spread of funding approved for the 2011 financial year:



- **Mothers 2 Mothers (m2m):** Runs a programme offering sustainable intervention to prevent the transmission of HIV from mothers to their babies. The organisation works from antenatal clinics, maternity wards, post-delivery clinics and hospitals that offer medical treatment to women living with HIV
- **Ethembeni HIV Clinic in KwaZulu-Natal:** Aims to provide spiritual, emotional and practical assistance to families affected by HIV and AIDS. It has three programmes – a residential care centre, a family support programme and a family centre for vulnerable children.

## Infrastructure projects to make a difference

As part of the Carte Blanche 'Making a Difference' campaign, the Discovery Fund has over two financial years contributed R3.5 million towards the Charlotte Maxeke Johannesburg Academic Hospital's paediatric unit. This 1 088-bed hospital serves patients from across Gauteng and neighbouring provinces. It offers inpatient and specialist outpatient services, and has over 4 000 staff members. The Discovery Fund grant is supporting refurbishing the paediatric ICU and high-care wards as well as buying medical equipment to the value of R1 million.

Our performance in each key sustainability area

## Strengthen the healthcare system and expand access to care

### CASE STUDY

#### Boosting human resources for rural health

The Wits Centre for Rural Health aims to facilitate the education and training of primary healthcare workers in rural areas, and has developed district educational campus programmes towards this end. A pilot project has been launched in the Ngaka Modiri Molema district of the North West, using the Lehurutshe-Zeerust District Hospital complex. The campus will serve as a model for further training development in the province. A grant from Discovery is being used towards the priority needs of the pilot campus.

Another project in which the Discovery Fund is investing in the human resources needed to boost South Africa's healthcare system, is the Umthombo Youth Development Foundation (formerly Friends of Mosvold). This organisation provides scholarships to rural students to address the shortage of qualified healthcare staff in rural areas, especially in the Umkhanyakude, Zululand and Uthungulu districts of KwaZulu-Natal. Discovery's 2011 grant is being used for bursaries for students studying medicine and its allied disciplines.

Africa Health Placements (AHP) was awarded a grant in the past year towards its foreign recruitment and orientation programme. This focuses on recruiting foreign qualified doctors for underserved rural hospitals in South Africa. The recruits are provided with clinical, cultural and logistical orientation to ensure they make the maximum impact during their placement and to affect their long-term retention. AHP has achieved remarkable success with the implementation of this programme – more than 365 placements were done in 2011 alone.

### CASE STUDY

#### Support for MES Impilo in Johannesburg

MES Impilo is an initiative that provides a holistic service to the poor and destitute community of the inner city of Johannesburg. The vision of MES Impilo is to enable people to live independent, self-sustainable lives. The programme has four strategies: home-based care and primary healthcare, health education and awareness, HIV wellness, and a hospice and care centre. In 2010, the Discovery Fund allocated MES Impilo a two-year grant, which has been channelled towards the operational costs of four beds in the hospice, food parcels for home-based care patients and the purchase of additional educational material for awareness campaigns.



## Our performance in each key sustainability area

**Strengthen the healthcare system and expand access to care**Focus  
area**Laureus Sport for Good Foundation:  
Harnessing the uplifting power of sport**

Discovery is the founding partner of the Laureus Sport for Good Foundation in South Africa. We are committed to investing around R25 million in the Foundation's work over a 10-year period. Discovery recognises that sport is a powerful tool to bring about positive change in communities that not only helps to address specific social issues, but also encourages young South Africans to lead healthier lives.

The way that Laureus encourages healthy communities through sport is similar to the way Discovery uses our Vitality programme – our foremost tool in helping our members become healthier. With its emphasis on good preparation, regular exercise and good nutrition, sport encapsulates many of the same healthy behaviours we strive to promote through Vitality. Our association with Laureus allows us to promote healthier communities just as our products and services help to make our clients healthier.

We currently support 12 projects nationally with the Laureus Foundation:

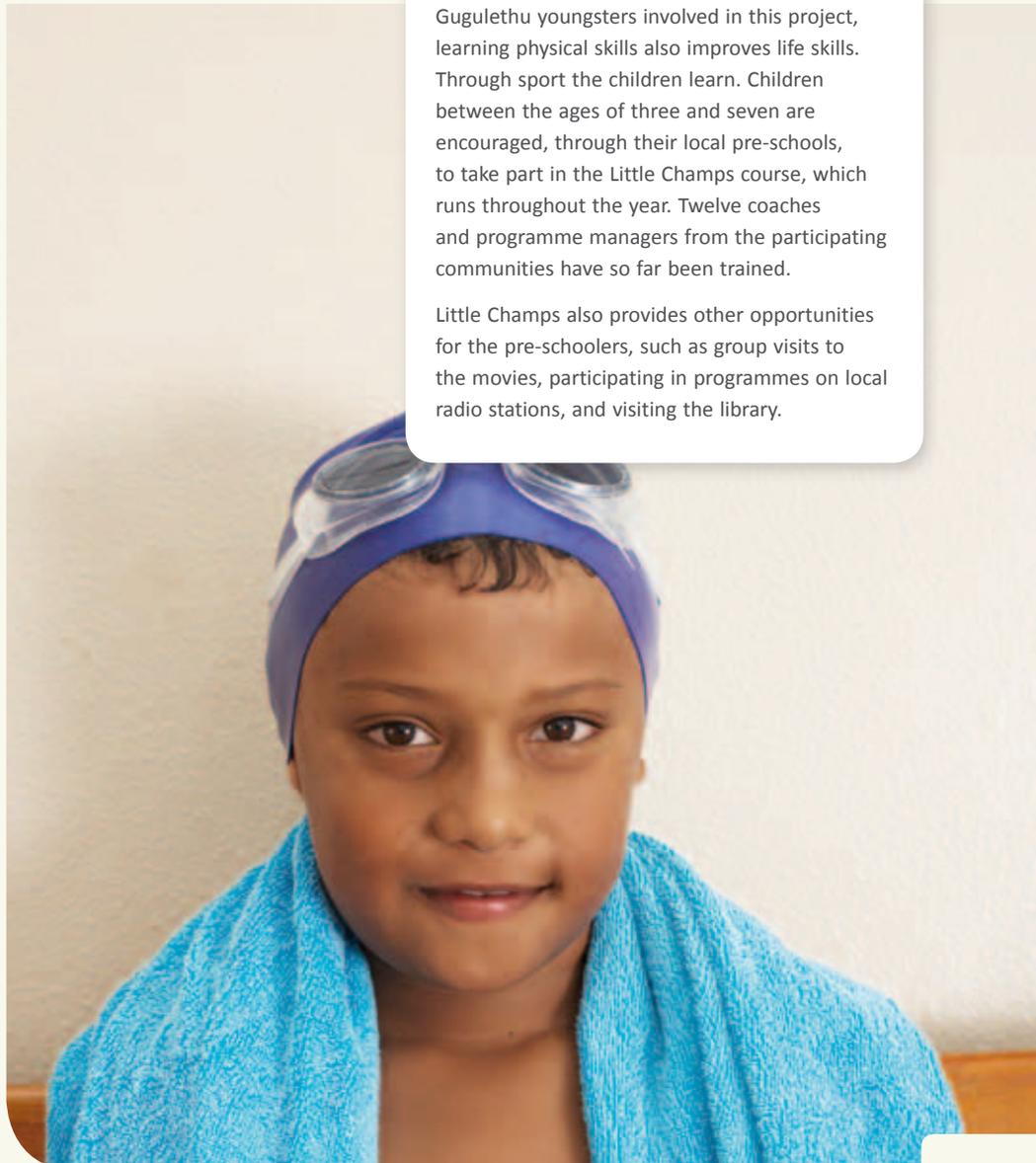
- Buffalo City Soccer School
- Lungisani Indlela
- Makomba-Ndlela Youth Movement
- Little Champs Academy
- Free The Youth
- PeacePlayers International
- Indigo Youth Movement
- Sport for All
- Legends Cup Trust Rugby Project
- Johannesburg Cubs
- Fight With Insight
- Soweto Schools Rugby Programme

**CASE STUDY****Little Champs Academy**

The Little Champs Academy is a national project started in 2000 that teaches children basic sporting skills from a young age while at the same time improving their learning skills. The project aims to ensure that there is not another lost generation of children in previously disadvantaged communities whose education capacity is impeded as a result of illiteracy. These children often start their schooling with poorly developed motor skills, which can impact on academic performance and participation in sports programmes.

For the more than 5 000 Alexandra and Gugulethu youngsters involved in this project, learning physical skills also improves life skills. Through sport the children learn. Children between the ages of three and seven are encouraged, through their local pre-schools, to take part in the Little Champs course, which runs throughout the year. Twelve coaches and programme managers from the participating communities have so far been trained.

Little Champs also provides other opportunities for the pre-schoolers, such as group visits to the movies, participating in programmes on local radio stations, and visiting the library.



Our performance in each key sustainability area

**Strengthen the healthcare system and expand access to care**

Focus area

**Discovery Employee Volunteer Programme: Supporting our projects**

The Discovery Employee Volunteer Programme underpins all Discovery’s corporate social investment activities and enables Discovery employees and other stakeholders to support our projects.

Number of volunteers	372
Number of teams supporting projects	21
ZAR spend on employee volunteer programme	<b>R1 231 327.00</b>

Volunteers are involved in the following ways:

- Our volunteers take part in annual, national initiatives (such as the annual CANSA Shavathon and Casual Day), which serve as an introduction to the concept of volunteerism and to the sense of giving back to the community
- Discovery’s Adopt a Project programme enables employees to commit to long-term involvement with community projects. Many Discovery departments have adopted projects and regularly volunteer their time and expertise there. Others do team-building by helping a specific project. Other employees, inspired by our volunteer programme, have identified new projects in which they would like to support the community.

Our Employee Volunteer Programme has grown to include other stakeholder groups, including the employees who work at Discovery’s regional distribution offices, Discovery Consulting Services. This network of independently owned franchises provides services to the financial advisers who market our products.

We use our internal resources to promote the work of the various health projects we support. The Discovery Corporate Social Investment Department runs an annual training programme directed at the management of all our projects and aims to provide opportunities to share good practice and engage on topical matters related to health. We believe this additional support provides an enhanced service towards efficient and effective public healthcare service delivery.

**Employee volunteer initiatives through the year**

Initiatives in which we were involved over the past financial year included Mandela Day in July 2010, a hospital food drive in response to strike action by health officials in August, Casual Day in September, Bandana Day in October, the CANSA Shavathon in March, and National Volunteer Week in May 2011. We also held end-of-year parties to celebrate the partnerships between Discovery employee volunteer teams and their projects.

A new development in Discovery’s employee volunteerism was the launch of the Employee Volunteer Forum in November last year. It provides a platform for volunteers to share expertise and knowledge, network with other volunteers and keep up to date with the latest corporate social investment activities from all the Discovery teams.



Discovery employee volunteers

**The Adopt a Project programme**

In this initiative, we work with communities over a longer period of time. Entire departments at Discovery are involved in CSI volunteer projects in a consistent and ongoing way, pooling their resources and expertise to deliver phenomenal results in the community. This more focused approach has led to Discovery’s volunteer initiatives evolving into a fully-fledged, capacity-building programme. We encourage our employees to adopt projects in which we have already invested financially so as to further enhance the investment and ensure the sustainability of the project. This relationship is a dynamic one as it ensures ongoing contact and assistance towards other needs which may arise, and allows for feedback to the Corporate Social Investment Department.

## Strengthen the healthcare system and expand access to care

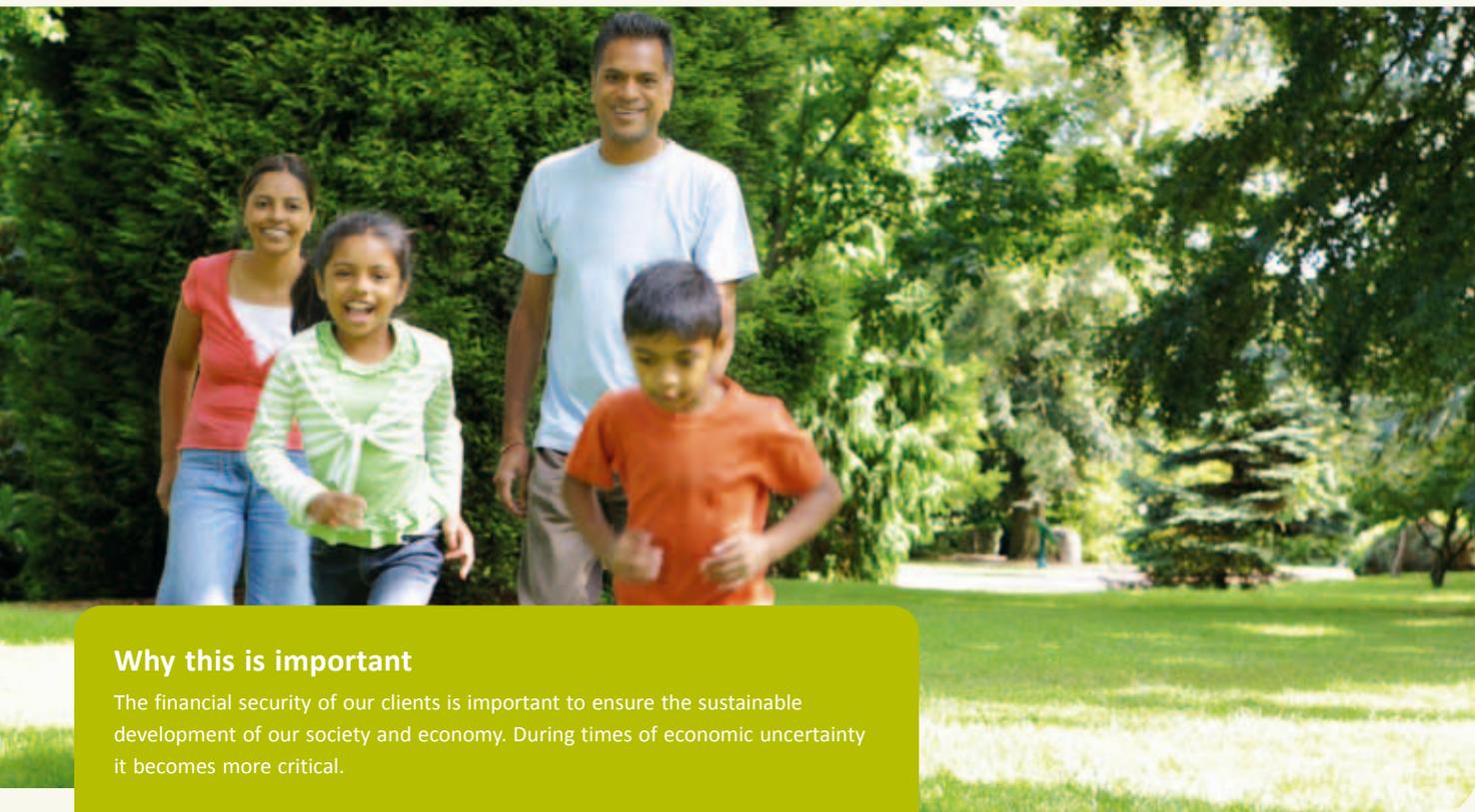


### Our priorities for 2012

- Continue to use innovative product solutions to service the needs of the lower-income market, and form key strategic partnerships in the area of healthcare to broaden access to care
- Continue to leverage our scale, resources and partnerships to provide access to quality healthcare on a sustainable basis, and impact on the entire industry in a positive way
- Provide benefit and contribution stability across the Discovery Health product range
- Bring down the cost of healthcare for Discovery Health members
- Drive further service and benefit innovations for members, healthcare professionals and financial advisers
- Continue the impact and work of the Discovery Foundation to increase the number of specialists in South Africa
- Increase the focus of the Discovery Fund on nutrition as an important element of primary healthcare
- Roll out an awareness campaign and implement working plans for the Discovery UNICEF Immunise SA programme
- Increase the number of Discovery employee volunteers and improve the quality of engagement with community projects

Our performance in each key sustainability area

**Improve the financial security of our clients and protect them through innovative products and services**



**Why this is important**

The financial security of our clients is important to ensure the sustainable development of our society and economy. During times of economic uncertainty it becomes more critical.

**Our priority**

Our priority is to offer our clients unique financial and lifestyle protection through innovative product solutions that meet their needs at every stage of their lives. To achieve this we use the principle of product integration to give consumers value by creating efficiency and long-term value.

**Our priorities for 2011**

- Focusing on product innovation that leverages the integration capabilities of Vitality to meet the complex and unique needs of the Discovery Life client base
- For Discovery Invest, continuing our focus on distribution support, product innovation, brand credibility and awareness

**Managing risk to create greater efficiency**

In life assurance, we offer risk-only products through Discovery Life that engage clients in actively managing their health risks to drive down premiums and create greater efficiency. In the long-term savings and investment product market, Discovery Invest leverages our risk management expertise to offer unique performance guarantees and cost savings. Through Discovery Insure, we offer comprehensive short-term insurance products. Our incentive-based driver programme, VitalityDrive™, encourages clients to improve their driving, thereby reducing their risk.

**Using integration to create value**

Our innovative approach to our products and services enables us to offer holistic and integrated solutions to provide long-term value for our clients, creating loyalty and thereby contributing to the profitability and sustainability of our business. Our product offerings integrate seamlessly through the Vitality wellness programme and the DiscoveryCard.

Our performance in each key sustainability area

## Improve the financial security of our clients and protect them through innovative products and services

Focus area

### Discovery Life: product innovation to meet client needs

Launched in 2000, Discovery Life is South Africa’s fastest growing major life insurer. It was the first South African insurer to separate risk from investment, leading a change in the environment that is estimated to have saved consumers more than R6 billion to date.

In the life assurance industry, the challenge for Discovery has been to provide products that meet the complex and unique requirements of our client base. Our approach has been to offer products that adjust dynamically to meet the changing needs of our clients while not compromising the quality of core protection cover. Discovery Life’s product designs recognise that individuals’ needs change constantly because economic, demographic and lifestyle factors change. Our focus on innovation during the year under review resulted in the launch of a number of new Discovery Life products to address these unique areas of need.

A key trend highlighted by the 2010 Actuarial Gap study is that South Africans are underinsured in the event of a life-changing event. This poses a serious financial risk to clients as they continue to live longer while becoming severely ill more often, due to a range of lifestyle-related illnesses. Discovery Life has responded by developing the AccessCover™ product, which gives consumers the choice to cash in a portion of their life cover during a life-changing event such as cancer, a brain tumour or a transplant.

During the year, we also introduced enhancements to the Discovery Life Income Continuation Benefit product, aimed at providing additional support to policyholders in times of need. We understand that a spouse or child suffering from a severe illness may have a significant impact on a policyholder’s ability to earn an income. Often the family will need time to deal with treatment, emotional and other practical issues, and this may place additional strain on the policyholder to earn an income. The Income Continuation Benefit Extender covers the policyholder and family using a range of objective medical criteria. The Family Protector – part of the Income Continuation Benefit Extender product – will pay 100% of a policyholder’s Income Continuation Benefit if the policyholder’s spouse or child suffers from a severe illness. As the main policyholder is protected in terms of earning an income, the family will have more support during a difficult time.

Discovery Vitality forms the foundation of the unique Discovery Life benefits and ensures that clients enjoy real rewards for managing their health. It has also been shown to have a significant effect in improving the mortality and morbidity experience for Discovery Life, resulting in better underwriting performance. Discovery Life clients who integrate their policies with Discovery Health, have the ability to not only lower their premiums but also to gain additional benefits through the PayBack™ benefit. This benefit is progressive – the longer a client remains on Vitality and Discovery Health, and the better their Vitality and health status, the greater the reward.

#### CASE STUDY

##### Discovery Life Philanthropy FUND™

The Philanthropy FUND™ is a non-profit initiative allowing clients to use their Discovery LIFE plan to make a contribution to their choice of charities every five years and to leave a lump sum to these charities when they die – making a tangible difference to society. Clients can choose an amount of life cover they would like to donate. This is added to their existing Discovery LIFE plans. Up to 70% of premiums for this life cover will then be paid to their chosen charities every five years, based on their engagement in the Vitality programme.

Clients can nominate up to 10 charities from a comprehensive list of approved charities. They can also choose one of three expertly managed Discovery Philanthropy FUND™ portfolios which have a selected range of charities, categorised into three areas of need – education, health and social welfare.

“Discovery Life was voted by the Financial Intermediaries’ Association of South Africa (FIA) as the top life insurer in the risk category for the past four consecutive years. In 2009, 2010 and 2011 it was also voted the top life insurer in the business category of the Sunday Times Top Brand survey.”

#### CASE STUDY

##### Discovery Life AccessCover™

In June 2011, Discovery Life launched AccessCover™ – believed to be a world-first product giving clients access to their life cover during a life-changing event such as severe illness and disability. This followed an extensive industry study which revealed the extent to which South Africans are underinsured for disability cover at all ages – the deficit amounts to a staggering R11 trillion.

This scenario is likely to worsen given the worldwide trend of increasing incidences of cancer as well as lifestyle-related diseases such as diabetes and hypertension. The fact that people are becoming ill more often means that individuals will have an increased need for cover. Moreover the global financial crisis has been the catalyst for a significant increase in market volatility, which coincided with household savings declining to virtually zero. This means individuals have no funds available to absorb any unforeseen expenses.

With the AccessCover™ product, clients have dynamic access to their life cover in the event of a life-changing event. In the same way that people can “draw down” on their bond with the advent of Access Bond facilities, AccessCover™ (and the enhanced AccessCover PLUS™ benefits) enables Discovery Life clients to convert their life cover into immediate cash on a list of objectively defined life-changing events.

Our performance in each key sustainability area

## Improve the financial security of our clients and protect them through innovative products and services

Focus  
area

### Discovery Invest: offering greater protection to investors

Discovery Invest was launched in 2007 at the start of the financial crisis. Despite the worsening economic climate and South Africa's low savings levels, Discovery Invest has in only four years attracted over R17 billion in assets under management. Our performance is the result of a combination of offering investors innovative products and strong market performance. Discovery Invest turned profitable three years after the launch of the company.

Discovery Invest aims to provide products and services that offer investors unique protection against volatile markets or poor investment choices. While Discovery Invest offers a comprehensive range of investment products to meet different needs, we continuously work to create innovative products that address the structural challenges inherent in a specific investment product.

In line with Discovery Invest's strategy of offering products that provide greater protection yet still maximise returns, the past financial year saw the launch of two innovative new products and two new funds. Each has distinct benefits previously unavailable to South African retail investors within a single package.

For retirement saving, we pioneered a new annuity design in the investment market that has all the features to reverse the retirement income downward spiral. The Guaranteed Escalator Annuity™ enables clients to invest in equity-linked annuities while enjoying a strong guaranteed underpin and financial protection. This new annuity design has integrated the expertise of Discovery Invest in protecting and enhancing investment returns with the expertise of Discovery Life in longevity risk management to give clients the best of both worlds – performance and protection.

A second focus area for us has been to increase the value proposition for investors in the LISP market by adding performance, protection and efficiency enhancements to our Flexible Investment Plan™. The Classic Flexible Investment Plan™ provides access to a full range of investment options, with immediate access to the investments if needed. It also offers improved performance and protection, and refunds up to 100% of capital gains tax liability, making it a more tax-efficient offering than traditional linked products. By improving the value proposition for investors through an innovative product structure, we aim to encourage consumers to save and invest more.

We launched the Discovery Best Ideas Fund™, which is suitable for investors with an appetite for risk, and those able to tolerate short-term market fluctuations. Not constrained by the restrictions imposed on a regulated fund, the Discovery Best Ideas Fund™ chases opportunities and avoids possible losses. It aims to achieve long-term capital growth through investments around the world.

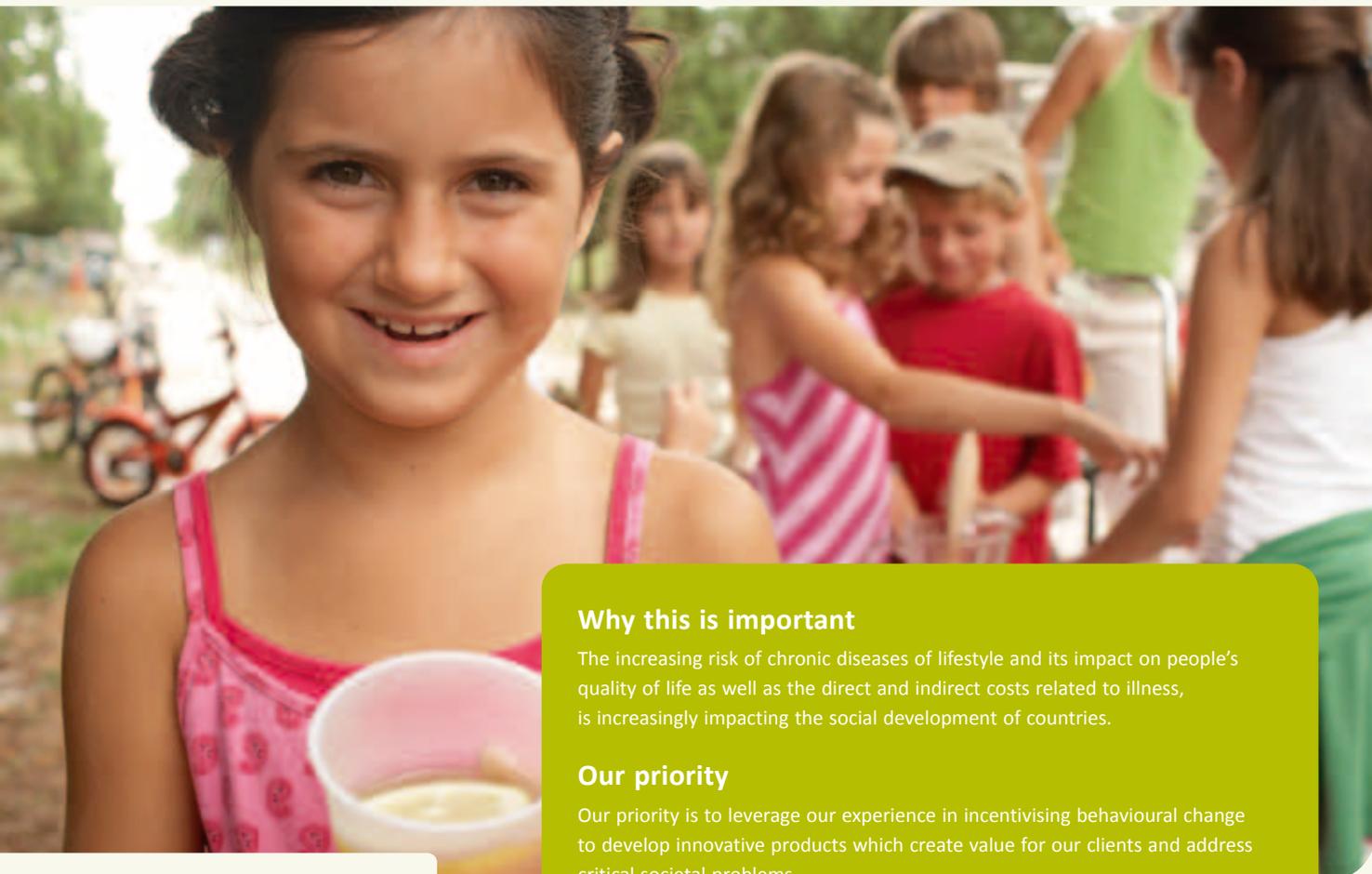
Following the success of its local range, Discovery created a Global Escalator Fund™ accessible through the Discovery Invest Offshore Endowment Plan™. The dollar-denominated fund provides exposure to both foreign equities and a USA dollar cash account, with a guarantee that each escalator unit will always be worth at least 80% of its highest value in dollar terms. Guaranteed offshore investments are not commonly available to local investors, making this feature unique.

### Our priorities for 2012

- Continue to use innovation to ensure consumers are adequately insured and to encourage increased levels of savings
- Continue to focus on managing financial risk for Discovery Life
- Expand access to financial products by developing products targeted at the lower-income market
- Enhance Discovery Life's Group Risk offering for corporate employers

Our performance in each key sustainability area

**Use the principles of behavioural economics to drive positive behaviour change**



**Why this is important**

The increasing risk of chronic diseases of lifestyle and its impact on people's quality of life as well as the direct and indirect costs related to illness, is increasingly impacting the social development of countries.

**Our priority**

Our priority is to leverage our experience in incentivising behavioural change to develop innovative products which create value for our clients and address critical societal problems.

**Our priorities for 2011**

- Investing in the international capabilities of Vitality
- Increasing our members' engagement in Vitality to improve the health profile of our client base
- Continuing work in understanding and enhancing the science underpinning Vitality
- Developing alternate applications of the Vitality model

Discovery is acknowledged as a global thought leader in the use of behavioural economics and incentive-based wellness. Our science-based wellness programme, Vitality, is the outcome of our application of behavioural economics to insurance. The philosophy behind Vitality is to help people become healthier by making positive lifestyle changes needed to address the risk of chronic lifestyle diseases. We provide consumers across our product offerings with the tools to improve their health, and reward them for participating in wellness activities. We empower consumers to manage their own health, and in so doing, control their healthcare spending.

Our performance in each key sustainability area

## Use the principles of behavioural economics to drive positive behaviour change

“ Since its launch in 1997, Vitality has grown into a wellness programme recognised as one of the world’s best at motivating and rewarding healthier living. It now has about two million members in South Africa, the UK and the USA. In South Africa, it is available to Discovery Health and Discovery Life clients, and in the UK through Discovery’s health and life assurance subsidiaries, PruHealth and PruProtect. In the USA, Vitality is offered as a stand-alone wellness programme through The Vitality Group. It is also offered to clients of Humana – HumanaVitality provides Humana members with the tools and support necessary to help them make healthy choices through access to the comprehensive Vitality wellness solution. The Vitality programme is being rolled out in China. ”

### Scientifically proven to reduce healthcare costs

Vitality has been scientifically proven to better health outcomes and lower healthcare expenses. It helps to reduce long-term healthcare costs by removing cost as a barrier to access a healthy lifestyle, and encouraging people to adopt healthier lifestyle habits. Hospital-related costs and costs related to chronic illnesses have been proven to be lower for members who engage with the Vitality programme. As an incentive-based insurance model, Vitality thus structurally reduces the cost of insurance and significantly improves the value consumers receive.

### Innovative and integrated products and services

Vitality is the key differentiator for Discovery and an important value creator. It enables us to deliver innovative and integrated products and services that impact clients’ lives positively. It forms the foundation of all our product offerings and makes it possible for clients to integrate products to earn rewards, get more value and save costs by managing their health. The integration of Discovery’s financial products with Vitality has enabled the Group to improve its competitive position by offering unique products with better benefits and at a lower price than its competitors.

### Taking the science of wellness to the broader community

The Vitality model of rewarding positive behaviour helps improve the sustainability of our business in terms of its cost-containing impact. It also has a positive impact on society in general by taking the science of wellness to the broader community through various initiatives with the goal of contributing to a healthier nation. These initiatives include:

- **Children’s wellness.** Through the Vitality Schools Programme, launched in 2008, we aim to positively influence the health and nutrition of younger generations.
- **Employee wellness.** The Discovery Healthy Company Index was developed to assess and understand the health status of South African employees. The inaugural survey conducted this year revealed that employees in this country have major health issues.
- **Nutrition.** In February 2009, Vitality introduced the HealthyFood™ benefit, a pioneering first for South Africa in encouraging and rewarding healthy nutrition. The benefit offers Vitality members up to 25% cash back on their purchases of over 10 000 healthy foods at Pick n Pay, one of South Africa’s leading food retailers. It makes healthy eating more accessible to Vitality members. The introduction of this benefit stemmed from the need to address poor nutrition as a major driver of morbidity and mortality worldwide.
- **Sponsorships.** We use sponsorships as an opportunity to tell more people about the benefits of a healthy lifestyle, engage them in healthy activities, and inform them of the role Vitality can play in helping them improve their health.

Our performance in each key sustainability area

## Use the principles of behavioural economics to drive positive behaviour change

### Leveraging our expertise to encourage good driving

The Vitality model has formed the core of other new Discovery products that are shifting behaviour to positively affect people's health and well-being. We have leveraged our behavioural expertise developed in the Vitality programme, in combination with the latest motor telematics technology, to create incentive-based short-term insurance products. Through VitalityDrive™, clients are encouraged to improve their driving, thereby reducing their risk. Discovery Insure uses advanced telematics technology to ensure clients are safer and better protected on South African roads. By providing the tools and incentives to achieve a positive change in driver outcomes, Discovery Insure and VitalityDrive™ contribute significantly to the reduction of road accidents and help to impact society in a positive way. Our priority is to bring about social change through the use of telematics, rather than using the technology as an additional rating factor.

#### CASE STUDY

##### Vitality Schools Programme

In 2007, Vitality funded a study by the Sports Science Institute of South Africa into the health status of South African children. The study showed children's wellness as a major cause for concern with 17% of children being overweight, 38% not getting enough exercise and 21% smoking.

In June 2008, Vitality announced the launch of the Vitality Schools Programme, a curriculum-based health promotion initiative intended to educate teachers and learners on physical activity, preventive screening and nutrition.

The initiative has seen Vitality partnering closely with GPs and paediatricians in driving awareness of children's health issues. An interactive website allows schools to download material, subscribe to newsletters, order printed material and learn about creating a healthier school environment. We also hold soccer clinics, and workshops, youth fitness and nutrition conferences for teachers.

Vitality believes this programme represents a significant investment not only in the future health of young Vitality members, but of South African children as a whole.

#### CASE STUDY

##### Sponsorships – making more South Africans healthier

In the same way that Vitality helps to make people healthier, our sponsorships give us the opportunity to work with more people to achieve the goal of a healthier society. We see sport, and the powerful health message it conveys, as the perfect vehicle for us to engage people in a healthy and active lifestyle.

Our sponsorships allow us to educate people on the steps they can take to improve their health. Events such as the Discovery 702 Walk the Talk help to get people active and involved in a healthy lifestyle.

Discovery's involvement in these sporting events and activities also gives us an opportunity to make a difference to broader society. The Discovery Cape Times Big Walk raised R1 072 million in 2010 from entry fee proceeds, which was donated to the South African Breast Cancer Association and the Steenberg Foundation, an organisation empowering young people from disadvantaged communities to access education, employment and business opportunities. Through the 2010 Discovery 702 Walk the Talk an amount of R400 000 was raised – this was used to fund various projects of the Laureus Sports for Good Foundation, of which Discovery is the patron in South Africa.

Our performance in each key sustainability area

Use the principles of behavioural economics to drive positive behaviour change

Focus area Investing in the international capabilities of Vitality

During the year under review, work was done on the Vitality model to ensure we can successfully replicate the model in markets such as China, the USA and the UK.

Our acquisition of Standard Life Healthcare, the UK's fourth largest health insurer, increased our shareholding of both PruHealth and PruProtect from 50% to 75%. This gave us the opportunity to focus on building both PruHealth and PruProtect along the lines of our Vitality-integrated model, thereby providing a unique value proposition in a market characterised by strong competition. PruHealth has started rolling out Vitality to the entire combined membership base.

In China, our joint venture with Ping An Health focuses on building the Discovery Vitality framework in line with our strategic vision of creating the premier specialist health insurer in the country.

Over the past financial year, The Vitality Group (TVG) has developed a strong foundation for building a meaningful business in the USA. We made progress in evolving the science of Vitality, coupled with TVG's proactive thought leadership drive to showcase the Vitality programme. This has led to strong external recognition for the Vitality model.

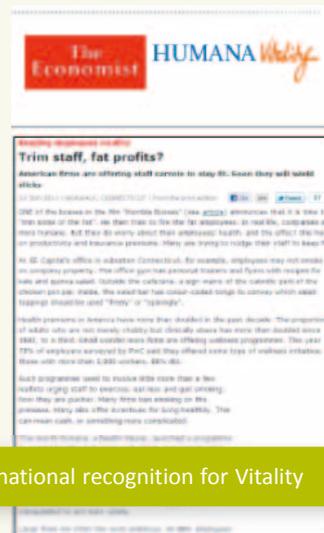
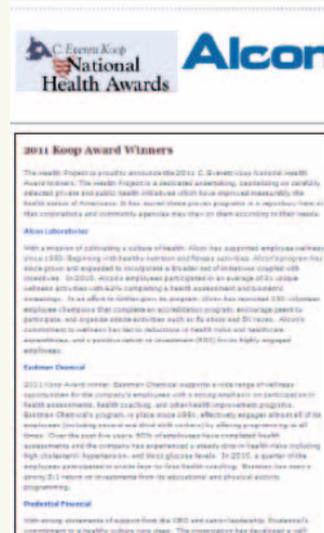
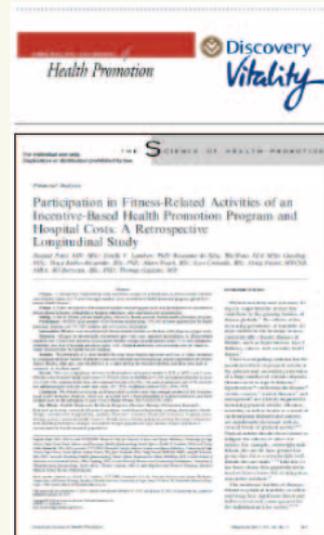
One of TVG's clients – Alcon Laboratories – was awarded the C Everett Koop National Health Award for using Vitality in promoting wellness. This is a highly prestigious award recognising outstanding workplace health improvement programmes that demonstrate the ability to improve health risk status and reduce costs. This esteemed award goes a long way in establishing both TVG's and Vitality's credibility in the USA market.

During the year we also concluded a joint venture with Humana Inc, one of the USA's largest health companies, to distribute the Vitality wellness solution to Humana members. HumanaVitality launched to market just six months after signing the contract. With over 480 000 HumanaVitality members committed to the programme, Vitality's membership in the USA is now over 680 000, forming part of the two-million global Vitality membership base.

Focus area Increasing members' engagement with Vitality

During the year, engagement levels of key Vitality activities increased dramatically:

Gym membership is now	400 000
HealthyFood™ activations now exceeding	260 000
HealthyFood™ trolleys purchased since start of HealthyFood™ benefit in February 2009	12.5 million
HealthyFood™ cash backs paid out since inception	R200 million



International recognition for Vitality

Our performance in each key sustainability area

## Use the principles of behavioural economics to drive positive behaviour change

Focus  
area

### Understanding and enhancing the science underpinning Vitality

During the past year we continued our work in understanding the academic and scientific link between engagement with Vitality and reduced healthcare costs.

- In support of the cross-sectional studies published by Vitality in 2009 and 2010 which found evidence for the link between fitness engagement and reduced hospital costs over time, a longitudinal study published in the American Journal of Health Promotion validated Vitality's ability to get people engaged in complex fitness activities, and sustain this engagement over time. The 2011 study showed that there was a significant decrease of inactive members over a five-year period. Members who were physically active had a lower risk of being admitted into hospital over time compared to inactive members. The positive change in members' participation levels over a five-year period illustrates the power of the Vitality concept in driving behavioural change by providing access to health facilities and financial incentives.
- We announced the results of the first Discovery Healthy Company Index. More than 100 companies participated in this survey on employee wellness. Through this process, Vitality obtained additional evidence to validate Vitality Age as a predictor of morbidity risk. Respondents whose Vitality Age was greater than their actual age, experienced 35% more doctor visits in the preceding month, 26% more hospital days in the preceding year, and missed 28% more work days than their peers whose Vitality Age was less than or equal to their actual age.

It is this significant and continually evolving knowledge and capability that has been used to underpin both Discovery's local and international businesses.

#### CASE STUDY

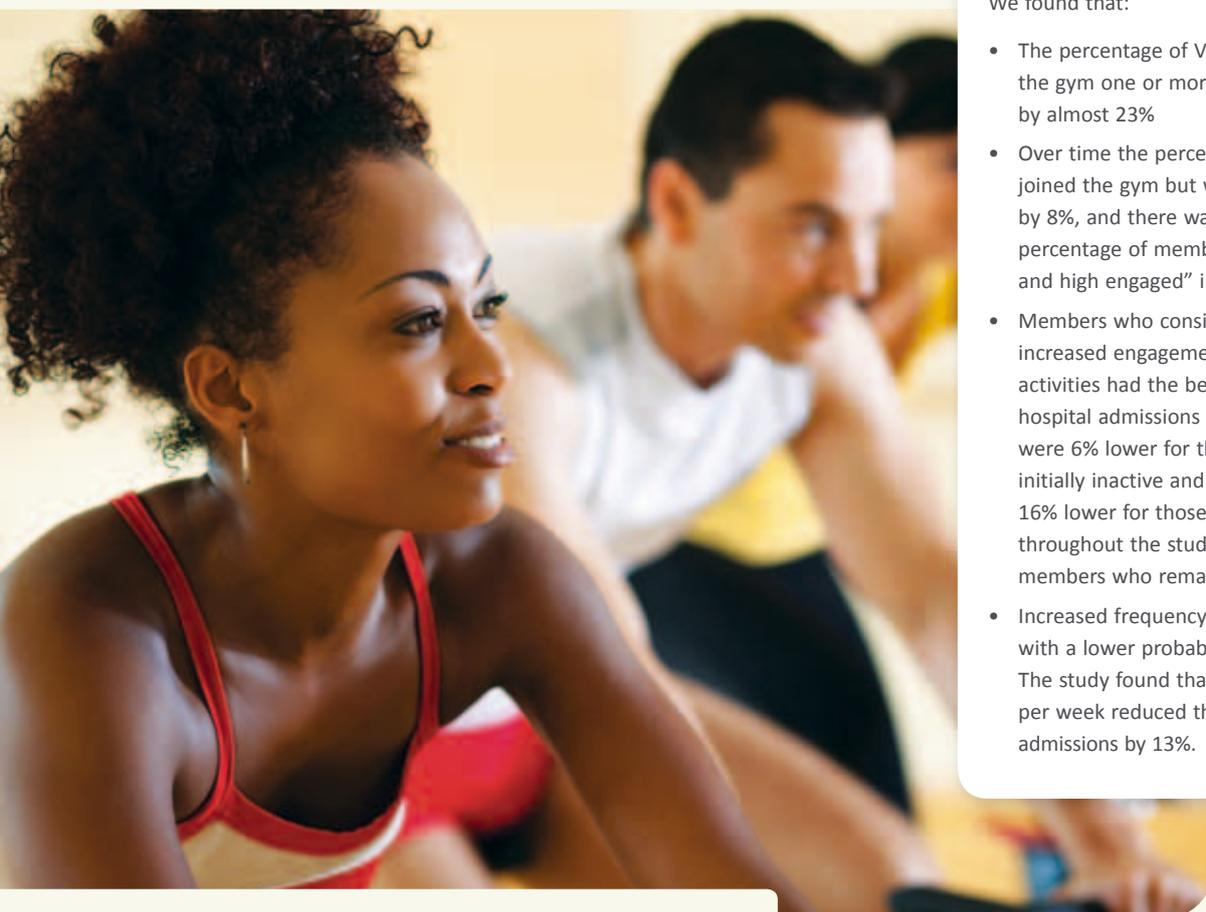
### Research to prove positive health outcomes from Vitality

This year Vitality published a longitudinal study on the positive health outcomes of wellness programmes in the American Journal of Health Promotion. The study looked at more than 300 000 adult members of the Discovery Health Medical Scheme in South Africa, of which 192 467 members were registered with the Vitality wellness programme and 111 587 were not on the programme. Researchers assessed engagement with fitness activities over a three-year period and medical claims data over the fourth and fifth year. Vitality members were encouraged to take part in fitness activities which were measured based on the frequency of electronically-documented gym visits and other verified activities.

The aim was to establish the role of wellness programmes in encouraging positive behaviour change and lower healthcare costs through incentive structures. The research measured the relation between participation in specific health activities and hospital claims for members on the Discovery Health Medical Scheme in South Africa.

We found that:

- The percentage of Vitality members using the gym one or more times a week increased by almost 23%
- Over time the percentage of members who joined the gym but were "inactive" decreased by 8%, and there was an increase in the percentage of members classified as "medium and high engaged" in fitness-related activities
- Members who consistently maintained or increased engagement with fitness-related activities had the best outcomes related to hospital admissions and costs. Hospital costs were 6% lower for those members who were initially inactive and who became active; and 16% lower for those members who were active throughout the study, compared to those members who remained inactive
- Increased frequency of gym visits was associated with a lower probability of hospital admissions. The study found that two additional gym visits per week reduced the probability of hospital admissions by 13%.



Our performance in each key sustainability area

## Use the principles of behavioural economics to drive positive behaviour change

Focus  
area

### Developing alternate applications of the Vitality model

The Vitality model was used as the basis for Discovery Insure, applying the principles of behavioural economics to the science of driving. Road accident statistics in South Africa show that 49% of accidents can be attributed to inappropriate and poor driving and 9% to vehicle safety. These two factors are both behavioural and therefore modifiable. Discovery's expertise in applying behavioural economics to product structures is key in impacting road safety positively.

Fundamental to our approach is the use of incentives in encouraging good driving behaviour. The result is a telematics-enabled product construct that allows for tailored driver feedback and education on a driver's unique driving style and patterns, coupled with a dynamic reward structure to initiate and sustain good driving behaviour.

Launched in May 2011, Discovery Insure sets to achieve three key objectives: to structurally reduce the cost of insurance through positive behavioural change, to channel actuarial and risk management savings to significantly reduce the cost of fuel for clients, and to make the roads safer for families insured by Discovery.

Through the efficient payment mechanism of DiscoveryCard, the BP fuel network and safer vehicles enabled through Tiger Wheel & Tyre, the VitalityDrive™ programme incentivises clients through valuable rewards. The Vitality model uses the DQ-Track, the latest motor vehicle telematics technology, to develop a scientific measure of driver behaviour, the Driver Quotient, or DQ. By activating VitalityDrive™, clients get immediate rewards on their BP fuel spend. Completing a Tiger Wheel & Tyre Annual MultiPoint Check boosts the fuel rewards. DiscoveryCard holders reap additional rewards. The overall impact is that clients can get up to 40% of their monthly fuel spend back.



### CASE STUDY

#### Discovery Healthy Company Index

The Discovery Healthy Company Index was developed as a joint initiative between Discovery Vitality and the University of the Witwatersrand, the University of Cape Town and Professor Ron Goetzel from Emory University and Thomson Reuters. It aims to assess and understand the health status of South African employees.

The rationale behind the survey is that the impact of the workplace cannot be ignored when looking at the overall wellness of a population. People spend more and more time at work, which has a direct impact on their lifestyles and stress levels. A significant amount of clinical research indicates a strong link between living an unhealthy lifestyle and the development of chronic disease, which can have a profound effect on the bottom line of any company. If a company knows the health of its employees, it can have a better understanding of its financial and human resource risks and how these can be improved.

Some 13 500 employees within over 100 companies participated in the inaugural 2011 survey. It rated companies in terms of healthiest workplace, highest motivation to improve health, greatest health knowledge, most physically active, best shape, most smoke-free and least stressed. The analysis was conducted by researchers from the University of Witwatersrand.

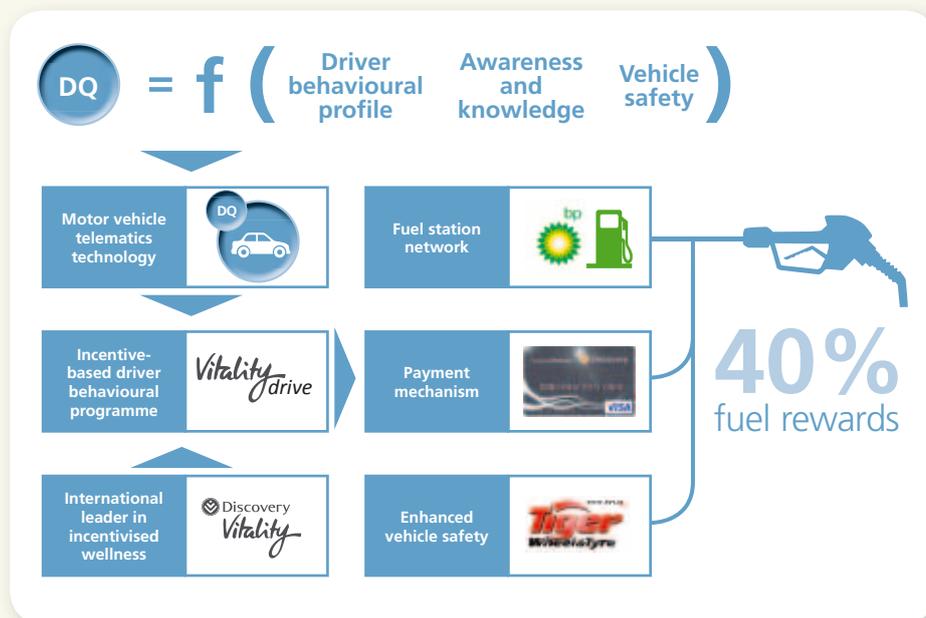
The survey revealed that high blood pressure, high cholesterol and depression are the most prevalent chronic conditions among South African employees. On average, 71% of employees have a higher Vitality Age at an average of 3.4 years higher than their actual age. The biggest driver of higher Vitality Age among South African employees is high cholesterol levels, high body mass index (BMI) and smoking.

BSG came out tops as the healthiest company to work for in South Africa. The business and software solutions company has the healthiest employees and the best workplace wellness initiatives.

Our performance in each key sustainability area

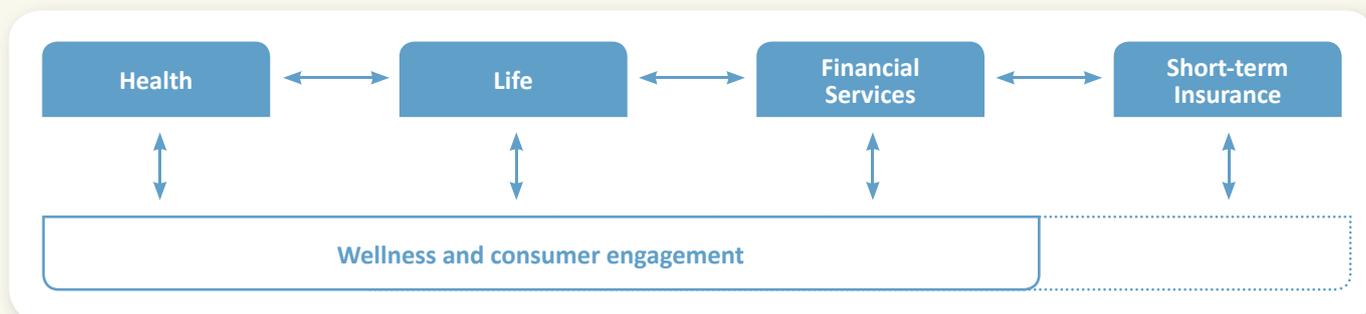
## Use the principles of behavioural economics to drive positive behaviour change

### Application of Vitality to Discovery Insure: Overview of VitalityDrive™



The market's receptivity towards the Discovery Insure product and service offering since it was launched has been overwhelmingly positive. Our aim to further Discovery's integrated model through alternate business model applications of Vitality has been successful – our client profile shows that 98% of Discovery Insure members have a Vitality policy, 80% are Discovery Health members, 60% have a DiscoveryCard, and 35% have a Discovery Life policy.

### The Discovery integrated chassis: Ability to extend into short-term insurance

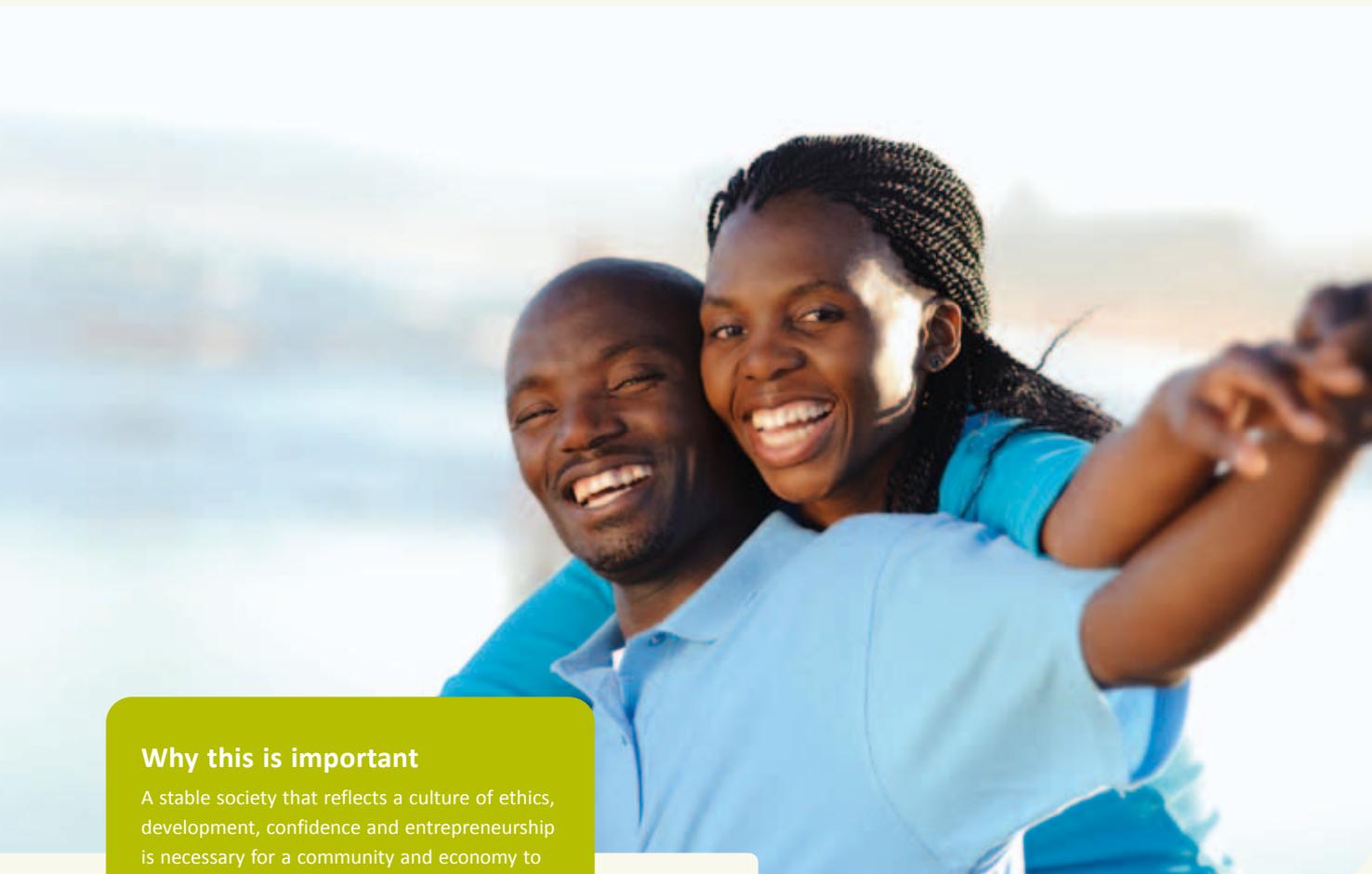


#### Our priorities for 2012

- Leverage Vitality as the global thought leader in wellness and have a positive impact on society in the area of wellness
- Encourage behavioural change in the area of health and wellness for our clients through different platforms
- Refine key Vitality benefits to drive higher engagement levels
- Build on the success of the HealthyFood™ benefit to improve the nutrition and well-being of our members, and provide them with more value

Our performance in each key sustainability area

**Promote a stable society**



**Why this is important**

A stable society that reflects a culture of ethics, development, confidence and entrepreneurship is necessary for a community and economy to grow sustainably.

**Our priority**

Discovery's scale and size means that we impact millions of lives directly and indirectly by the way we do business.

Our priority is to promote a stable society by building a quality and sustainable business, by demonstrating vision, leadership and knowledge and by supporting a culture of confidence and entrepreneurship. We aim to build a sustainable business to benefit our clients today as well as future generations. We are also committed to contributing to South Africa's future growth.

**Our priority for 2011**

Developing our enterprise development strategy further by identifying more opportunities for business partnerships that will benefit our supply chain

## Our performance in each key sustainability area

### Promote a stable society

#### Building a quality and sustainable business

We are responsible for ensuring that our business is sustainable in terms of our economic, financial, environmental and social performance. Good corporate governance principles and practice support this objective through proper management and control of the company. Good corporate governance ensures we manage the business in a responsible, ethical and transparent manner, and that we are accountable to our stakeholders. Discovery's Board of Directors is responsible for ensuring good corporate governance.

Risk management is an integral part of improving performance and ensuring continued growth and sustainable value creation. We use an integrated approach to risk management that enables us to reduce uncertainty and risks to our business. Discovery's Board of Directors is responsible for the overall risk management for Discovery.

Compliance with regulatory requirements is one of the fundamental principles to ensure our license to operate and sustainable development over the long term. Discovery is accountable to various industry bodies and regulators. We ensure that we follow best practice and comply with all legislation through rigorous risk management. Our Compliance Division is responsible for overseeing compliance for the Group.

#### Promoting a stable society through vision, leadership and knowledge

Discovery is a world-class company, but our roots are firmly in South Africa and we are committed to playing a positive role in our country's future. We believe South Africa has enormous potential to become an important player in the world economy. This is why we have taken the initiative to develop and host the annual Discovery Invest Leadership Summit, which brings some of the world's top visionary thinkers, and business and political leaders to South Africa. The summit aims to stimulate business knowledge and encourage pioneering approaches to leadership among South Africa's business community.



[Read our Corporate Governance Report on page 102 of our 2011 Integrated Annual Report.](#)

#### Supporting a culture of confidence and entrepreneurship

A culture of confidence and entrepreneurship are important elements for a stable society, as this has a positive effect on people. As part of our commitment to South Africa's economic growth, we contribute to this culture by helping people become active in the economy. We do this by partnering with entrepreneurial people to develop their business ideas into successful enterprises. Our enterprise development strategy focuses on mutually beneficial partnerships – we encourage innovative entrepreneurs to partner with us to create jobs, improve service within the sectors we operate in and to create economic value.

Our encouragement of entrepreneurship is also carried through to the broader community. Discovery is a key sponsor of The Awethu Project, an entrepreneurship programme aimed at gifted individuals in destitute communities. Through our work with young entrepreneurs, we aim to have a positive and lasting impact on our country.

#### Human rights underpin a stable society

We believe that human rights issues underpin a stable society and we are committed to ensuring we protect these rights in all aspects of our business. These include creating an environment free from discrimination for our employees, ensuring the protection and wellbeing of our members, and ensuring the reliable and responsible sourcing of goods through our supply chain.



Our performance in each key sustainability area

## Promote a stable society

Focus  
area

### Enterprise development

During the year under review, we continued to explore enterprise development partnerships. We are working with Enterpriseroom, a specialist enterprise development consultancy, and have developed an enterprise development programme that enables us to build and support black-owned businesses that will not only add value to Discovery, but will also be sustainable and contribute to the South African economy.

We have also continued our support of incubators to help entrepreneurs unrelated to us. We are a key sponsor of both Endeavor and The Awethu Project. In this way we can contribute to the growth of emerging entrepreneurs in South Africa. At the time of writing the report, we have contributed R15.9 million towards developing small businesses in South Africa.

#### CASE STUDY

##### The Awethu Project

Discovery has provided R3 million in funding to The Awethu Project, an initiative launched in April 2010 to develop entrepreneurial potential in young South Africans from poor communities.

Four young entrepreneurs are now being supported. They were selected from 1 700 applicants through Awethu's unique talent identification process, and have received start-up capital, accommodation, office space, technological and administrative support and a stipend. They are also being coached and mentored, and have the opportunity to study for courses in entrepreneurship training at Wits Business School.

In May 2011, the Awethu Talent Identification Partners (TIP) programme was launched. Talent Identification Partners are community-based organisations working with young people from under-resourced communities, and will assist in nominating potential Awethu entrepreneurs.

#### CASE STUDY

##### Endeavor BootCamp Academy

Endeavor is a global organisation that identifies and assists potentially high-impact entrepreneurs. In March and April 2011, Endeavor partnered with the African Leadership Academy to host the first bi-annual Endeavor BootCamp Academy, aimed at providing entrepreneurs with the tools they need to scale their businesses. Discovery played a crucial role in enabling Endeavor to successfully launch this initiative, sponsoring the participation of 10 entrepreneurs. The camp has subsequently attracted high-level interest from both corporate and government sponsors.

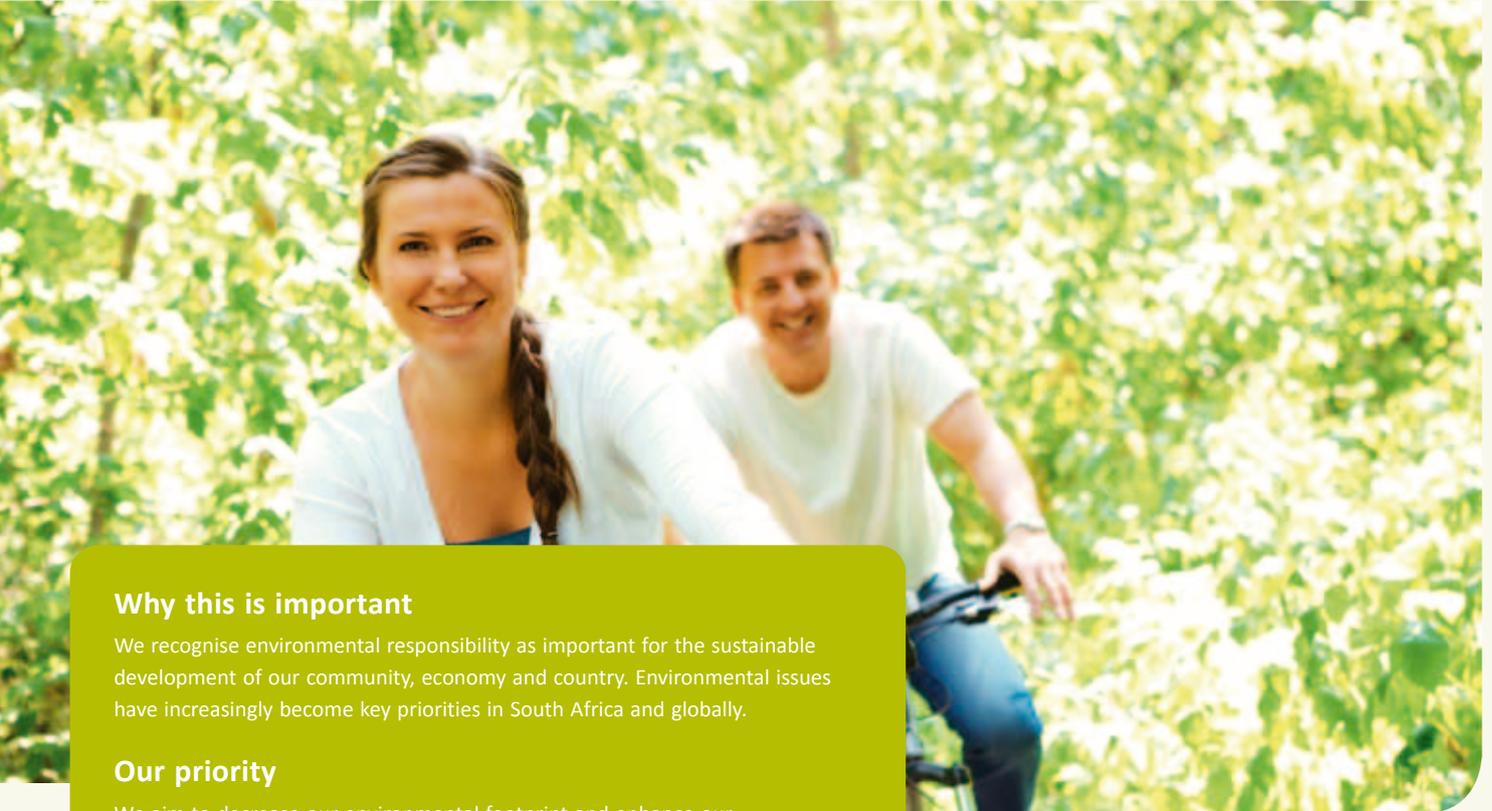
A second boot camp was scheduled for October 2011. We foresee that this initiative will grow from strength to strength as we strive to provide entrepreneurs with the training they need to grow their businesses.

#### Our priorities for 2012

- Focus on opportunities to develop a culture of entrepreneurship by using our enterprise development strategy
- Continue to encourage entrepreneurial and business knowledge in South Africa through the Discovery Invest Leadership Summit

Our performance in each key sustainability area

## Our environmental responsibility



### Why this is important

We recognise environmental responsibility as important for the sustainable development of our community, economy and country. Environmental issues have increasingly become key priorities in South Africa and globally.

### Our priority

We aim to decrease our environmental footprint and enhance our understanding of and responsiveness to environmental challenges.

Although Discovery's direct impact on the environment is minimal, we recognise our ability to make a positive impact through three key areas that are material to our business:

- We are responsible for reducing our own environmental footprint
- We need to understand and be responsive to environmental challenges, such as climate change, and how they impact our business. This will help us to manage climate change risk in the long term
- We acknowledge that we play a key role in driving increased environmental responsibility among our employees, our members and policyholders, our suppliers and our partners.

### Tracking Discovery's environmental impact

As a services-based company we may not have a large impact on the environment. However, climate change is a serious and global challenge for social and economic development and the natural environment. We recognise that our electricity and water usage, as well as business travel and employees travelling to work, all contribute to carbon emissions. By reducing our use of natural resources, we can start contributing to collective efforts to reduce greenhouse gas emissions in our economy and our country. Discovery has an Environmental Management System (EMS) which is in the process of being ISO certified. Our EMS provides metrics to track Discovery's environmental impact.

### Our key priorities for 2011

- Completing our stakeholder engagement on Discovery's environmental policy and strategy, and implementing our policy
- Agreeing on and implementing reduction targets
- Implementing recommendations from our energy efficiency audit to further reduce our electricity consumption
- Delivering on the environmental initiatives identified by Discovery's Green Forum
- Formulating and rolling out awareness and communication campaigns to educate our employees on environmental issues

Our performance in each key sustainability area

**Our environmental responsibility**

Focus area

**Stakeholder engagement and implementing our environmental policy**

In the year under review, we completed stakeholder engagement with internal stakeholders on our environmental strategy. This comprehensive process was aimed at understanding and determining our approach to environmental management. This helped to ensure that our environmental policy and strategy is relevant and material to our business and aligns with our sustainability strategy and overall business strategy.

We finalised our environmental policy as well as our climate change policy at the time of writing this report.



Read about our engagement with stakeholders on page 18 of this report.

Focus area

**Agreeing on and implementing reduction targets**

In late 2009, Discovery started work on an audit of the company's greenhouse gas emissions to determine our impact on the environment and to achieve more efficiency. Working with Global Carbon Exchange, we completed our first carbon footprint audit in May 2010, and our second audit in June 2011.

Although we have started the process, we have not agreed on or implemented specific reduction targets. In this financial year we have focused on improving the measurement of our environmental indicators. These improvements mean that we now have a more accurate and reliable view of our carbon footprint. We have therefore taken our 2010 footprint as our baseline. We are currently investigating different ways of reducing our energy usage.

**CASE STUDY**

**Discovery's carbon footprint**

With the help of Global Carbon Exchange, we have completed our second carbon footprint report of Discovery's operations and activities. The report reveals that from July 2010 to June 2011, Discovery left a carbon footprint of 49 024.81 tonnes of carbon dioxide emissions (t.CO<sub>2</sub>e), with electricity consumption making up almost two-thirds (61.8%) of this figure. To put this in perspective: for every square meter of office space, 600kg of carbon dioxide was released into the atmosphere during the year.

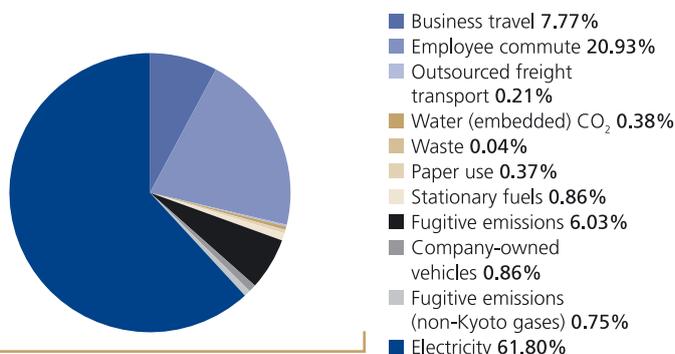
Scope	Source	Total	% of subtotal
Scope 1	Company-owned vehicles	423.93	1.23%
	Stationary fuels	423.59	1.23%
	Fugitive emissions	2 956.54	8.58%
	Other direct emissions (non-Kyoto gases)	367.88	1.07%
Scope 2	Electricity	30 295.01	87.90%
	Business travel	3 809.06	100.00%
	Employee commute	10 259.75	26.17%
	Outsourced freight transport	104.92	70.48%
	Water (embedded CO <sub>2</sub> )	185.48	0.72%
	Waste	17.47	1.27%
	Paper use	181.18	0.12%
<b>Subtotal – Scope 3</b>		14 557.85	0.24%
<b>Total emissions measured</b>		49 024.81	100.00%

**Discovery's total emissions (2010/11)**

When calculating the carbon footprint of employees, the emissions from company vehicles, air conditioning units and other equipment are taken into account. According to the report, the average employee left a footprint of 5.88 t.CO<sub>2</sub>e.

Discovery's total emissions are shown in the graph below:

**Carbon footprint total: 49 024.81 tonnes CO<sub>2</sub>e**



## Our performance in each key sustainability area

### Our environmental responsibility

#### Focus area

#### Further reducing our electricity consumption

Our second carbon footprint report has revealed that Discovery's electricity consumption has decreased by about 3%. This means that some of the small steps we've taken to change the way we do things have started to pay off.

Based on the results of the report, Global Carbon Exchange has recommended that we focus further attention on energy efficiency in order to reduce Discovery's overall emissions. Associated reductions due to decreased electricity usage will also result in reduced operational costs and will ensure that Discovery's goal of eventually becoming carbon neutral is achievable and cost effective.

Employee commuting and business travel emissions amounted to 28.70% of the total footprint. These are areas that offer significant reduction opportunities. Other recommendations that we are currently focusing on include:

- Undertaking further improvements in energy efficiency measures by implementing the recommendations of the energy efficiency audit
- The setting of short- to long-term greenhouse gas (GHG) emission reduction targets for both absolute emissions and emission intensities
- Introducing carbon reduction interventions across the company.

#### Focus area

#### Delivering on initiatives identified by Discovery's Green Forum

In 2009, we established the Discovery Green Forum, which has the responsibility of overseeing and driving environmental initiatives in our various business areas. The forum is looking at initiatives in the areas of employee education, procurement, energy and water usage in our buildings, waste management, transport, and asset management and our data centres.

Discovery has introduced a range of measures, including ways of reducing international travel, and other initiatives to significantly reduce our power consumption. We raise awareness of our carbon footprint by holding "green" events. We also use partners that specialise in carbon neutral or green events.

Discovery currently operates a 60% paperless environment in the area of communication to clients. Our Green Forum is investigating further reducing our reliance on paper in other areas of the business.

We continuously work to control hazardous and other waste. We have a negligible impact on the environment in terms of hazardous waste and we ensure there are measures in place for the re-use or recycling of e-waste. The use of packaging is controlled and Discovery prioritises suppliers who use reduced or recyclable packaging. We strive to include small business owners in our supply chain, specifically those focusing on waste removal and other sustainability-related activities.

#### Interesting facts and figures

- At Discovery, 2.4 tons of paper are recycled from the shred-it bins every month. This equates to 432 trees being saved per year.
- Every month, due to recycling, we reduce our carbon footprint by about 40 tons.
- Up to 200 paper boxes from the print room are compressed onsite for recycling every day.

#### During the year under review, Discovery participated in two important environmental surveys:

- We continued our participation in the Carbon Disclosure Project (CDP), to better understand our greenhouse gas emissions and impact on the environment. The South African Carbon Disclosure Project, now in its fourth year, is a partnership between the National Business Initiative (NBI) and the CDP in London. Internationally, some 3 000 organisations in 60 countries now measure and disclose their greenhouse gas emissions and climate change strategies through the CDP. This is done on an annual basis to assist them in setting reduction targets and making performance improvements. The data is made available for use by a wide audience including institutional investors, corporations, policymakers, government bodies and academics. Participation in the CDP is now recognised by most stakeholders as being something that all companies should do, particularly if they are listed on the Johannesburg Stock Exchange (JSE).

Our third Carbon Disclosure Project submission was completed during June 2011. Our second submission in 2010 was prepared and analysed by Global Carbon Exchange, and Discovery was placed 21st among the 74 companies of the 100 largest listed on the JSE that chose to participate. This was a significant improvement from 2009 where we ranked 44th.

- In November 2010, we completed the environmental survey for the JSE Socially Responsible Investment (SRI) index. The JSE SRI Environmental survey is a tool for JSE-listed companies that integrate the principles of the triple bottom line and good governance into their business activities. All businesses have an impact of some kind on the environment and the SRI index classifies companies as being high, medium or low impact in terms of environmental criteria. After reviewing our submission, the JSE SRI committee concluded Discovery is a low environmental impact company.

## Our performance in each key sustainability area

### Our environmental responsibility

Focus  
area

#### Educating our employees on environmental issues

One of the goals set out in our environmental policy statement is to drive increased environmental responsibility by training, educating and informing our employees. There were various employee awareness campaigns rolled out during the past year.

One such initiative took place on World Environment Day in June 2011, when we informed employees of the initiatives taking place around energy efficiency in our buildings. Our suppliers showcased their energy-efficient products, employees could calculate their own carbon footprint, and participating employees were each given a tree to plant to offset their emissions. We purchased 6 000 trees for this purpose.

Another initiative involved enhancing employees' awareness of recycling and four categories of waste (hazardous waste, e-waste, packaging and glass), and how Discovery is making recycling work. Recycling banks were installed in the basements of our buildings, and employees encouraged to bring certain waste items from home to be recycled. A survey was conducted to find out how employees thought recycling in the office space would work best.

#### Our priorities for 2012

- Continue to measure and track our environmental performance
- Agree on targets for reducing our carbon emissions
- Implement a working plan to meet the commitments of our climate change policy

#### Our environmental performance during 2011

GRI Index	Focus area	Description	2010 – 2011	2009 – 2010
EN 3	Energy	Direct energy used*	3 420 MWH	1 238.12 MWH
EN 4	Energy	Indirect energy used	29 412.63 MWH	30 825.29 MWH
EN 8	Water	Total water used	110 87,38 Kilolitres	62 049 Kilolitres
EN 16	Emissions	Direct emissions	4 171.95 Tonnes	1 275.26 Tons
EN 17	Emissions	Indirect emissions	44 852.86 Tonnes	44 213.58 Tons
EN 22	Waste	Waste produced	89 124.40 kg	34 325 kg
EN 28	Compliance	Fines for non-compliance and non-financial sanctions	R0.00	R0.00
EN 30	Environmental Protection	Total expenditure on Environmental Protection and Investment by Type	R802 271	R1 199 750
	Process Design	Re-engineer processes to do business in a more sustainable manner		

\* Due to improvements in our monitoring and reporting these figures have increased.

Our performance in each key sustainability area

## Our environmental responsibility

### Discovery's position on climate change

Climate change presents a significant threat to social stability, economic prosperity and global security. We recognise that the world is getting warmer, that there is strong evidence that this warming has been caused largely by human activity, and that urgent collective action is needed to mitigate and adapt to a changing climate. While there remains uncertainty regarding the nature, extent and timing of the physical, policy and market impacts of climate change, particularly at a regional level, this uncertainty is not a reason for inaction.

As a leading insurance and financial services company that is committed to expanding access to health and wellness, and to promoting a stable society, we believe that Discovery has a particular responsibility and opportunity for responding to the issue of climate change.

### Our commitments

#### Minimising and accounting for our direct climate change impacts

Our direct climate change impacts are associated primarily with our use of electricity and our employees commuting to and from work. We are committed to implementing appropriate measures aimed at reducing these impacts in a transparent manner.

We aim to:

- Provide sufficient capacity to understand, monitor and respond to the strategic implications of climate change, and to ensure that it is integrated into our core business activities
- Identify and regularly report on the sources, nature and extent of the greenhouse gas (GHG) emissions associated with our activities, and benchmark our performance against relevant peers
- Identify and implement cost-effective measures aimed at reducing GHG emissions throughout our business activities, building on the stated commitments in our environmental policy
- Set and regularly review climate change mitigation and adaptation targets informed by accurately assessed baselines, and periodically measure and report our progress against these targets
- Develop and communicate relevant performance indicators and, where appropriate, ensure integration with internal performance incentives and remuneration schemes.

#### Leveraging our experience in incentivising behavioural change throughout our sphere of influence

We believe that our most effective contribution to climate change lies in our ability to exert a positive influence on our key stakeholders, as demonstrated for example in our science-based wellness programme, Vitality. We are committed to using our sphere of influence to promote a responsible approach to climate change. We aim to:

- Develop innovative products and services that incentivise our members and policyholders, partners, suppliers and the public to reduce their GHG emissions and enhance their adaptive capacity
- Address societal challenges by engaging global and national leaders through our leadership summits and related engagements
- Include climate change considerations within our minimum environmental requirements and standards for our suppliers, partners and service providers.

#### Supporting collaborative research and policy initiatives on climate change

Recognising that an effective response to climate change will require an informed and collaborative approach, we aim to:

- Support research initiatives aimed at enhancing understanding of the health-related risks of climate change and assessing the implications for our health and life businesses
- Further our intellectual leadership in the field of behavioural science, extending our research in this area to encompass climate change
- Where appropriate, integrate climate adaptation considerations within the roll-out of our healthcare and corporate social investment initiatives, with the aim of addressing the vulnerability of particular stakeholders to a changing climate
- Share relevant information with stakeholders with the aim of enhancing the broader societal response to climate change, while respecting the need for commercial confidentiality
- Contribute, where appropriate, to the development of effective and efficient long-term public policy on climate change that provides for regulatory certainty.

Full reporting 
  Partial reporting 
  Not reported yet, to be considered 
  Not reported as not material to our business 
  Management approach

GRI Indicator	Topic	Page	Level of reporting	Description
<b>Organisational strategy and analysis</b>				
1.1	Statement from the most senior decision-maker of the organisation	Discovery 2011 Integrated Annual Report, page 24	<input checked="" type="radio"/>	Report from Adrian Gore, Chief Executive Officer, Discovery
1.2	Description of key impacts, risks, and opportunities	Discovery 2011 Integrated Annual Report, pages 10, 16, 18	<input checked="" type="radio"/>	<ul style="list-style-type: none"> <li>Where we make a difference</li> <li>Our key risks</li> <li>Our stakeholders</li> </ul>
<b>Organisational profile</b>				
2.1 – 2.10	Name, brands, areas of operation, operational structure, markets served	Discovery 2011 Integrated Annual Report, page 8	<input checked="" type="radio"/>	About Discovery
<b>Report parameters</b>				
3.1 – 3.4	Reporting period, reporting cycle, date of last report and contact person	Discovery 2011 Integrated Annual Report, page 4	<input checked="" type="radio"/>	About this report
3.5 – 3.11	Report scope and boundary	Discovery 2011 Integrated Annual Report, page 4	<input type="radio"/>	About this report
3.12	Standard disclosures	Discovery 2011 Integrated Annual Report, page 4	<input checked="" type="radio"/>	About this report
3.13	Assurance	Discovery 2011 Integrated Annual Report, page 4	<input type="radio"/>	About this report
<b>Governance, commitments and engagement</b>				
4.1 – 4.10	Corporate governance	Discovery 2011 Integrated Annual Report, page 102	<input checked="" type="radio"/>	Corporate Governance
4.11 – 4.13	Commitments to external initiatives	Discovery 2011 Integrated Annual Report, page 18	<input type="radio"/>	Our stakeholders
4.14 – 4.17	Stakeholder engagement	Discovery 2011 Integrated Annual Report, page 18	<input type="radio"/>	Our stakeholders
<b>Economic</b>				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Report to Society, page 8 Discovery 2011 Integrated Annual Report, page 12	<input checked="" type="radio"/>	Our performance highlights Value-added statement
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change		<input type="radio"/>	
EC3	Coverage of the organisation's defined benefit plan obligations		<input type="radio"/>	
EC4	Significant financial assistance received from government		<input type="radio"/>	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		<input type="radio"/>	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		<input type="radio"/>	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		<input type="radio"/>	

## GRI content index

● Full reporting    ◐ Partial reporting    ○ Not reported yet, to be considered    ⊗ Not reported as not material to our business    ✓ Management approach

GRI Indicator	Topic	Page	Level of reporting	Description
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Report to Society, page 22 Discovery 2011 Integrated Annual Report, page 34	●	Our sustainability performance Report to Society
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Discovery 2011 Integrated Annual Report pages 24, 28	●	Report from Adrian Gore, Chief Executive Officer Interview with Richard Farber, Financial Director
<b>Environmental</b>				
EN1	Materials used by weight or volume		⊗	
EN2	Percentage of materials used that are recycled input materials		⊗	
EN3	Direct energy consumption by primary energy source	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators, Report to Society Our environmental responsibility
EN4	Indirect energy consumption by primary source	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN5	Energy saved due to conservation and efficiency improvements	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		○	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		○	
EN8	Total water withdrawal by source	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN9	Water sources significantly affected by withdrawal of water		⊗	
EN10	Percentage and total volume of water recycled and reused		○	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		⊗	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		⊗	
EN13	Habitats protected or restored		⊗	

## GRI content index

● Full reporting ○ Partial reporting ○ Not reported yet, to be considered ⊗ Not reported as not material to our business ✓ Management approach

GRI Indicator	Topic	Page	Level of reporting	Description
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		⊗	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		⊗	
EN16	Total direct and indirect greenhouse gas emissions by weight	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN17	Other relevant indirect greenhouse gas emissions by weight	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		○	
EN19	Emissions of ozone-depleting substances by weight		⊗	
EN20	NOx, SOx, and other significant air emissions by type and weight		⊗	
EN21	Total water discharge by quality and destination		⊗	
EN22	Total weight of waste by type and disposal method	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN23	Total number and volume of significant spills		⊗	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		⊗	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff		⊗	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		○	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		⊗	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce		⊗	
EN30	Total environmental protection expenditures and investments by type	Report to Society, page 64 Discovery 2011 Integrated Annual Report, page 44	● ✓	Key sustainability indicators Our environmental responsibility

## GRI content index

● Full reporting   ● Partial reporting   ○ Not reported yet, to be considered   ⊗ Not reported as not material to our business   ✓ Management approach

GRI Indicator	Topic	Page	Level of reporting	Description
<b>Labour</b>				
LA1	Total workforce by employment type, employment contract, and region	Report to Society, page 30 Discovery 2011 Integrated Annual Report, page 36	● ✓	Key sustainability indicators A values-based culture of opportunity
LA2	Total number and rate of employee turnover by age group, gender, and region		○	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		○	
LA4	Percentage of employees covered by collective bargaining agreements		⊗	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		⊗	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes		⊗	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		⊗	
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Report to Society, page 28 Discovery 2011 Integrated Annual Report, page 36	● ✓	Key sustainability indicators A values-based culture of opportunity
LA9	Health and safety topics covered in formal agreements with trade unions		○	
LA10	Average hours of training per year per employee by employee category	Report to Society, page 28 Discovery 2011 Integrated Annual Report, page 36	● ✓	Key sustainability indicators A values-based culture of opportunity
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Report to Society, page 27 Discovery 2011 Integrated Annual Report, page 36	● ✓	Key sustainability indicators A values-based culture of opportunity
LA12	Percentage of employees receiving regular performance and career development reviews		○	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Report to Society, page 30 Discovery 2011 Integrated Annual Report, page 36	● ✓	Key sustainability indicators A values-based culture of opportunity
LA14	Ratio of basic salary of men to women by employee category		○	

## GRI content index

● Full reporting   ● Partial reporting   ○ Not reported yet, to be considered   ⊗ Not reported as not material to our business   ✓ Management approach

GRI Indicator	Topic	Page	Level of reporting	Description
<b>Human Rights</b>				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		○	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		○	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		○	
HR4	Total number of incidents of discrimination and actions taken	Report to Society, page 8  Discovery 2011 Integrated Annual Report, page 36	●	Key sustainability indicators
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		⊗	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour		⊗	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour		⊗	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations		⊗	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		⊗	
<b>Society</b>				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Report to Society, page 22  Discovery 2011 Integrated Annual Report, page 38	● ✓	Key sustainability indicators  Strengthen the healthcare system
SO2	Percentage and total number of business units analysed for risks related to corruption		○	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Report to Society, page 22  Discovery 2011 Integrated Annual Report, page 43	● ✓	Key sustainability indicators  Promote a stable society
SO4	Actions taken in response to incidents of corruption	Report to Society, page 22  Discovery 2011 Integrated Annual Report, page 43	● ✓	Key sustainability indicators  Promote a stable society
SO5	Public policy positions and participation in public policy development and lobbying		○	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		○	

Full reporting 
  Partial reporting 
  Not reported yet, to be considered 
  Not reported as not material to our business 
  Management approach

GRI Indicator	Topic	Page	Level of reporting	Description
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		<input type="radio"/>	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Report to Society, page 22	<input checked="" type="radio"/> <input checked="" type="checkbox"/>	Key sustainability indicators Promote a stable society
<b>Product Responsibility</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		<input type="radio"/>	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		<input type="radio"/>	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		<input type="radio"/>	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes		<input type="radio"/>	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		<input checked="" type="radio"/>	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		<input checked="" type="radio"/>	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		<input checked="" type="radio"/>	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		<input type="radio"/>	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Report to Society, page 22	<input checked="" type="radio"/> <input checked="" type="checkbox"/>	Key sustainability indicators