



**REPORT TO SOCIETY
2012**

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Dazzle clients LIBERATING THE BEST IN OUR PEOPLE
Intellectual leadership INNOVATION and OPTIMISM
drive Tenacity and URGENCY *Great people*
BUSINESS ASTUTENESS and *prudence**
Integrity Honesty and FAIRNESS

INTRODUCTION



When Discovery was established as a small specialist health insurer two decades ago, we made a clear and profound promise: to make people healthier. Driven by constant innovation over the years, we created a multifaceted, integrated financial services organisation and expanded our original promise to include enhancing and protecting lives. Throughout our constant innovation and ongoing growth, our founding ideal has remained unchanged – making people healthier and enhancing and protecting their lives has evolved into our core purpose and **frames our ambition, strategy and business methodology.**

Our core purpose is expressed in each of the health and financial products we offer to our nearly six million clients across four continents. Discovery's products are focused on some of the most fundamental areas of people's lives – their health and wellness and the financial security of their families. These are the critical areas in which we aim to add significant value and make a real difference in the lives of our clients. We have through continuous innovation designed pioneering products and services that help our clients to improve their health and wellness, protect their financial future and enhance the quality of their lives. This client-centric approach lies at the heart of the way we do business and is the common thread running through all our products.

By using powerful financial and behavioural structures that meet people's complex needs in sustainable ways, Discovery's products and services have been created to deliver real value, protection and efficiency for our clients. This stimulates consumer demand for our products, which in turn leads to rapid organic growth and superior returns for our shareholders.

Looking to the future, our goal is to be one of the best insurance organisations in the world, one that is renowned for excellence, innovation and financial strength. We have built a solid foundation over the past 20 years, and we continue to work hard every day to build a sustainable business that will not only prosper over the long term, but will benefit all our stakeholders.

In this process, we also aim to be a powerful force for social good. As a leading South African business, Discovery has an important role to play in society. Using our scale and position in our industries, as well as our unique skills set, expertise and resources, we not only bring about marked change in the lives of our clients, but can also play a positive role in the lives of all South Africans.

ABOUT OUR REPORT

Our approach to reporting is to give our readers a strategic and integrated view of our company and how we performed over the past year. Our Report to Society complements all the other ways we report, which include:



Annual and interim financial results announcements



Integrated Annual Report



Discovery website



Investor roadshows

We see our Report to Society as a means to share in-depth information on what Discovery is doing to create value for society. We have aimed to make the report informative, yet concise.

Over the past year, we have identified ways of improving our reporting, with a particular focus on materiality and the quality of data. This process has included workshops with senior executives and data owners to engage on our integrated reporting approach. Additionally, we have completed work on improving our performance management systems to produce more accurate information.

Assurance

We understand the importance of accurate and reliable information and have taken the first steps in ensuring that we achieve this in all our reporting. Previously, our social and environmental information was audited by our Group Internal Audit. This year, we have had all our information verified by Group Internal Audit, and our GRI information verified by an external assurer, Indyebo. As we progress in our reporting, we will expand the scope of our assurance.



Global Reporting Initiative (GRI) level

We declare a GRI Application Level B+ for the 2012 Integrated Annual Report and our Report to Society. We received third party verification of this application level. Read the independent auditor's statement on page 54.

Report scope and boundaries

This report covers our performance for the financial year 1 July 2011 to 30 June 2012. We report on strategic and material information for our South African operations, against our framework for sustainable development.



OUR PERFORMANCE HIGHLIGHTS

We measure our performance against a set of strategic objectives and targets that include financial, social and people metrics. **During the year, we made good progress towards our vision of being a world-class insurance organisation renowned for excellence, innovation, financial strength and having a positive impact in society.** We list our highlights below as well as some of the areas where we did not perform as expected.



Normalised **PROFIT** from **OPERATIONS**

↑ 21% to R3 443 million

Strong **NEW BUSINESS** API

↑ 24% to R9 328 million

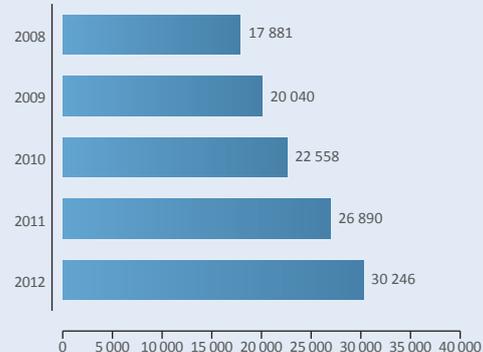
Embedded **VALUE**

↑ 12% to R30.2 billion

More than **5.8 million**
unique **CLIENTS WORLDWIDE**

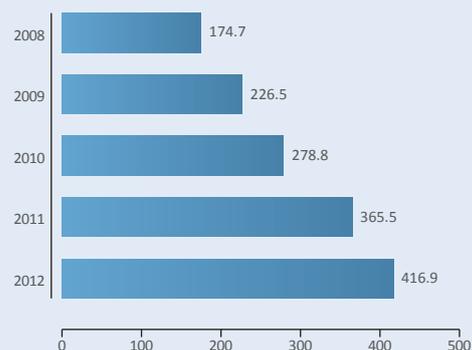
Embedded value

(R Million)



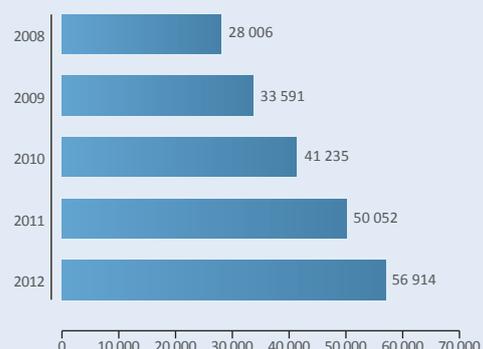
Diluted normalised headline earnings per share

(Cents)



Gross inflows under management

(R Million)



The **DISCOVERY FOUNDATION HAS INCREASED** its funding for **MEDICAL TRAINING AND RESEARCH** to over **R84 MILLION SINCE 2006**

Funds awarded over the past three years

2011/2012	2010/2011	2009/2010
R17 167 700	R14 816 250	R15 570 999



Dr Alhagi Njie is a family physician specialist for the Ngaka Modiri Molema district in the North West Province, South Africa and a 2012 Discovery Foundation Awards recipient

POSITIVE IMPACT on behaviour through **VITALITY** and **VITALITYDRIVE**

Vitality is increasingly having a positive and lasting effect on people's behaviour. More important is the success of the programme in changing complex health behaviour such as unhealthy eating and a lack of physical activity. This year, we have seen record levels of engagement in the programme:

- Engagement in Vitalitydrive, our programme to encourage better driving, has increased with a 20% improvement in driver behaviour
- Since the launch of the HealthyFood benefit in South Africa, there has been a 250% increase in the completion of Personal Health Reviews
- Data collected through repeated online health risk assessments shows that participation in the HealthyFood programme is associated with higher intake of fresh fruit and vegetables and less high-sugar, salt and processed foods.

KEY INNOVATIONS launched

We launched key innovations during the year to increase the value clients receive:

- HealthID, a healthcare information application aimed at improving the quality of care for members of medical schemes managed by Discovery Health
- Enhanced Discovery Insure and Vitalitydrive benefits were introduced to the market. We increased the fuel rewards benefit up to 50% on the relevant fuel spend at BP
- Discovery Invest introduced the Classic Retirement Plan and Classic Preserver Plan that enhance investments by offering additional tax efficiency, improved performance and protection
- Discovery Life launched new benefits that give consumers additional life cover at no extra cost for three years based on their engagement in Vitality.

AREAS where we did **NOT PERFORM** as well

We have not made enough progress in the Chinese emerging mass market. This is an area we will focus on intensively during the next year.

Although Discovery Life performed well in terms of new business, we were disappointed with the rate of new business. During the next year we will work on expanding our distribution footprint and rolling out new products to increase new business traction.



Read our Integrated Annual Report at www.discovery.co.za



Value-added statement

for the year ended 30 June 2012

	2012	%	2011	%
Value added	R million		R million	
Net income of Group	18 790		16 154	
Investment income	1 029		1 016	
Financing costs	(265)		(168)	
Foreign exchange (loss)/gain	78		(14)	
Puttable non-controlling interest fair value adjustment	(13)			
Acquisition costs	(2 668)		(1 998)	
Payments to suppliers of material and services	(3 164)		(2 880)	
Share of loss from associates	1		(4)	
Non-recurring transactions	–		(374)	
	13 788		11 732	
Value allocated				
<i>To employees</i>				
Salaries, wages and other benefits	3 347	24	2 823	24
<i>To providers of capital</i>	593	4	447	4
Dividends paid to ordinary shareholders	570		445	
Dividends paid to preference shareholders	23		–	
Minority shareholders	–		2	
<i>To government</i>	879	7	644	5
Normal taxation	622		377	
Value-added tax	162		158	
Capital gains tax	24		52	
Secondary tax on companies	60		45	
Other	11		12	
<i>To policyholders</i>	6 577	48	6 170	53
Policyholder claims	5 502		4 640	
Transfer from assets/liabilities arising from insurance contracts	1 075		1 530	
<i>Retention for expansion and growth</i>	2 392	17	1 648	14
Retained income	1 629		882	
Depreciation and amortisation	337		368	
Deferred taxation	426		398	
	13 788	100	11 732	100

ABOUT DISCOVERY

Looking to the future, our goal is to be one of the best insurance organisations in the world, one that is renowned for excellence, innovation and financial strength.

How we add value

Our **CORE** purpose: to make people **healthier** and **enhance** and **protect** their lives

We **make people healthier** by making them aware of their health risk factors and helping them to manage and improve their health. Through Vitality in South Africa, the UK and China, as well as The Vitality Group and HumanaVitality in the USA, we give people the tools to become healthier, and reward them for adopting a healthy lifestyle.

Through Discovery Health in South Africa, PruHealth in the UK and our joint venture with Ping An Health in China, we aim to **protect people's health** by providing comprehensive medical cover when they are sick.

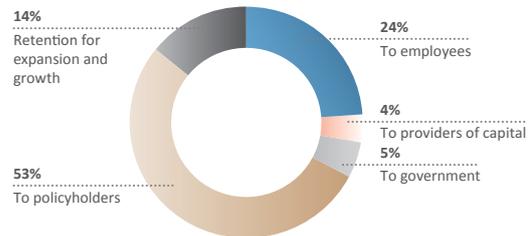
Protecting lives is about giving people the peace of mind that they will be protected should a life-changing event occur. It also means protecting people's financial security. Through Discovery Life in South Africa and PruProtect in the UK, we offer flexible and relevant pure-risk protection products. Discovery Invest in South Africa offers value-adding solutions that help people **build wealth** and provide protection against poor investment choices.

We safeguard people's assets in South Africa through our short-term insurance subsidiary Discovery Insure, and we **make people better drivers** through our incentive-based driver programme, Vitalitydrive.

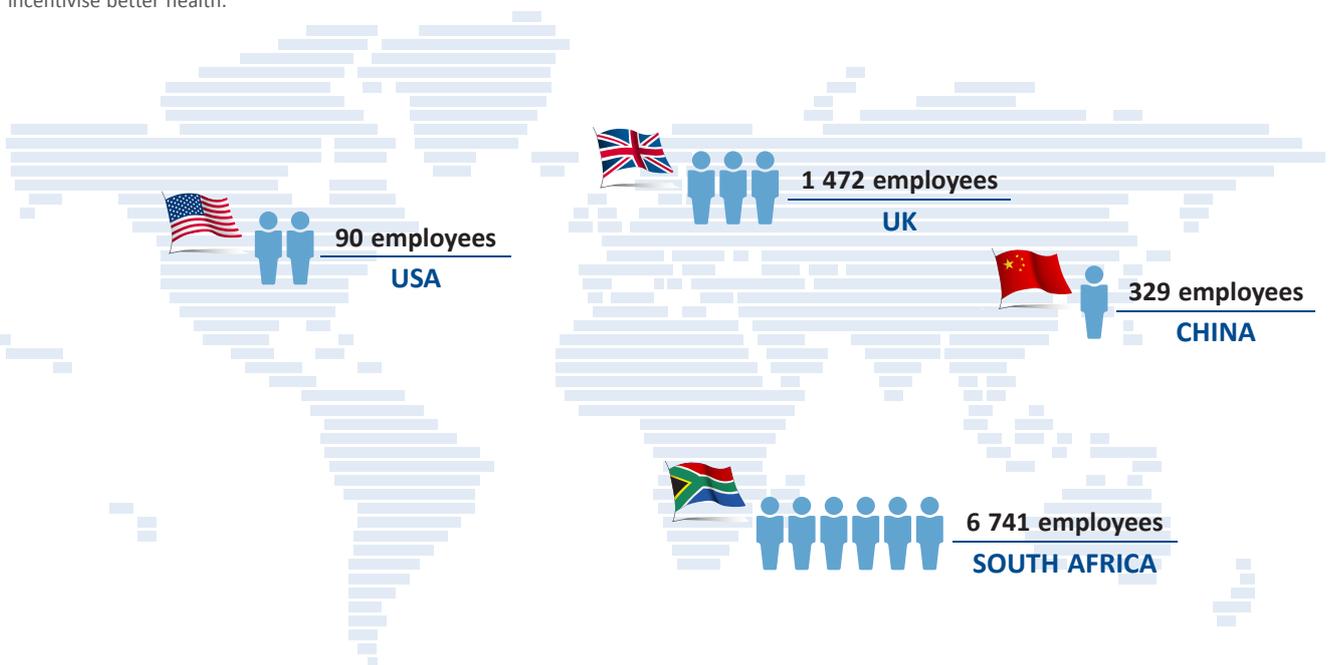
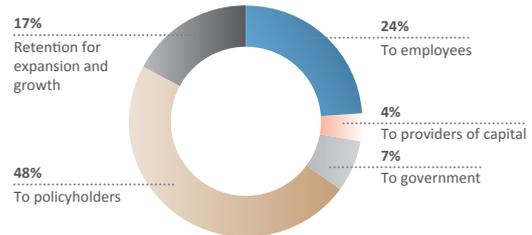
Enhancing lives is about creating value for people. The DiscoveryCard, which offers integration opportunities between Discovery products, provides a mechanism to further incentivise better health.

Value allocated

2011



2012



How we add value (continued)

Making people healthier

SA 1 600 944
members
Largest wellness programme in South Africa

 Discovery Vitality

Launched in 1997 100%

USA 293 674
members

 THE vitality GROUP

Launched in 2008 75%

USA 1 509 279
members
Largest full-scale wellness programme in USA

 Humana Vitality

Launched in 2011 25%

Protecting lives

SA 674 978
lives covered
Largest pure risk writer in South Africa

 Discovery Life

Launched in 2001 100%

UK 132 616
lives covered
Top four provider in UK IFA channel

 PRU PROTECT

Launched in 2007 75%

Protecting health

SA 2 664 573
lives covered
(all schemes under management)
Manages largest open medical scheme in South Africa

 Discovery Health

Launched in 1992 100%

UK 554 730
lives covered
Top four PMI provider in the UK

 PRU HEALTH

Launched in 2004 75%

CHINA 561 900
lives covered
Number three in group high-end health insurance market

 中国平安 PING AN

Launched in 2010 20%

Protecting and building wealth

SA 65 573
policies
Number one writer of endowment and voluntary purchase annuities

 Discovery Invest

Launched in 2007 100%

Making people better drivers

SA 13 343
individual policies
9% share of personal lines new business in South Africa at the current new business run rate

 Discovery Insure

Launched in 2011 75%

Enhancing lives

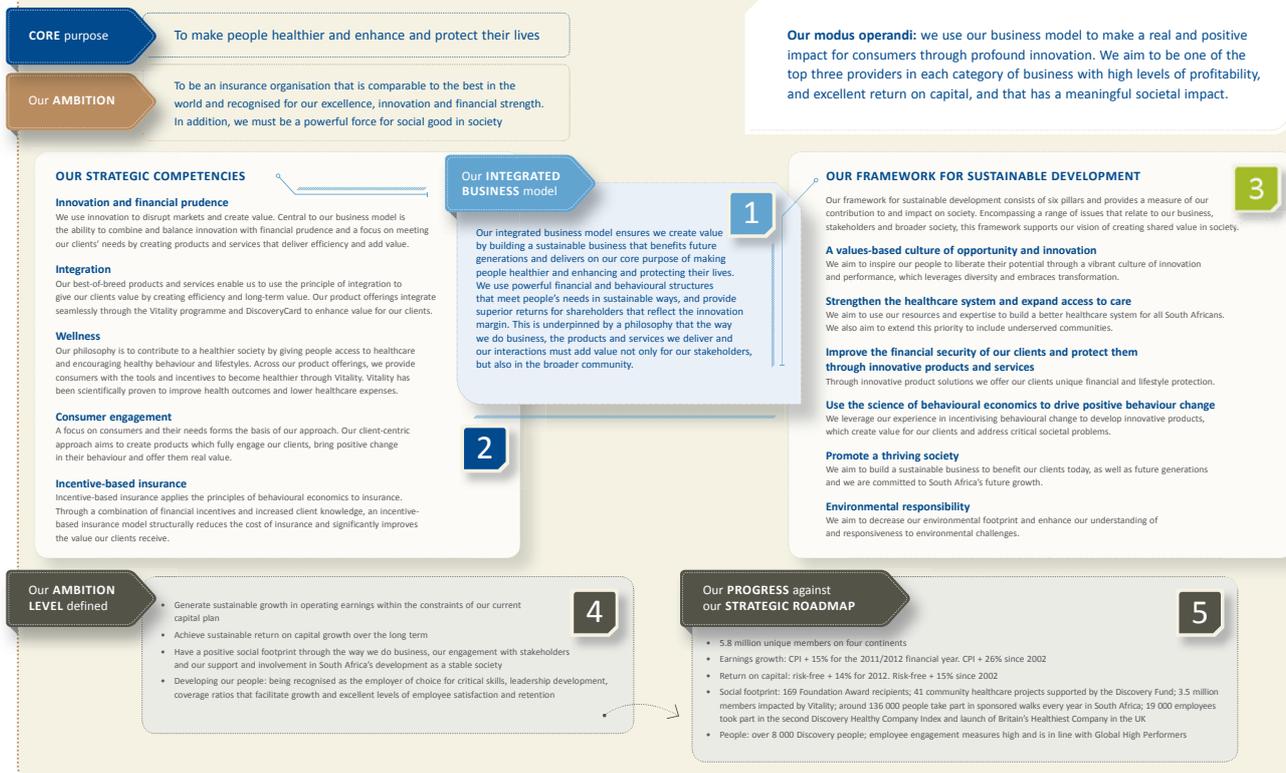
SA 231 302
card accounts
Largest stand-alone credit card in South Africa

 Discovery Card

Launched in 2004 100%

Our strategic roadmap

A snapshot of our **STRATEGIC ROADMAP** (unpacked below and on the following page)



CORE PURPOSE

To make people healthier and enhance and protect their lives.

OUR AMBITION

To be an insurance organisation that is comparable to the best in the world and recognised for our excellence, innovation and financial strength. In addition, we must be a powerful force for social good in society.

Our modus operandi: we use our business model to make a real and positive impact for consumers through profound innovation. We aim to be one of the top three providers in each category of business with high levels of profitability and excellent return on capital, and that has a meaningful societal impact.

1 OUR INTEGRATED BUSINESS MODEL

Our integrated business model ensures we create value by building a sustainable business that benefits future generations and delivers on our core purpose of making people healthier and enhancing and protecting their lives. We use powerful financial and behavioural structures that meet people's needs in sustainable ways, and provide superior returns for shareholders that reflect the innovation margin. This is underpinned by a philosophy that the way we do business, the products and services we deliver and our interactions must add value not only for our stakeholders, but also in the broader community.



Our strategic roadmap (continued)

2 OUR STRATEGIC COMPETENCIES

Innovation and financial prudence

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 our clients' needs by creating products and services that deliver efficiency and add value.

Integration

Our best-of-breed products and services enable us to use the principle of integration to give our clients value by creating efficiency and long-term value. Our product offerings integrate seamlessly through the Vitality programme and DiscoveryCard to enhance value for our clients.

Wellness

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 has been scientifically proven to improve health outcomes and lower healthcare expenses.

Consumer engagement

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 about positive change in their behaviour and offer them real value.

Incentive-based insurance

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 our clients receive.

3 OUR FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

Our framework for sustainable development consists of six pillars. Encompassing a range of issues that relate to our business, stakeholders and broader society, this framework supports our vision of creating shared value in society.

A values-based culture of opportunity and innovation

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

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.

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.

Use the science 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.

Promote a thriving society

We aim to contribute towards a thriving society that supports a sustainable business, as well as future generations. We are committed to South Africa's future growth.

Environmental responsibility

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

4 OUR AMBITION LEVEL DEFINED

- Generate sustainable growth in operating earnings within the constraints of our current capital plan
- Achieve sustainable return on capital growth over the long term
- Have a positive social footprint through the way we do business, our engagement with stakeholders and our support and involvement in South Africa's development as a stable society
- Developing our people: being recognised as the employer of choice for critical skills, leadership development, coverage ratios that facilitate growth and excellent levels of employee satisfaction and retention

5 OUR PROGRESS AGAINST OUR STRATEGIC ROADMAP

- 5.8 million unique members on four continents
- Earnings growth: CPI + 15% for the 2011/2012 financial year. CPI + 26% since 2002
- Return on capital: risk-free + 14% for 2012. Risk-free + 15% since 2002
- Social footprint:
 - 169 Foundation Award recipients
 - R15.6 million committed by Discovery Fund to 41 community projects for 2011/2012
 - Around 136 000 people take part in sponsored walks in various cities each year
 - More than 19 000 employees took part in the second Discovery Healthy Company Index in 2012
- People: more than 6 700 Discovery people in South Africa; employee engagement measures high and is in line with Global High Performers.



OUR FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

Discovery and sustainable development

Discovery's vision is to build a sustainable business that benefits future generations by delivering on our core purpose of making people healthier and enhancing and protecting their lives. We believe that an integrated approach to sustainability issues will enable us to deliver more value to clients, enhance the competitiveness of our business and have a positive impact on society.

We recognise that companies are operating in turbulent times, and it has become increasingly difficult to predict what the future holds. We therefore have to balance short-term competitiveness with long-term agility. This means we have to address every aspect of our business – people, processes, systems, products and services – with a holistic understanding that ensures we continue to sustain growth and contribute to society.

Our framework for sustainable development assists us in achieving our vision. It is aligned to our business model, and our commitment to achieving the objectives set out in the framework is felt throughout the organisation – from the leadership to our more than 6 700 employees in South Africa.

As a forward-looking organisation, we use our strong culture of innovation to address societal concerns, by turning risks into opportunities and adding significant value for our stakeholders.

Highlights

- We broadened the scope of our sustainable development framework to include the UN Global Compact and OECD guidelines
- We developed our stakeholder engagement policy
- Key projects to support the framework were implemented



Our management of sustainable development

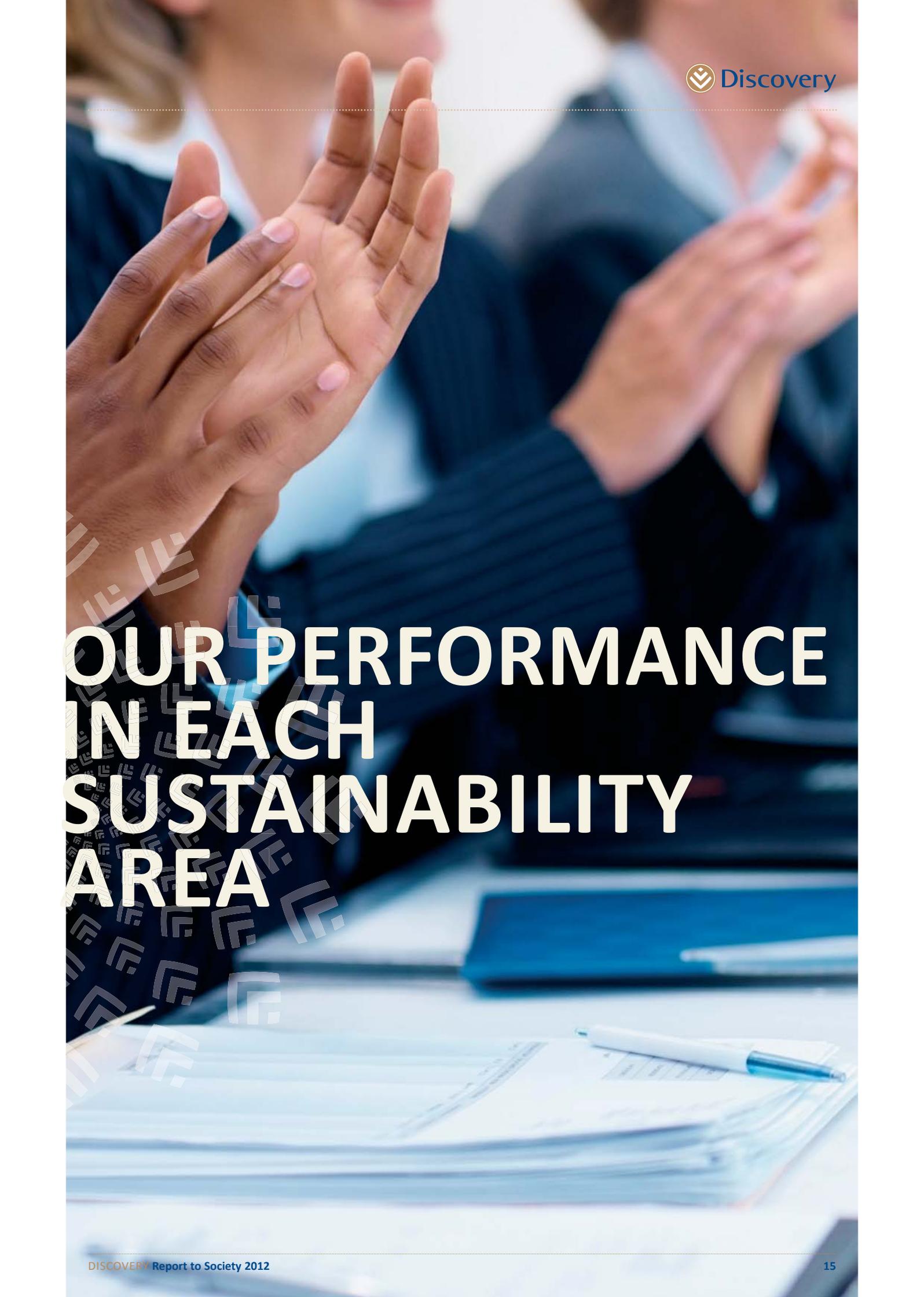
We approach the management of sustainable development in an integrated way. It forms part of the DNA of our organisation and we encourage every Discovery employee to take ownership of its principles.



Key sustainability indicators

	GRI Indicator	2011/2012	2010/2011	2009/2010
Market capitalisation (R million)		30 777	22 817*	20 747*
Earnings per share		396.1	464.4*	309.9*
Price earnings per share		13.13	8.30*	11.31*
Dividend yield		1.99	2.33*	1.97*
Net asset value (R million)		11 731	8 973*	8 382*
Authorised shares		1 000 000 000	1 000 000 000*	1 000 000 000
Issued shares		591 872 390	591 872 390*	591 953 180
Members of the Discovery Health Medical Scheme – South Africa's largest open medical scheme		2 664 573	2 539 806	2 346 212
Discovery Health Medical Scheme lapse rate		3.9%	4.07%	4.1%
Discovery Life individual policyholders in South Africa		359 315	704 503	341 584*
New business API (R million)		9 328	7 458*	7 618*
Total assets (R million)			30 905*	20 994*
Number of permanent employees worldwide	LA1	8 632	7 107	–
Average hours of training per year per employee by employee category	LA10	46.85	34%	36.98
Percentage of employees trained in organisation's anti-corruption policies and procedures	SO3	34%	13%	–
Number of employees who have been through a leadership development programme		506	–	–
Total number of incidents of discrimination and actions taken	HR4	0	0	0
Number of dismissals	SO4	0	24	–
Investment in the community through the Discovery Fund (committed) (R)	EC8	15 608 718	11 370 371	8 598 420
Value of Discovery Foundation funding (committed) (R)		17 167 700	16 038 334	15 070 999
Spend on Public-Private Initiatives (R)		5 000 000	10 050 831	–
Number of employee volunteer Adopt a Project initiatives		26	21	–
Enterprise development loans granted (R)		34 241 972	15 400 000	–
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	PR9	0	0	–
Value of fines for non-compliance (R)	SO8	0	0	–
Indirect energy consumption by primary source	EN4	33022.62 MWH	29 412.63 MWH	30 825.29 MWH
Total direct and indirect greenhouse gas emissions by weight	EN16*	49 907.13 tonnes CO ₂ e	44 852.86 tonnes CO ₂ e	44 213.58 tonnes CO ₂ e
Inclusion in JSE SRI		Not available	✓	✓
Participation in CDP		✓	✓	✓

*Restated figures- previously reported under GRI EN17

A photograph of several people in business attire clapping their hands in a meeting or conference setting. The focus is on the hands in the foreground, with the background slightly blurred. The overall color palette is blue and white.

OUR PERFORMANCE IN EACH SUSTAINABILITY AREA

A values-based culture of opportunity and innovation

We aim to inspire our people and liberate their potential through a highly dynamic culture of innovation, performance and excellence. We understand that diversity of race, gender, background and experience results in diversity of opinions and views, which underpins our ability to continuously innovate.

Over the past year, we have invested a great deal of time and energy in understanding our internal culture and identifying how we can continue to improve the experience of our employees. This was done throughout our value chain and we feel that we are well on our way to making Discovery the employer of choice.

OUR PRIORITIES FOR 2012

- Continuing to identify, develop and retain talented employees through our talent management programme
- Focusing on developing the leadership skills of Discovery people through our Leadership Development Architecture
- Focusing on rejuvenating Discovery's core values throughout all our businesses
- Continuing our focus on diversity and transformation
- Encouraging the health and wellness of our employees
- Engaging employees in our business through our internal rewards programme, Prosperity
- Increasing the number of Discovery employee volunteers



Highlights

- We met our employment equity targets at group level
- Five black employees were recruited at senior management level
- Our annual employee engagement survey results showed a highly engaged workforce

88% of employees

received regular performance and career development reviews



Developing and retaining talented employees at Discovery

We believe that the opportunity to engage in challenging, compelling and meaningful work, alongside smart, motivated people, attracts and retains talent at Discovery. During 2011, we launched a talent management programme across our businesses, engaging business heads, executives and managers in identifying high-potential employees and future Discovery leaders at management levels. These individuals will be developed and managed to retain their skills and talents within Discovery. To date, all senior executives have been reviewed and the process is currently underway with middle managers.



We also developed a targeted and proactive recruitment programme to identify talent for core capabilities. The Discovery Graduate Recruitment programme, which forms part of our broader talent management programme, is targeting specific universities and students in particular fields of study. During our first Discovery Graduate Recruitment challenge, we received over 200 CVs from actuarial students completing their studies. Actuarial science is a scarce skill in South Africa and an important area for development in our country.



Part of our approach to retaining talent is gaining an understanding of how our employees feel about working at Discovery. Therefore, we ran an employee engagement survey across our businesses. This annual survey provides us with company-wide information which informs our approach to employee retention and engagement.

A values-based culture of opportunity and innovation (continued)

CASE STUDY



MEASURING EMPLOYEE ENGAGEMENT

During the year under review, we again conducted an employee engagement survey to understand the level of employee engagement in our business. Through the results of the survey, conducted this year by Towers Watson, we have been able to identify areas in which we are performing well, as well as areas that require attention and improvement.

The results indicated that at a Discovery Group level, we are doing very well compared to the South African norm. We are also above the International High Performance norm in some categories. A summary of the results:

- The key aspects that drive employee engagement for Discovery are leadership, strategy and direction, and career development.
- Innovation is celebrated in Discovery with 87% of employees agreeing that Discovery is innovative.
- Discovery is perceived to be making a difference in people's lives (86%), and is a force for good in society (86%).
- Most employees (83%) find Discovery to be a challenging place to work.
- The survey also highlighted areas for improvement. Some employees believe that management style does not always encourage employees to give their best. There is also a concern over wellbeing. Some employees were unsure whether there would be follow-through on the survey results.

Based on the results, we will continue to build on our key strengths. We have also identified two areas to develop further throughout the company: leadership and career opportunities. Aspects we will look at include a renewed focus on strategic leadership development within the framework of our Leadership Charter and our company values, a focus on developing potential long-term career paths, and development opportunities. We analysed the results by division and provided feedback and proposed actions to all employees. We will implement surveys to track our progress against these action plans.

“The exciting work environment that impacts both local and international markets, convenient lifestyle services and the great people at Discovery make me want to come to work every day.”

– Neilyn Tathiah, Business Analyst, Vitality and Card Systems

Developing the leadership skills of Discovery people

During 2011, we created Discovery's Leadership Development Architecture to ensure we develop leaders throughout the business. The architecture is anchored in our core purpose and values, providing our leaders with a clear sense of what it means to be a leader in Discovery. The courses offered within the architecture aim to develop organisational capability and capacity at each leadership tier, equipping our leaders for optimal impact in a local and global context. We held our first leadership graduation celebration event during 2011, attended by 250 course graduates.

The core programmes in the leadership development series aim to develop innovative, values-driven and insightful leaders. The goal is to develop leaders who are equipped with critical business skills and are able to spot new opportunities and trends, adapt to changing business environments and move the business to a new level. When leaders are promoted from one level to the next, our Step Up series assists them to hit the ground running and to get on track within the first six weeks of their new role.

Measuring the impact of our development series is critical to demonstrate a return on investment and expectation, and we have developed a Discovery-specific impact model based on four factors: people, environment, performance and business impact.



A values-based culture of opportunity and innovation (continued)

One of our Leadership Charter principles states that “Discovery leaders never stop learning”. We have developed a leadership in action series to facilitate this principle through an “alumni” approach based on three key components:

- **Programme Reconnect** – allows delegates from specific development programmes to reconnect with each other through a range of platforms
- **Discovery Leader Connect** – allows delegates to connect across the development series
- **Global Leader Connect** – allows delegates to connect across the entire Discovery Group.

Rejuvenating Discovery’s core values

Our values are at the very heart of who we are as an organisation, and provide an inspirational framework guiding all our actions and decisions across the business. During the year, we ran a values campaign among all employees to ensure a common understanding of these values, and how they come alive in our day-to-day work. The definitions of our values were tightened and re-published, and more emphasis was placed on values-based behaviour in our bi-annual performance conversations process.

During the second half of 2012, we are focusing on identifying, recognising and celebrating values champions across the business – employees who truly embody and live the behaviours associated with our values. We have selected and celebrated 26 values champions, who will be used as role models of our values going forward.

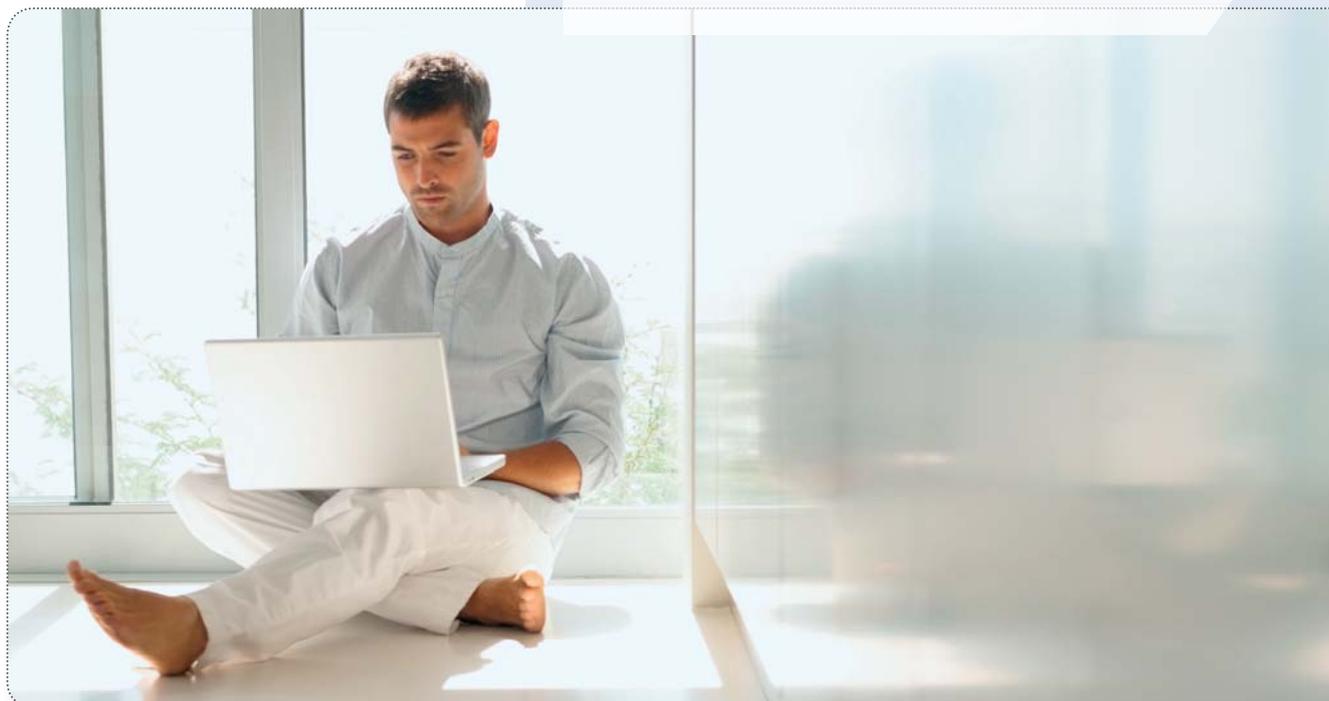
CASE STUDY



DEVELOPING OUR LEADERS

Discovery’s leadership development series includes the following programmes:

- **Developing Future Leaders:** The focus is on identifying employees at staff level with leadership potential. The 2012 programme, which is currently underway, was launched in March with 73 delegates (of which 81% are black) and will run for nine months.
- **Step Up:** This programme has been split into two courses – Gear Up and Warm Up – to address specific needs of new team leaders and managers, and is run on a monthly cycle as promotions occur. So far, 38 new team leaders (63% black) have attended Gear Up, and 20 new managers (35% black) have completed Warm Up.
- **Licence to Lead:** New team leaders learn the fundamental skills required to effectively lead people and manage team dynamics. A group of 36 delegates (72% black) that started the programme towards the end of 2011 have completed the final module. There are currently 56 delegates on the 2012 programme (70% black).
- **Fit to Lead:** This programme is aimed at individuals at manager level and above, and is five months long. The first course started in March 2012 and was completed by 53 delegates (51% black), and the second will start towards the end of 2012 with 44 delegates (50% black).



A values-based culture of opportunity and innovation (continued)

Embracing diversity and transformation

We are committed to both appointing and providing growth opportunities for talented individuals from diverse backgrounds. Our aim is to transform our workforce into a representative and diverse community. We have made significant progress in this regard, meeting our targets and goals as set out in our 2010-2013 employment equity plan.

During the year under review, we focused on increasing the pool of black talent at senior management level – the percentage of black recruits at this level has increased by more than 3.5 times compared to the previous year. We have appointed five high-profile black employees at senior management level. The Discovery CEO programme, aimed at developing talented, high-potential black employees at executive management level in partnership with Duke Corporate Education, came to an end in August 2011, with 21 participants graduating. A further six candidates have been identified for a similar programme due to start later this year. Through our talent management programme, high-potential black talent has been identified across the business, and development plans for this talent pool are currently being drawn up.

Increasing the pool of black talent at senior level will continue to be a priority during the 2013 financial year. To support this we are currently in the process of defining our Employee Value Proposition which will enable us to attract, motivate and retain key talent in high-value positions, which will include black candidates. We are also

relooking our recruitment strategy and process, and setting specific targets for black recruitment to ensure we are tapping into a wider pool of available black talent.

Discovery's workforce is made up of people from every walk of life, race and gender. Disability is also an important area of focus for us. During the year under review, we focused on attracting and employing people with disabilities and creating a supporting environment for them. The number of people with disabilities working at Discovery increased from 113 to 189 over the past year. Our management teams attended disability awareness sessions, and we paid much attention to preparing the work environment for employees with disabilities. A total of 30 learners with disabilities attended two learnership programmes.

Going forward, we aim to continue educating our employees and raising awareness around disability, encouraging employees who are living with disabilities to make use of our confidential disclosure process, and recruiting new employees with disabilities into suitable roles within Discovery.

46.85

average number of training hours
per employee

Total number of permanent employees in South Africa by race and gender as at 30 June 2012

Occupational levels	Female					Male					Total
	African	Coloured	Indian	White	Foreign nationals	African	Coloured	Indian	White	Foreign nationals	
Top management	1	0	0	0	0	1	0	1	17	0	20
Senior management	5%	0%	0%	0%	0%	5%	0%	5%	85%	0%	315
Professionally qualified and experienced specialists and mid-management	19	9	24	91	7	15	12	14	112	12	847
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	6%	3%	8%	29%	2%	5%	4%	4%	35%	4%	2395
Semi-skilled and discretionary decision-making	93	44	99	275	15	54	19	63	180	5	3164
Unskilled and defined decision-making	11%	5%	12%	32%	2%	6%	3%	7%	21%	1%	0
TOTAL PERMANENT	309	197	334	447	43	259	132	268	358	48	6741
GRAND TOTAL	13%	8%	14%	19%	2%	11%	6%	11%	14%	2%	6741
	735	296	305	347	48	522	192	302	330	87	6741
	23%	9%	10%	11%	2%	16%	6%	10%	10%	3%	6741
	0	0	0	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0
	1 157	546	762	1 160	113	851	355	648	997	152	6741
	17%	8%	11%	17%	2%	13%	5%	10%	15%	2%	6741
	1 157	546	762	1 160	113	851	355	648	997	152	6741
	17%	8%	11%	17%	2%	13%	5%	10%	15%	2%	6741

A values-based culture of opportunity and innovation (continued)

CASE STUDY



DISCOVERY'S EMPLOYMENT EQUITY VISION

We are committed to:

- **Leading a great company** that is known for the quality, diversity and strength of the people who work here
- **Managing great people** who are leaders in their areas of expertise, contribute significant value and add to our uniqueness and impact
- **Providing opportunities for growth and development** to talented individuals from diverse backgrounds as the business continues to grow both locally and internationally
- **Working in a great company** where race, gender and other individual characteristics do not define how we and our colleagues experience Discovery as a place to collaborate, innovate, grow and succeed.



Encouraging employee health and wellness

In line with our core purpose, we approach wellness holistically at Discovery and encourage and support our employees to achieve not only physical but also financial and emotional wellness. We provide health, lifestyle and financial services to make the lives of our employees easier and to promote their health and wellbeing. In 2012, 64% of our employees attended our on-site, annual countrywide wellness days, compared to 59% in 2011 and 47% in 2010. Each employee completed a personal health review and a range of Vitality wellness checks. Our on-site wellness centre at our Sandton head office continues to provide convenient employee access to medical and wellness practitioners. Our independently run employee assistance programme is well utilised for both personal and work-related issues. Financial wellness is encouraged through on-line assessments as well as team-based workshops.

Earlier this year, we launched a "BeWELL in 2012" campaign as an additional initiative to enhance the overall wellness of our employees. This programme includes:

- **Your Counsellor** – a confidential employee support service which provides employees and any of their household members with emotional support and counselling. Issues covered include trauma, addiction, legal advice, and marital and relationship problems.
- **Interface** – an employee financial wellness solution which offers confidential financial advice to employees at no cost.

During 2012, we again conducted the HIV and AIDS Knowledge, Attitudes and Practices Survey (KAP survey). The results showed that our leadership:

- Is less knowledgeable about HIV-related issues than are our employees
- Needs skills and information to effectively support employees who are HIV positive.

In response, we held training sessions with Discovery's top management to address these needs.

“Discovery is one of those places where you're given the freedom to truly be the best that you can be. The innovative culture keeps me on my toes. I'm always looking forward to next great idea, technology or methodology.”

– Mmule Sapula, Development Manager, PruProtect

A values-based culture of opportunity and innovation (continued)

Engaging our employees beyond their roles

Our internal employee rewards programme, Prosperity, helps to develop knowledgeable and connected Discovery brand ambassadors by encouraging employees to engage beyond their roles. By improving their understanding of the business, looking after their health and wellness, and offering their time and skills in the Discovery Employee Volunteer Programme, employees stand a chance to double their salary in a particular month, win R100 000 and earn extra leave. During the period under review, 100% of our employees engaged with the programme, with 43% on status four or five (the highest status that can be reached on the programme – the higher the status, the greater the potential rewards).

Increasing the number of Discovery employee volunteers

In support of our corporate social investment projects, the Discovery Employee Volunteer Programme enables Discovery employees and other stakeholders to make a meaningful contribution to communities in need.

Our employees support national volunteer initiatives such as the CANSA Shavathon, National Volunteer Week, Bandana Day and Mandela Day. This year, Discovery volunteers raised over R100 000 during the CANSA Shavathon, the most funds raised by a corporate in central Gauteng. Our volunteers also commit to long-term involvement with community projects. For example, our TI team members volunteer their time and raise funds for the Refilwe Community Project in Lanseria, Johannesburg, while the Discovery Health Exco is providing mentorship and support to the Alexandra Health Centre and University Clinic near Sandton.

Our Employee Volunteer Programme has grown exponentially since its inception in 2004. During the past financial year, 2 183 of Discovery's more than 6 700 employees were engaged in volunteer activities. For the next year, we aim to increase this number to 4 000.

The programme receives strong support from Discovery's senior management. To strengthen this support, Discovery Holdings has committed more than R3.7 million to the programme. Further financial assistance is provided through "employee matching" by the Discovery Fund – the Fund matches every Rand employees raise for approved projects. From 2010 to 2012, Discovery employees raised over R600 000 for the community projects they are involved in.

In June this year, we launched a Business Unit Challenge aimed at encouraging volunteerism within Discovery through a volunteer challenge between the various business units of the Group. Each unit has adopted a charity aligned to Discovery's corporate social investment programme, and management teams are implementing, monitoring and ensuring mass participation of employees in their chosen projects. The results of this volunteer challenge will be showcased at our annual Friends of the Community Awards towards the end of the year.

Challenges

- The lack of an integrated human resources system continues to hamper efforts to create reliable management information
- Rapid local growth and international expansion has put pressure on specialist resources

2 183 employees

engaged in volunteer activities over the past year

Our priorities for 2013

- Leveraging our Employee Value Proposition to create a strong employer brand, attract the best talent in the market to Discovery, and launch graduate recruitment at selected universities
- Continuing to build human resources capacity to support the growing demands of the business
- Continuing to improve the diversity of the workforce, particularly at senior and professional levels
- Rolling out an executive development programme aligned to the business strategy
- Increasing the number of employees participating in the Discovery Employee Volunteer Programme

Strengthen the healthcare system and expand access to care

Access to healthcare is an issue most countries grapple with, and South Africa is no exception. Resources to meet the needs of a growing number of people are limited – from funding for healthcare services to the number of healthcare professionals working in the healthcare sector. 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 and the 13 restricted medical schemes under our management continue to provide quality healthcare cover on a sustainable basis. We also have the opportunity to make a positive difference in society through our investment in community projects and partnerships that aim to strengthen and support healthcare delivery in South Africa.

OUR PRIORITIES FOR 2012

- Continuing to use innovative product solutions to service the needs of the lower-income market, and forming key strategic partnerships in the area of healthcare to broaden access to care
- Continuing to leverage our scale, resources and partnerships to provide access to quality healthcare on a sustainable basis, and impact the industry in a positive way
- Providing benefit and contribution stability across the Discovery Health product range
- Bringing down the cost of healthcare for Discovery Health members
- Driving further service and benefit innovations for members, healthcare professionals and financial advisers
- Continuing the impact and work of the Discovery Foundation to increase the number of specialists in South Africa
- Increasing the focus of the Discovery Fund on nutrition as an important element of primary healthcare
- Rolling out an awareness campaign and implementing working plans for the Discovery UNICEF Immunise SA programme



Highlights

- We launched HealthID, the first electronic health record application of its kind in South Africa
- Work done by our forensic investigative unit to combat fraud and abuse has led to significant savings

Strengthen the healthcare system and expand access to care
(continued)

Servicing the needs of the lower-income market

Given the disparity of healthcare resources in South Africa, one of our important priorities has been to extend access to quality healthcare to more South Africans. One of the ways we do this is through innovative product development. In 2002, Discovery Health launched the KeyCare series, which offers quality private healthcare to lower-income earners and members joining a medical scheme for the first time. The KeyCare hospital and GP networks now consist of 106 hospitals and over 2 000 GPs. Membership of KeyCare is now the equivalent of the third largest medical scheme in South Africa, and it is the fastest growing lower-income plan option in the market. During the year under review, KeyCare membership continued to show impressive growth – the number of lives covered by the KeyCare Plans grew by 28 666, from 340 002 in December 2010 to 368 668 lives in December 2011. The KeyCare Plans give members access to affordable healthcare cover through unlimited hospital cover, access to primary care as well as specialist care and cover for chronic medicines.

In line with our commitment to continue innovating to increase access to care through pioneering products, and to maintain an affordable and sustainable access point to the Discovery Health Medical Scheme for lower-income earners, we announced the introduction of a new plan option in the KeyCare series in September this year. Available from 2013, KeyCare Access will offer a low-cost entry point for lower-income earners and will provide cover in the healthcare areas members value most: private GP visits, emergencies and accidental trauma in a private hospital, childbirth and care for newborns in private hospitals and elective procedures in our contracted network of state facilities. At the core of the new plan option is the underlying belief that if the correct primary care is received initially, further complications may be avoided. This serves to drive down hospital admissions, improve the health of our members, and offer access to private healthcare to a greater proportion of currently uninsured South Africans.

Key strategic partnerships to broaden access to care

Another way in which we aim to broaden access to healthcare is by forming effective public-private partnerships which will create shared value for all. With a population of 50 million, only a small number of South Africans – eight million – have access to private healthcare, while 42 million of our citizens who are not covered by medical aid, or have access to private healthcare, rely heavily on the public healthcare sector for all their healthcare needs. This places huge pressure on the country's already overburdened healthcare facilities.

We believe healthcare is a national asset, and private and public healthcare must work together to ensure a strong and equitable healthcare system. As an industry leader, Discovery Health can play an important role in strengthening the healthcare system in general. We are using our cumulative expertise in the healthcare industry to respond to national healthcare priorities identified by the Department of Health, and to support and supplement healthcare delivery, especially where such support will have a ripple effect in broader society.

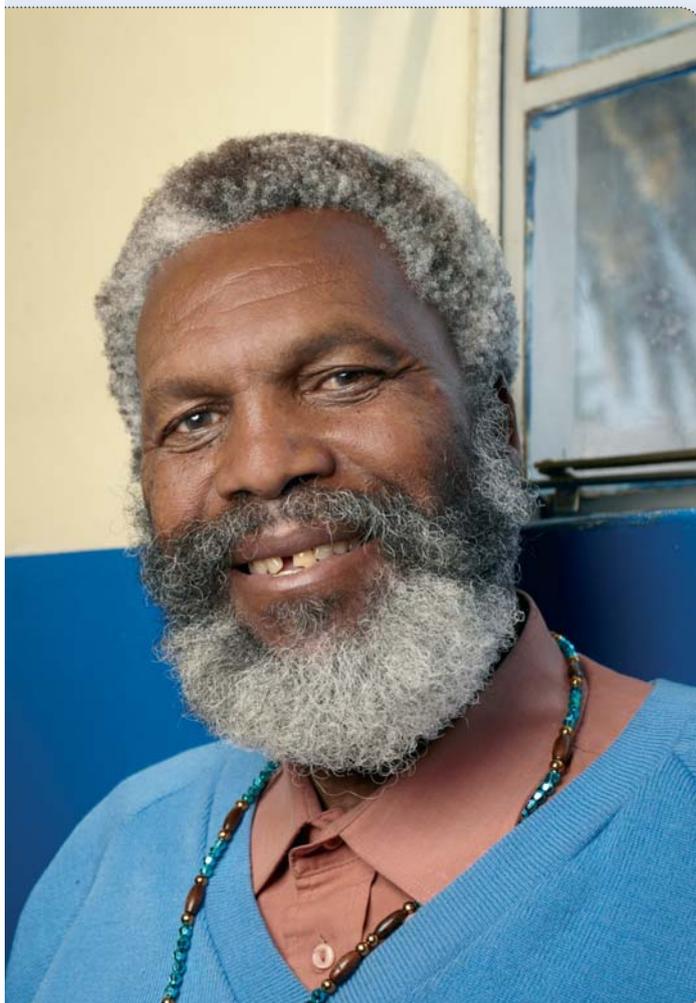
CASE STUDY



A PUBLIC-PRIVATE INITIATIVE TO GIVE THE GIFT OF SIGHT

In support of the Department of Health's strategic projects, Discovery Health entered into a public-private partnership with the National Eye Care Coalition in a two-year drive aimed at giving the gift of sight to 4 000 people. Discovery Health committed R10 million to the project, which came to an end in July this year. The partnership, which is an excellent example of how effective public-private initiatives can make a significant difference, saw up to 150 cataract surgeries being done each month over the two years.

The impact of this initiative was immense. Many elderly people who received surgery are now, after a few years of living with blindness, able to return to being breadwinners for their families.



Strengthen the healthcare system and expand access to care (continued)

CASE STUDY



DISCOVERY INTEGRATED CARE UNIT

This voluntary programme involves a member being discharged from hospital early and moved to a Discovery Health network care facility where care is provided aimed at the member regaining his or her health. Discovery Health provides all the necessary support (including care coordinators and recruiters, measuring and monitoring, and extended discretionary funding) without any additional cost to the member.

After members are discharged from the extensive care unit, they continue to receive treatment at their homes and communities for as long as is necessary. The range of services includes rehabilitation, step-down care, frail care, terminal care and nursing services.

The programme is currently operating in parts of the Western Cape and Gauteng, and is being expanded to KwaZulu-Natal and the Free State during 2012. A total of 300 Discovery Health members were enrolled on the programme in 2011.

Providing access to quality healthcare on a sustainable basis

During the year under review, we have continued to leverage our scale, resources and partnerships to improve healthcare delivery for Discovery Health members in a sustainable way.

We continued to improve our GP and hospital networks during the year, to save costs for our members without compromising the quality of care. The scale and breadth of these network assets and payment models ensure that healthcare professionals are paid directly, while out-of-pocket costs for our members are reduced. Close to 90% of all member interactions with GPs and specialists now happen in a network or within a payment arrangement contract.

A key initiative we continued to roll out to enhance the delivery of healthcare for our members is the Discovery Integrated Care Unit, that provides members with extensive medical needs with a coordinated approach to their healthcare treatment after hospitalisation from a team of medical experts, care coordinators and community-based care providers at no extra cost.

Another initiative, launched in 2009, is the Best Care... Always! (BCA) project, which aims to improve patient safety and the quality of care in South African hospitals. The project began as a collaboration between Discovery Health and several major hospital groups, supported and endorsed by various professional societies. The overall aim of BCA is to build quality improvement skills and capacity in both the public and private healthcare sectors. It focuses on four well-tested infection prevention interventions (preventing pneumonia in ICU patients, bloodstream infections due to intravascular catheters, surgical wound infections and urinary tract infections) and a pilot antibiotic stewardship programme. Hospitals can choose which intervention they wish to implement. Each has the potential to achieve cost savings and better clinical outcomes. As the founding and major sponsor, Discovery Health has committed R1.5 million over the past three years to the project and contributes to strategic decision-making and day-to-day operations. Over 200 private hospitals are involved, and the initiative has now expanded from the private to the public sector in the Free State, Gauteng and the Western Cape.



Strengthen the healthcare system and expand access to care (continued)

CASE STUDY



UNSURPASSED VALUE FOR MEMBERS OF THE DISCOVERY HEALTH MEDICAL SCHEME (DHMS)

Medical schemes in South Africa operate in a complex and challenging environment characterised by high medical price inflation, high-cost new medical technology, an increased chronic disease burden and changing demographic profile, as well as a shortage of healthcare professionals, fraud and benefit abuse and regulatory requirements. Within this environment, Discovery Health continues to provide unsurpassed value to members:

- DHMS members pay between 10% and 30% less than for comparable plan options.
- The DHMS track record of contribution increases is one of the best in the industry: our five-year annualised contribution increase was 9.8% compared to the industry average of 11.3%.
- Over the past five years, other open schemes have lost a total of 845 246 members, while DHMS has grown by 466 891 members (31 December 2006 to 30 September 2011).
- Our operational scale is unparalleled: Discovery Health employs over 3 500 people. We handle around 38 000 calls per day, and authorise around 50 000 hospital admissions per month. The average claim is processed in under two hours. Every month, we process over 16 000 new membership applications, collect contributions totalling R2.93 billion, and process and pay 3.7 million claims to the value of R2.4 billion. We have achieved an all-time high client perception score of 8.96 (out of 10).
- DHMS pays Discovery Health a fixed fee per member per month for all administration and managed care services. The Trustees of DHMS have, since 2009, negotiated a fee structure that ensures that fees are reduced in line with the ongoing growth of the Scheme and resultant economies of scale. The fees paid to Discovery Health have been the only cost component in the Scheme's total expenditures that has been falling in real terms. Over the past five years, claims have increased at 12% above CPI, but the fees paid by DHMS to Discovery Health have fallen by 4% in real terms.
- Our GP and hospital network assets and payment models provide DHMS and other schemes under our management with unique protection against the rising costs of funding Prescribed Minimum Benefit conditions at the full cost charged by health professionals. Across all plans, DHMS paid 97.1% of all in-hospital claims and 99.8% of oncology claims during the year under review, confirming our view that the Scheme continues to provide outstanding value.

Strengthen the healthcare system and expand access to care (continued)

Benefit and contribution stability across the Discovery Health product range

We have continued to achieve benefit and contribution stability for our members during the year under review.

Discovery Health is South Africa's largest healthcare funder and manager of medical schemes and covers more than 2.6 million lives. It manages 14 medical schemes. This includes the Discovery Health Medical Scheme, which has a 50% share in the open medical schemes market, making it South Africa's largest open medical scheme. The Discovery Health Medical Scheme covers more than 2.4 million lives.

The evolution of Discovery Health over the years has resulted in an institution of sophistication and financial strength. This has enabled Discovery Health to build a robust and comprehensive plan range for members, and provide comprehensive benefits and minimise gaps in cover for members. We are continuously enhancing the benefit structures on all our health plans to ensure members continue to have access to excellent quality of care and value.

During the year, we continued our focus on correcting and enhancing our members' health plan benefits, especially in areas where there had been benefit abuse. One of these areas was the Allied and Therapeutic Benefit, where we had identified a trend of a small group of members using the benefit for services that were not medically necessary. Eliminating waste and benefit abuse – which can have severe financial implications for schemes – is a challenge facing medical schemes worldwide.

The annual increase in members' contributions ensures that Discovery Health can maintain and continuously improve members' healthcare benefits. It also ensures the sustainability of the Discovery Health Medical Scheme in the long run. Our contribution increase of 8.9% across all plans for 2012 was one of the lowest in the industry, and within the guidelines set by the Council for Medical Schemes.

Going forward, we will continue efforts to rebalance benefit structures in order to eliminate waste and abuse and to ensure the ongoing stability of the Discovery Health Medical Scheme, increase cover for the most critical healthcare needs, and continuously enhance value for our members. We will also continue to identify areas to contain the escalation of costs and to ensure affordable contribution increases for our members while ensuring the Scheme remains sustainable.



Strengthen the healthcare system and expand access to care
(continued)



Bringing down the cost of healthcare for Discovery Health members

Discovery Health has invested significant expertise in developing an operating model to manage healthcare funding efficiently and cost-effectively to ensure the sustainability of the Discovery Health Medical Scheme. This model, which brings together a consumer-centric product construct, risk management assets, healthcare provider networks and assets, digital health tools and value-added services, is underpinned by the Vitality wellness programme. The effectiveness of this model is measured through the lower average claims costs and premium increases experienced by DHMS and other schemes under management, relative to the rest of the industry.

We have also built a sophisticated health analytic system to improve the quality of care for our members and eliminate inefficiencies. Health analytics is a critical skill and asset for healthcare funders as it enables them to better manage risk over the long term.

Health analytics have enabled us to negotiate lower and more cost-efficient prices with providers such as hospitals and drug manufacturers. For example, we have focused on driving down the cost of medicine during the past year. We are in regular engagement with the pharmaceutical industry to get the



We have negotiated cost reductions of:

- 43% on the average price of Adco-Atovastatin, a medicine used to treat hyperlipidaemia
- 50% for the hypertension drug Ran-perindopril
- 15% for the renal failure drug Mircera

best possible prices for our members, thereby protecting the pool of funds from which members' claims are paid. Our ability to negotiate lower market prices with the pharmaceutical industry does not benefit only our members – because of Single Exit Price (SEP) legislation, these drug price reductions benefit all users in the private healthcare system.

The strategic assets we have built up in our GP, specialist, hospital and pharmacy networks through our ongoing engagement with stakeholders in the healthcare industry have also brought down the cost of healthcare for both our members and the industry as a whole.

To further bring down the cost of medicine for our members, we introduced the MedSaver benefit in January 2012. Discovery Health members spent R550 million on over-the-counter medicine in 2010. Through the MedSaver benefit, members have the potential to save more than R130 million by completing a Vitality Check and purchasing their over-the-counter medicine at Clicks. Our members qualify for up to 25% cash back on all schedule 1 and 2 medicines bought from any Clicks store countrywide.

One of the major factors driving up the cost of healthcare in the private healthcare industry is fraud. Discovery Health has taken a strong stance against fraudulent practices by both our members and healthcare professionals. We have a dedicated forensic investigative unit, comprising 30 full-time experienced investigators. We investigate every suspected case thoroughly and take swift action where necessary. For the year under review, the work done by our forensic unit on fraud and non-disclosure has resulted in savings of R90 353 326 for Discovery Health and for our members.



All major pharmacy chains, as well as over 1 200 community pharmacies, are contracted to charge our members the Discovery Health Medicine Rate, which for 2012 has been defined as the Single Exit Price (SEP) plus a dispensing fee of 26% of the SEP, up to a maximum of R26.

Strengthen the healthcare system and expand access to care
(continued)

CASE STUDY



HOW DISCOVERY HEALTH CURBS FRAUD AND ABUSE

Various estimates suggest that as much as 10% of funds paid out annually by medical schemes are lost due to fraud. It is therefore critical that Discovery Health identifies and prevents all possible instances of fraud, investigates suspected fraud, and recovers any funds inappropriately paid out.

The most common type of fraud Discovery Health is exposed to by members is non-disclosure of prior ailments. Other fraudulent practices include members submitting multiple claims by changing procedure codes, service dates, service providers, amounts and dependent names. Among healthcare providers, code manipulation is the most common type of fraud investigated, followed by claims submitted for services not rendered.

Fraud and other inappropriate behaviour are detected:

- Through tip-offs by members, healthcare professionals and others using an anonymous fraud hotline
- Through data mining and data analysis using various specialist tools
- By using a unique fraud management system, which assists Discovery Health in identifying trends and patterns
- Through the identification of identified warning signs of fraud as well as random audits.

Discovery Health's unique fraud management system combines clinical, actuarial, operational, legal and forensic expertise to help prevent fraud. An important element of the system is to use health claims and other data to cross-reference and integrate all data on a member. By having a single view of a member, and by filtering data, we are able to identify possible fraud.

HealthID:

CASE STUDY



A REVOLUTION IN ELECTRONIC HEALTH RECORDS IN SA

In May 2012, we launched HealthID, the first electronic health record iPad application of its kind in South Africa. It allows doctors access to important patient information, provided they have given their consent, and will have a significant impact on the quality of care provided to our members by doctors.

The development of HealthID started over a decade ago, and aims to transform billions of lines of claims data into accessible health records that make it more efficient for healthcare professionals and patients to interact with the healthcare system. By using the app, doctors can access their patients' claims data, details of previous visits and benefit information, and they can even prescribe medicine and refer patients to other doctors.

HealthID was launched nationally to over 1 200 doctors during the year, and we have since then had an overwhelmingly positive reaction from both doctors and Discovery Health members. To date, more than 44 000 members have given consent to their doctors to access their information.

Significant further enhancements are being planned for the next few months to improve the functions and performance of HealthID.



iPad  9:41 AM

Strengthen the healthcare system and expand access to care (continued)

Driving service and benefit innovations

Working within a complex environment where the needs of various stakeholders must be balanced, our objective is to maximise the value members receive. Ongoing innovation in products and services is therefore a critical objective for Discovery Health. Importantly, we continuously work to enhance and maximise healthcare cover for our members. Enhancements over the past few years have included the Specialised Medicine and Technology, Trauma Recovery Extender, Insured Network and Oncology benefits.

During the year under review, we developed a range of support tools and technologies that help our members, healthcare professionals and financial advisers navigate the often complex healthcare system. These include:

- **Discovery HospitalXpress** – a range of services designed to facilitate rapid and efficient authorisation and admission of members to hospitals.
- **HealthID** – a South African first; and iPad application which provides doctors treating Scheme members with access to members' full health records with their consent.
- **Online Advisor tools** – these help guide our members through the healthcare system and identify when they can make full cover choices. They assist members in managing their hospital admissions by authorising admission online and calculating whether they can expect full cover for their chosen hospital and medical specialists. Members can also manage their day-to-day healthcare costs, check how they are covered for medicines and find healthcare providers who have an agreement with Discovery Health.
- **Discovery Member Application** – this application, available for iPhone and iPad, and now also Android, provides our members with important and updated information regarding their Medical Savings Account balances, recent claims history, and membership card details.
- **Discovery AdviserXpress** – as part of our ongoing efforts to provide our financial advisers with tools to support their businesses, we launched this application for iPad in the first quarter of 2012. It provides advisers with a suite of tools and information they can use to assist their clients with their consent, including clients' health plan details, medical needs analysis, a cover adviser, Vitality tools and an electronic library of Discovery brochures and benefit summaries.

Continuing the impact and work of the Discovery Foundation

To help address the severe shortage of skilled medical professionals in South Africa, the Discovery Foundation was set up in 2006 to invest in the education and training of an additional 300 academic specialists and the development of academic and research centres. Our goal is to invest more than R150 million by 2016 towards this end. The main focus is on Academic Medicine, clinical research, sub-specialist training programmes, public healthcare and speciality training in critical areas such as HIV and AIDS, TB, cardiology and oncology.

Through a series of grants and scholarships, talented medical professionals are able to conduct clinical research and undergo specialist training that will help to advance medical care in South Africa. Our vision for these annual awards is aligned to the goal of the Department of Health of strengthening the healthcare sector, and making quality healthcare more accessible to all South Africans.

We are beginning to reap the rewards of this investment. The Foundation is providing an important boost for specialist

education and training, with preference given to women and previously disadvantaged individuals in alignment with government's vision of ensuring transformation in all sectors. The awards are filling vacancies with recipients who are passionate about making a difference in the healthcare sector – the Foundation has so far helped to fill 12% of vacant sub-specialist positions in hospitals across the country. The research being conducted includes landmark studies on future vaccines for TB, cytomegalovirus and Group B Streptococcus, and drug resistance research that will lead to better policy-making decisions concerning treatment. The award recipients are in turn able to share their knowledge and expertise through teaching and training their peers, future medical undergraduates and members of the communities they serve.

The Discovery Foundation maintains ties with its recipients through the annual Alumni Conference, which provides a networking platform for both past and new recipients. The conference also gives Foundation trustees and stakeholders an opportunity to learn more about the impact of recipients' research and training.

In 2011, we commissioned Health Development Africa to conduct an independent evaluation of the Foundation's impact and the value added through the annual awards. The findings were positive, with 91% of beneficiaries indicating they were very satisfied with the programme and that it was filling a niche in terms of human resources in South Africa's healthcare sector. Key recommendations included improved support for recipients, creating centres of excellence, and rethinking funding for academic fellowships. The outcome of this evaluation will inform the Foundation's strategic direction for the remaining years of the programme.

To date, R84 million has been committed in 169 awards to specialists in training and healthcare institutions. In 2012, 27 recipients were awarded grants with a total value of more than R17 million.



Dr Kate Weakley is a paediatrician at the Red Cross War Memorial Children's Hospital in Cape Town, South Africa. She is training further as a paediatric rheumatologist and is a recipient of a 2012 Discovery Foundation Award.

Strengthen the healthcare system and expand access to care
(continued)

CASE STUDY

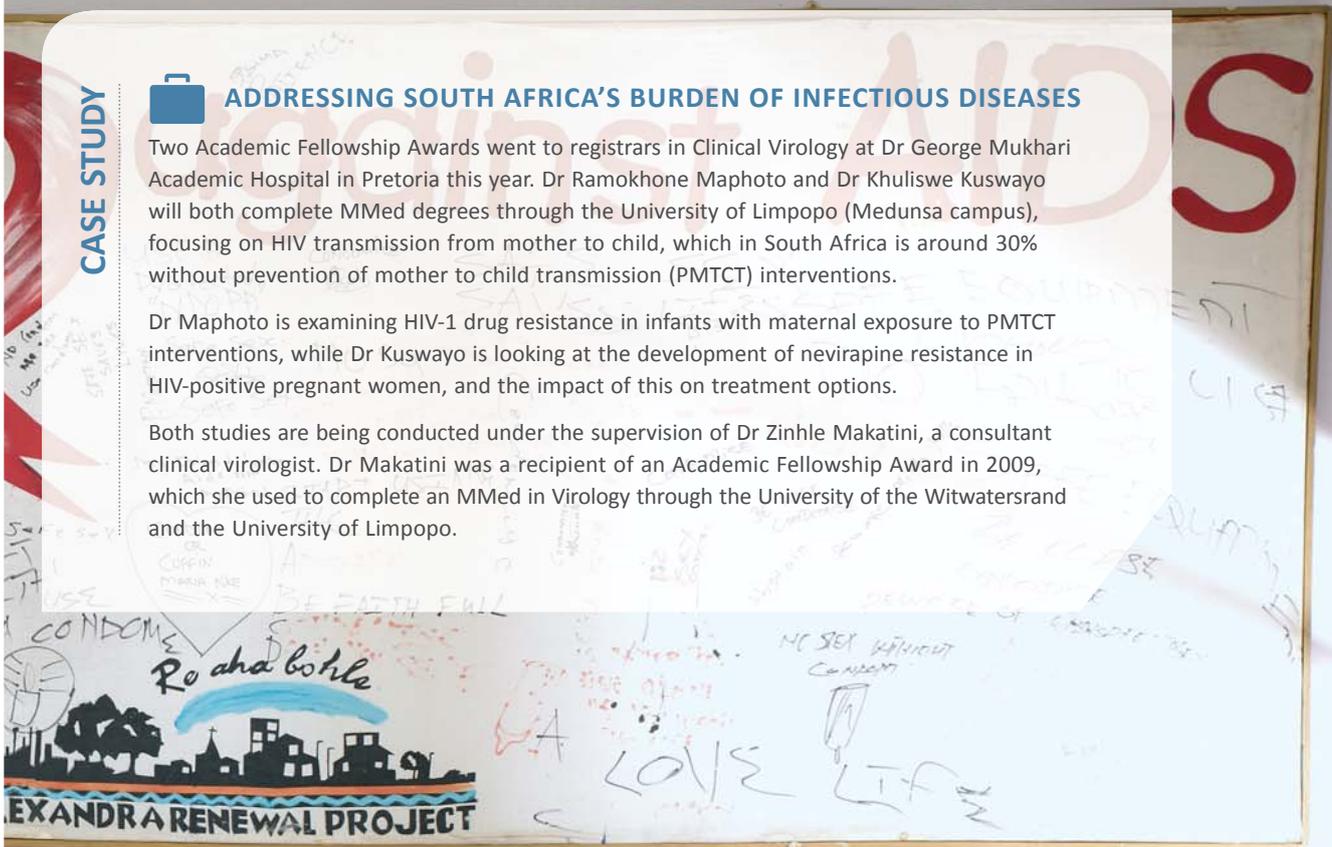


ADDRESSING SOUTH AFRICA'S BURDEN OF INFECTIOUS DISEASES

Two Academic Fellowship Awards went to registrars in Clinical Virology at Dr George Mukhari Academic Hospital in Pretoria this year. Dr Ramokhone Maphoto and Dr Khuliswe Kuswayo will both complete MMed degrees through the University of Limpopo (Medunsa campus), focusing on HIV transmission from mother to child, which in South Africa is around 30% without prevention of mother to child transmission (PMTCT) interventions.

Dr Maphoto is examining HIV-1 drug resistance in infants with maternal exposure to PMTCT interventions, while Dr Kuswayo is looking at the development of nevirapine resistance in HIV-positive pregnant women, and the impact of this on treatment options.

Both studies are being conducted under the supervision of Dr Zinhle Makatini, a consultant clinical virologist. Dr Makatini was a recipient of an Academic Fellowship Award in 2009, which she used to complete an MMed in Virology through the University of the Witwatersrand and the University of Limpopo.



Strengthen the healthcare system and expand access to care (continued)



Supporting primary healthcare delivery in areas of critical need

Through the Discovery Fund, an independent trust, we give ongoing support to 41 community healthcare projects around South Africa. These projects often work in remote and rural areas and provide the most critical healthcare services. The strategy adopted by the Fund ensures investment aligned to four of the eight Millennium Development Goals – ending poverty and hunger, maternal health, child health, and combating HIV and AIDS. Our projects also focus on several elements of primary healthcare as defined by the World Health Organization, including education on prevailing health problems, promotion of food supply and proper nutrition, provision of essential drugs, and immunisation against major infectious diseases.

A five-year review of the Fund’s activities was conducted in 2012 by its trustees and Tshikululu Social Investments, which oversees the administration of the Fund. It is estimated that in one year, Fund investment may reach over a million beneficiaries through the work of public benefit organisations, clinics and hospitals around the country.

The Fund runs an annual training programme for the community organisations it supports. The focus of this year’s workshop was on maternal and child health – in line with the priorities identified by the Department of Health, and the Millennium Development Goals of reducing child mortality and improving maternal health. The workshop, attended by 38 delegates, was aimed at transferring knowledge and skills to the organisations, to assist them in managing their limited resources in a way that maximises their ability to achieve better patient outcomes in the communities they serve.

 To date, the Discovery Fund has awarded **over R65 million in 258 grants to over 100 public benefit organisations, universities and health facilities.** The past financial year, the Fund approved an amount of **R15 608 718** for the **projects it supports.**

Increasing the focus of the Discovery Fund on nutrition

One of the elements of primary healthcare as defined by the World Health Organization is the promotion of food supply and proper nutrition. Towards the end of last year, and in alignment with the Millennium Development Goal of eradicating extreme hunger and poverty, the Discovery Fund decided to partner with four of the organisations it supports to roll out a nutrition programme. The aim is to improve the nutritional status of women and children in South Africa. The programme’s objectives are:

- Key nutritional interventions to promote the nutritional wellbeing of women, including HIV-positive pregnant women and breastfeeding women, and children
- Improving the quality of nutrition services for women, including HIV-positive pregnant women and breastfeeding women, and children, including the promotion of breastfeeding.

The four organisations the Fund has partnered with are the African Medical Mission, the Philani Child Health and Nutrition Trust, the Siyakhana Initiative for Ecological Health and Food Security, and the Foundation for Alcohol-related Research (FARR).



Strengthen the healthcare system and expand access to care
(continued)

Implementing the Discovery UNICEF Immunise SA programme

The Discovery UNICEF Immunise SA programme, launched in 2011, is a three-year partnership between Discovery and UNICEF. The flagship project of the Discovery Fund, Immunise SA aims to support the Department of Health in its drive to improve child and maternal health by improving immunisation coverage in districts where the rate of immunisation has been low. The programme is focusing on national needs and is also supporting districts in the Eastern Cape and KwaZulu-Natal. The aim is to intensify the Department of Health's existing vaccination programme, and we are contributing R5 million a year to the project. In so doing, we are assisting government to reach the fourth Millennium Development Goal target of reducing the number of child deaths by two thirds by 2015.

Discovery is working closely with UNICEF and various national, provincial and district health departments to implement the programme. The areas the programme is addressing include helping to improve the quality of service in districts that are not performing well, and building capacity in the healthcare system through training nurses and healthcare workers to ensure they can implement the immunisation programmes effectively and efficiently.

To date, a national review of immunisation has been conducted in all nine provinces. Assistance was provided to the Department of Health to develop a comprehensive, multi-year action plan. A total of 88 officials from the Eastern Cape and KwaZulu-Natal has been trained on strategy and how to improve immunisation systems. A four-month drive was conducted earlier this year to improve the coverage of pneumococcal vaccine among 18- to 36-month-old infants in the two provinces. To help raise awareness in communities about the benefits of immunisation, a large-scale communication campaign is currently underway. The Discovery Fund has so far contributed R9 million to the programme.



Challenge

To implement the awareness campaign of the Discovery UNICEF Immunise SA programme, we needed buy-in and then sign-off on all communications – this required a lot of time and negotiation, and the process has thus taken longer than envisaged

Our priorities for 2013

- Continuing to use innovative product solutions to service the needs of the lower-income market, and forming key strategic partnerships in the area of healthcare to broaden access to care
- Continuing to leverage our scale, resources and partnerships to provide access to quality healthcare on a sustainable basis, and impact the industry in a positive way
- Providing benefit and contribution stability across the Discovery Health product range
- Bringing down the cost of healthcare for Discovery Health members
- Introducing a new award category to the Discovery Foundation Awards: for academic physicians at South African medical schools to undertake a period of study at Massachusetts General Hospital (MGH) in Boston, USA
- Implementing the Discovery UNICEF Immunise SA programme as outlined by UNICEF, extending the reach of the programme, and continuing the communication process
- Expanding the criteria applied by the Discovery Fund to include Discovery Insure's prevention of road accidents programme, and developing and implementing a programme approved by the Fund

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

The financial security of our clients is important to ensure the continued growth of our society and economy. During times of economic uncertainty, this becomes even more critical. Our priority is to offer our clients peace of mind in terms of their financial security and wellbeing, through a broad range of innovative products and services which enhances their savings, protects them from risk and ensures they have sufficient financial cover at every stage of their lives. We use the power of integration to deliver unique value to our clients.

OUR PRIORITIES FOR 2012

- Continuing to use innovation to ensure our clients are adequately insured and to encourage increased levels of savings
- Continuing to focus on managing financial risk for Discovery Life
- Expanding access to financial products by developing products targeted at the lower-income market
- Enhancing Discovery Life's Group Risk offering for corporate employees



Highlights

- Discovery Life launched CoverBooster and BenefitBooster to assist clients in obtaining adequate cover
- Invest launched new products, a new benefit and a new service to encourage our clients to increase their savings

Innovating to ensure our clients are adequately insured

An ongoing priority for Discovery Life is to focus our product development on addressing the growing trend of underinsurance among South African consumers. The harsh reality is that many South Africans underestimate the value of being insured and are not saving enough for the future, including for retirement. The Association for Savings and Investment South Africa (ASISA) conducted an Insurance Gap study in 2010 which revealed that almost 12.5 million income-earning South Africans between the ages of 16 and 65 are underinsured for life cover by over R18 trillion. The "insurance gap" is the difference between the amount of cover someone needs and the cover they actually have. The ASISA study found that for death insurance, South Africans are underinsured by a gap of R7.3 trillion, and for disability insurance, by R11.1 trillion.

Discovery Life's strategy is to leverage the integration capabilities in our business to help clients bridge the gap in their insurance and receive the cover they need. During 2008 and 2009 we introduced new products to the market that achieve exactly this. Building on the success of the Cover Integrator and Financial Integrator, we launched new products earlier in 2012 aimed at closing the underinsurance gap, giving clients the opportunity to access additional life assurance cover efficiently and sustainably. Our products and services are in line with our unique integrated operating model, which maximises our clients' cover and gives them value for money. The new Discovery Life products are the Life CoverBooster, Drive CoverBooster and the BenefitBooster. The Life CoverBooster gives our clients 32% extra free life cover for three years, and the Drive CoverBooster gives clients who already have both Vitalitydrive and the Life CoverBooster, 50% free additional life cover for five years. The BenefitBooster provides clients who have an accelerated Capital Disability Benefit amount that is at least 70% of their LIFE FUND, with an additional 40% free life cover for the duration of the full benefit term. These products provide incentives to our clients to ensure that they are adequately covered.



Improve the financial security of our clients and protect them through innovative products and services (continued)

Innovating to encourage increased levels of savings

An increasing number of studies have indicated that South Africans are not saving nearly enough for the future. Many people withdraw their retirement annuity early in order to meet financial obligations. It has been estimated that only 6% of South Africans will be able to retire comfortably. To help our clients plan better for their retirement and help them save, Discovery Invest has innovated new offerings which gives them certainty, efficiency and value. We applied the features of our Classic Investment Plan to our retirement annuity and preservation packages and created new products, a new benefit and a new service. The new products are the Classic Retirement Plan and Classic Preserver Plans, and the Discovery Invest Classic Offshore Endowment Plan. A new benefit is the Dividends Tax Funder, and the new service, available to all clients and potential investors, is the FUNDamentals series. All these products, benefits and services aim to maximise our clients' fund performance and investment time horizon, and minimise the effect of tax on their investments.

The Classic Retirement Plan and Classic Preserver Plans boost our clients' investments, guarantee 100% of the highest unit price reached during their investment upon their retirement, death or in the event of becoming disabled, refund a portion of payable tax up to certain limits upon retirement, and offer a measure of protection should the fund underperform. Dividends tax was introduced earlier this year to align South Africa with international tax practice, and we introduced the Dividends Tax Funder as one of the Classic Flexible Investment Plan benefits. This funder is the only investment of its kind that effectively refunds clients' incurred dividends tax at the end of each five-year period.

Until recently, South African residents who wanted to invest funds offshore had to apply for tax clearance beforehand. From 2012, South Africans can invest up to R1 million offshore each year without applying for tax clearance. The Discovery Invest Classic Offshore Endowment Plan enables our clients to access a wide range of offshore funds. The Plan ensures improved performance, efficiency and protection of investments, even during uncertain periods.

To enhance consumer understanding of the stock market and investing, Discovery Invest has created the FUNDamentals series. Available online, the series aims to explain investment principles to clients and would-be investors, and strives to encourage a culture of saving among South Africans.

To further encourage a culture of savings, Discovery Invest offers additional value to investors through integration with Discovery Life and Vitality. The Investment Integrator and Annuity Integrator give investors the opportunity to reduce fees and increase benefits by capitalising on the tax and health assets of Discovery Life and Vitality. To date, over R79 million in benefits have been paid through the As and When Investment Integrator that refunds up to 100% of all fees on the Endowment Plan.



Improve the financial security of our clients and protect them through innovative products and services (continued)

CASE STUDY



DISCOVERY LIFE'S UNIQUE INTEGRATED OPERATING MODEL

Discovery Life's unique operating model leverages Vitality to deliver upfront integrator premium discount. We use dynamic underwriting to accurately price our clients' risk. Integration and engagement with Vitality has resulted in low lapse levels and better claims experience.

The model consists of the following elements:

- **Upfront integrator premium discount:** By integrating a Life policy with Discovery Health, Vitality and DiscoveryCard, policyholders can receive initial discounts of up to 32%. These discounts are made possible by our dynamic underwriting model.
- **Vitality empowers people to manage their health better:** Vitality provides incentives and tools for people to improve their health. Over the years, engagement in Vitality has increased markedly. In 2002 Discovery Life had 32 000 Vitality members, of whom 75% were engaged and less than 1% were highly engaged. Today, 257 000 Vitality members have a LIFE PLAN, with 93% engaged and 25% highly engaged.
- **Dynamic underwriting based on health status:** Having access to information on policyholders' health and wellness over time enables us to assess mortality and morbidity risk more accurately. This dynamic pricing is done through annual adjustments achieved through integrators.
- **Helping people build a financial asset in their life assurance policy:** Policyholders who manage their health and wellness through engagement in Vitality, help to reduce the long-term risk and liabilities for Discovery Life. This allows us to build surplus assets which can be passed on to healthy policyholders in the form of the Discovery Life PayBack benefit. To date, we have paid over R270 million in PayBacks with a further R550 million vesting over the next two years.
- **Premium certainty:** We provide premium certainty and affordability through several mechanisms, including the Maximum Protected Premium which ensures policyholders will never pay a premium above a specified level.
- **Positive outcomes over the long term:** Integration and engagement in Vitality have resulted in powerful outcomes in terms of persistency improvements and claims experience.



Improve the financial security of our clients and protect them through innovative products and services (continued)

CASE STUDY

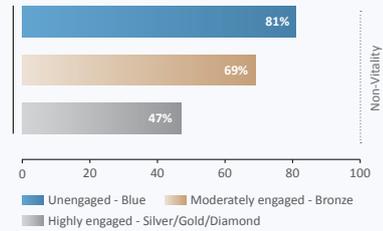
IMPACT AND REACH OF DISCOVERY LIFE

There are now more than 670 000 lives assured on Discovery Life, and we have to date paid more than R6.5 billion in claims. In 2011:

- Our benefit claims amounted to more than R1.4 billion.
- Discovery Life paid out R119 million through the Integrator PayBack benefit. R270 million has been paid out to date. This is projected to grow to over R800 million by 2014 and R1.4 billion by 2016.
- Discovery Life paid out R28 million in health dividends and has accumulated R1.9 billion in health funds since the inception of the Health Plan Protector.
- The Global Education Protector currently covers the education costs of 2 707 children.
- The highest number of multiple claim payments that have been made to one life assured is four.
- Discovery Life paid 99.1% of all submitted claims.

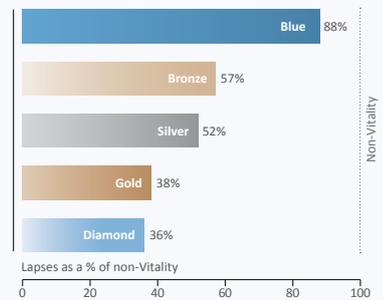


Mortality data for Discovery Life policyholders with and without Vitality

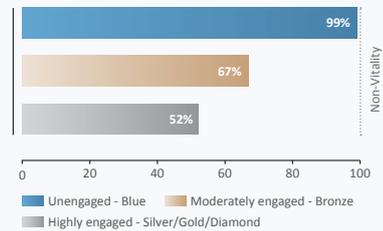


Vitality engagement increases persistenc

Life lapses by Vitality status



Severe illness claims by Vitality status

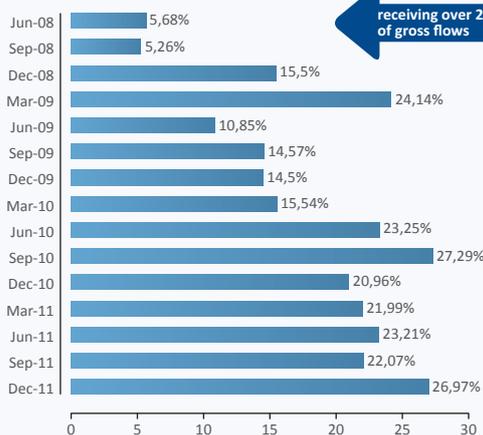


CASE STUDY

IMPACT AND REACH OF DISCOVERY INVEST

Discovery Invest's performance has been exceptional. Since 2007, our assets under management have grown from R10 billion in the first 34 months to R25 billion currently. This growth over a short period of time is testament to the market receptivity and support for Discovery Invest's innovation and performance. Today, Discovery Invest is the largest writer of endowment policies in South Africa with a 27% market share.

Endowment leader



Integration benefits



Improve the financial security of our clients and protect them through innovative products and services (continued)

Managing financial risk for Discovery Life

Discovery Life continues to focus on reducing financial risk for our clients. Capital is well managed and our counter-party risk with external banks is being reduced significantly.

Our conservation strategies are paying off and our lapse rate is now below the long-term assumptions. Discovery Life’s integrated operating model, including engagement in Vitality, has markedly reduced lapse rates – members who are more engaged in Vitality and manage their health are less likely to lapse their policy.

Our mortality and morbidity experience was also excellent. Again, integration and engagement with Vitality have been a key strategic asset for Discovery Life. Over the past 10 years, we have built significant data and information on health, wellness, mortality and morbidity, and are therefore in a unique position to track the effect Vitality has on the health of the risk pool. Our morbidity data shows that the more engaged clients are on the programme, the less likely they are to claim. Members who are highly engaged, as reflected by Silver, Gold and Diamond Vitality status, have 50% less claims than non-Vitality members. The power of Vitality to impact morbidity and mortality not only allows us to price risk more accurately upfront, but it also enables us to develop unique, innovative products that give consumers more protection during difficult times.

Developing products targeted at the lower income market

We are continuing our focus on expanding access to financial products by developing products targeted at the lower income market. We have made good progress in this regard, and are in the process of building a good value proposition for this market for 2013.

Enhancing Discovery Life’s Group Risk offering for corporate employees

Discovery Life’s Group Risk offering is modelled on the Discovery Life product and offers a suite of employee benefits for employers. We are working on expanding our current product to give employers a more comprehensive employee benefits offering. This should be released towards the end of 2013.

Our priorities for 2013

- Continuing to use innovation to ensure our clients are adequately insured and to encourage increased levels of savings
- Continuing to manage financial risk for Discovery Life
- Building a good value proposition for the lower-income market during 2013



 **Challenge**

We are committed to developing life assurance and investment products that are affordable, yet sustainable and add value for our clients

Use the science of behavioural economics to drive positive behaviour change

Discovery is acknowledged as a global thought leader in the use of behavioural economics and incentive-based wellness. We leverage this experience in creating value and addressing critical societal problems. Our products act as a catalyst for positive change in our internal, external, private and public partnerships.

OUR PRIORITIES FOR 2012

- Leveraging Vitality as a global thought leader in wellness and having a positive impact on society in the area of wellness
- Encouraging positive behavioural change in the area of health and wellness for our clients through different platforms
- Refining key Vitality benefits to drive higher engagement levels
- Building on the success of the HealthyFood benefit to improve the nutrition and wellbeing of our members



Highlights

- Increased HealthyFood and HealthyLiving engagement
- More than 19 000 employees took part in the second Discovery Healthy Company Index survey

Leveraging Vitality as a global thought leader in wellness

Vitality is Discovery's science-based wellness programme that draws on the emerging discipline of behavioural economics to change people's health behaviour and health outcomes. It is now the largest programme of its kind in the world, with close on four million members on three continents.

Almost 15 years after the launch of Vitality in South Africa, our development of groundbreaking techniques to encourage healthy lifestyle modification and ongoing research support has propelled Vitality to the forefront of innovative global healthcare. Discovery is now acknowledged as a global thought leader in the use of behavioural economics and incentive-based wellness. Vitality has attracted international recognition and has been the subject of much press coverage.

During the year under review, we continued our drive to export the Vitality programme to international markets. In the UK, Vitality serves to integrate the PruHealth and PruProtect plans, and take-up during the year exceeded 55% across all markets and channels. In the USA, HumanaVitality, our joint venture with Humana Inc, has surpassed the 1.5 million member mark. The Vitality Group is building solid relationships with large employee benefits consultants, and this powerfully positions The Vitality Group to acquire strong new business in the coming financial year. The Vitality Group recently announced a partnership with ADP, one of the world's largest providers of payroll and employee benefits administration solutions. The partnership will see the launch of ADP-Vitality, a payroll-integrated wellness solution tailored to mid-sized employers. In China, we launched Vitality in

May 2012 through Ping An Health, our joint venture with the Ping An Health Insurance Co of China Ltd. Vitality is currently in the process of being rolled out, and is expected to play a transformational role in encouraging individuals to buy protection insurance in China.

The impact of Vitality on the cost of healthcare has been proven by research studies. The first Vitality Journal was published in 2008 and highlighted the efficacy of Vitality on members' health and healthcare costs. During the year, we published the second Vitality Journal where we report on new research studies. We also announced the results of the second Discovery Healthy Company Index, which again provided Vitality with additional evidence to validate Vitality Age as a predictor of morbidity risk. More than 19 000 employees from 110 companies participated in the survey.

Research currently in the pipeline includes a year-long prospective study looking at the effectiveness of various incentives and better communication on fitness engagement among new Vitality members. This research is being done in collaboration with two leading international researchers on behavioural economics and health. Another research partnership that is likely to bring substantial rewards is with renowned behavioural economist Professor Dan Ariely from the Center for Advanced Hindsight at Duke University.

Furthermore, the National Institute of Health in the USA has awarded two grants – one to study the impact of the HealthyFood benefit and the other to study Vitality preventive screening – to award-winning health economist Dr Roland Sturm from the RAND Corporation, a leading healthcare research institute in the USA.

Use the science of behavioural economics to drive positive behaviour change

(continued)

CASE STUDY



THE 2012 DISCOVERY HEALTHY COMPANY INDEX

The Discovery Healthy Company Index is the largest workplace wellness survey in South Africa. Now in its second year, it aims to assess and understand the health status of South African employees.

The 2012 survey results show that South African companies are on the right track for promoting good health. However, there are health concerns that employees are grappling with, high blood pressure and high cholesterol being the most prevalent. The results also show that 92% of employees have a Vitality Age higher than their actual age (on average, 6.4 years).

The Discovery Healthy Company Index is starting to provide an excellent data set to benchmark and track key health issues over time, while evaluating which initiatives are having a positive impact on employees' health and companies' productivity.

Some 2012 survey findings:

- 39% of employees smoke (38% in 2011)
- 68% of employees do not meet recommended physical activity guidelines
- 43% of employees are at an unhealthy weight
- 76% of companies indicated they had onsite wellness programmes (50% in 2011).

Professional services firm Hatch emerged as the healthiest large company in the country. Vital Health Foods won the award for the healthiest medium-sized company and BSG (Africa) was named the healthiest small company.



Use the science of behavioural economics to drive positive behaviour change

(continued)

Encouraging healthy behaviour through different platforms

Discovery Vitality has over the years launched various wellness initiatives across different platforms, applying the principles of behavioural economics to health promotion and preventive health.

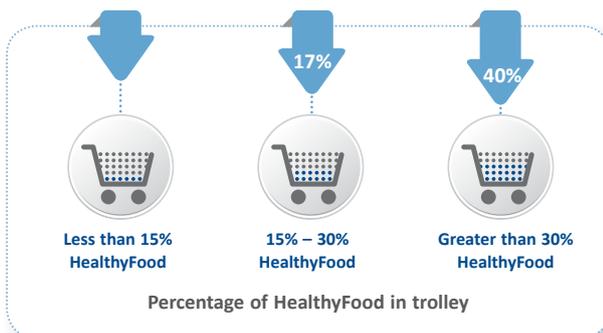
One such initiative is the HealthyFood benefit, implemented in February 2009. The benefit is a pioneering first for South Africa in encouraging and rewarding healthy nutrition. It offers Vitality members up to 25% cash back on their purchases of over 10 000 products at Pick n Pay, making healthy eating more accessible to members.

The HealthyFood benefit has been tremendously successful since it was launched:

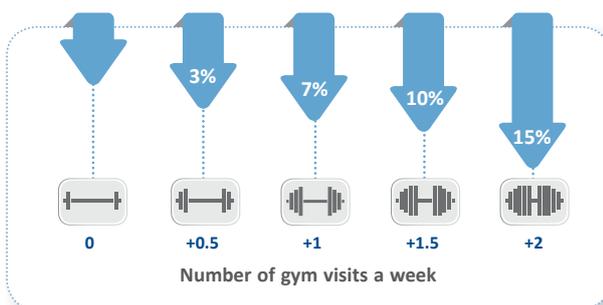
- 320 000 people have activated the HealthyFood benefit
- Over 16 million trolleys of groceries bought at Pick n Pay by HealthyFood members
- R6.7 billion was spent at Pick n Pay by HealthyFood members
- R1.33 billion of this was on HealthyFood
- R210 million in HealthyFood cash backs have been paid out
- 20% increase in the number of healthy baskets purchased
- In 2011, the average member's basket contained 29% HealthyFood.

The HealthyFood benefit has driven a greater tendency to purchase healthier foods – the proportion of HealthyFood in the average basket or trolley has increased steadily since the launch of the benefit. Higher levels of HealthyFood purchases have been strongly correlated with decreased probability of being diagnosed with chronic, lifestyle-related diseases.

Good nutrition is effective in managing the risk of developing a lifestyle-related disease. The probability of being diagnosed with a lifestyle-related disease decreases strongly with higher levels of HealthyFood purchases:



Regular physical activity is a key driver of health outcomes with a significant decrease in the probability of hospital admissions being observed for members with higher gym visit rates:



At the start of 2012, we used the HealthyFood model to reward our members' healthy living and encourage positive behaviour in an additional two areas – learning about their health and understanding their risk for chronic diseases of lifestyle, and learning about their fitness levels and how to improve them. The Vitality HealthyLiving benefit now offers Vitality members up to 25% cash back on:

- **HealthyCare** products at Clicks (if members complete a Vitality Check, including blood pressure, glucose, cholesterol and weight assessments)
- **HealthyGear** at adidas and TotalSports stores (if members complete a fitness assessment at a biokineticist)
- **HealthyFood** items at Pick n Pay (if members complete a Personal Health Review – an online assessment providing an overall indication of a member's health).

Engagement with the HealthyLiving benefit has had a positive effect on Vitality members' health-related behaviour. Since the HealthyFood benefit was launched, there has been a 250% increase in the number of Personal Health Reviews completed. HealthyGear has been associated with increased gym benefit utilisation and completed fitness assessments, and there has been a steady increase in the number of Vitality Checks by members since the launch of HealthyCare.

Over the period, Discovery Vitality made a significant investment in building out a strong social media capability which will serve as an important adjunct in driving healthy behaviour at a group level. More than 2 500 members are joining the Vitality Facebook page each month, which now has over 60 000 fans.

To embrace current social trends, Vitality recently introduced an interactive wellness platform that gives members access to wellness tools and expert advice. The social functionality allows members to create profiles, meet online friends and participate in groups. The main features of the site are weekly expert blogs and articles on fitness, healthy eating, pregnancy, parenting and living with chronic conditions, the ability to upload workouts using Garmin, Nike+ and Polar, as well as a diabetes tracker to better assist with the management of this condition. Mobile applications allow members to track activity and nutrition on the go. Collectively, this functionality is called Living Vitality.

Another way in which Vitality encourages healthy behaviour, is through our ability to integrate into over 100 fitness tracking technologies, which will be launched in upcoming months. One of these technologies is the adidas miCoach fitness monitor, which combines the latest in web technology with a heart rate monitor to record workout statistics and help our members reach their fitness goals.

Going forward, Vitality will continue to introduce additional opportunities for members to engage in healthier lifestyles. To improve access to healthier food choices, we have entered into a partnership with Woolworths as a HealthyFood partner from January 2013. The Vitality programme is continuing to invest in additional rewards to incentivise positive behaviour – our new partners from 2013 include Builders Warehouse and Builders Express, Incredible Connection and Sunglass Hut. Social interaction and support are key drivers of positive behaviour change, and using the power of technology as an enabler to healthy living, we recently announced the launch of VitalityMobile, a partnership with Cell C that will give Vitality members access to free calls when calling other VitalityMobile members. By removing the financial barriers to mobile communication, VitalityMobile aims to create a unique wellness community. Using this interconnected community, Vitality can potentially generate significant savings to members by offering free calls and boosting their data capabilities.

Use the science of behavioural economics to drive positive behaviour change

(continued)

CASE STUDY



GETTING SOUTH AFRICANS WALKING

Vitality's involvement in mass sporting events has over the years enabled us to engage more people in a healthy and active lifestyle. It gives us the opportunity to educate people on the steps they can take to improve their health and how Vitality can help them achieve this. Participants can learn more about healthy eating, they can take various tests to increase their overall wellness, and earn Vitality points.

In 2006, we partnered with 702 Talk Radio for the first Discovery 702 Walk the Talk in Johannesburg, and annual participant numbers have since swelled to more than 50 000. The Discovery Cape Times Big Walk in Cape Town has grown to more than 37 000 walkers since we became involved in 2007. In 2009, the first Discovery East Coast Radio Big Walk was held in Durban, and now draws more than 18 000 participants. Around 4 000 walkers took part in the first Discovery Algoa FM Big Walk held in Port Elizabeth in 2011, and the inaugural Discovery Jacaranda FM Spring Walk through the streets of Pretoria was held in September 2012.

Discovery and 702 Talk Radio host the world's biggest walking event – the Discovery 702 Walk The Talk. With over 50 000 walkers, the Walk The Talk is bigger than the Comrades, London and Boston marathons. It's a fun event for the whole family that promotes the benefits of an active and healthy lifestyle.

Use the science of behavioural economics to drive positive behaviour change

(continued)

Refining Vitality benefits to drive higher levels of engagement

Vitality's product design principles have evolved over time to meet our members' needs, guided by the latest research in the fields of health and wellness and behavioural psychology. Our early incentive structures rewarded members for completing their health assessments, which proved successful in increasing our members' knowledge around their health issues and what they need to do to improve them. Recent advancements in behavioural economics and health psychology have informed changes in the rewards structure of our products towards outcomes-based rather than assessment-based incentives. The aim is to motivate our members to engage in healthier lifestyles in such a way that real behaviour change is achieved, resulting in meaningful improvements in their health and wellbeing.

These principles are evident in various aspects of the Vitality programme. An example is an online programme where personalised health goals are recommended to members whose health measures are outside the healthy range. Incentives are offered to those members with increased risk levels to encourage them to improve their risk behaviour or clinical measurement.

In 2012, we modified the number of points allocated for both the Vitality Checks and fitness assessments to align with the latest research and to shift towards outcomes-based rewards, encouraging our members to get and stay healthy. We also increased the number of gym visits for our members to encourage them to improve their health through regular exercise. This followed a five-year study of more than 300 000 Vitality members which showed that taking part in physical activity lowers healthcare costs and the likelihood of hospital admission. These recommendations suggest that the average adult needs to exercise at least 30 minutes a day, five days a week, to see health benefits.



Engagement levels in Discovery Vitality continued to improve during the period under review off what was already considered a high base. Vitality is demonstrating that it can change behaviour not only in respect of once-off activities such as preventive screening, but also in respect of complex behaviours such as sustained physical activity and making healthier food choices.

Indicator	2011/2012	2010/2011	2009/2010
Number of Vitality members globally	1 600 944	1 517 276	1 400 000
% Vitality members who were physically active	45.7%	45.1%	42.2%
% members who had a preventive screening event	58%	59.5%	56.5%
% families who purchased HealthyFood	32%	31.8%	28.3%

Use the science of behavioural economics to drive positive behaviour change

(continued)

Building on the success of the HealthyFood benefit

Since we launched the HealthyFood benefit in South Africa, we have seen the significant impact of financial rewards and incentives on promoting health and encouraging healthy nutrition. As part of our drive to export the Vitality programme to international markets, we launched the benefit in the UK in 2010 in partnership with Sainsbury's, and in 2012, it was launched in China in partnership with Tesco. An international study on the impact of the HealthyFood benefit is now in the pipeline, made possible by a grant by the National Institute of Health in the USA to a leading healthcare research institute in that country.

Creating a nation of better drivers

Discovery is committed to building a healthier, more cohesive society through sustainable, positive behaviour change. We have adapted the principles of behavioural economics to alternate applications, such as the science of driving. Leveraging our learnings from Vitality with the latest motor telematics technology, we launched Discovery Insure and Vitalitydrive in May 2011. Discovery Insure's strategic vision is to make a significant contribution to positively changing driver behaviour and ensuring drivers are safer and better protected on South African roads. We do this through the unique Vitalitydrive programme, which encourages and rewards better driving behaviour and ensuring that vehicles are roadworthy. At the heart of Vitalitydrive is the DQ-Track telematics device that measures and reports crucial aspects of driving behaviour.

South Africa's motor vehicle accident and fatality rates are amongst the highest in the world, with about 14 000 lives lost each year. Discovery Insure data shows that over 75% of young adult deaths for the year 2011 were caused by motor vehicle accidents. Furthermore, the data indicates that 60% of these accidents, which were caused by risky driving behaviour, could have been prevented.

Being a good driver means different things to different people. It may mean being accident-free for a number of years, not talking or texting on the phone while driving, and remaining within the speed limit. Discovery Insure, which has over 13 000 policyholders, understands that good driving is much more than these stand-alone elements, and involves a combination of three components: driver performance, knowledge and awareness, and vehicle condition and roadworthiness.

These three aspects of driving behaviour are measured through the DQ-Track programme, which makes use of motor telematics and is a scientifically and actuarially robust measure of good driving. The DQ-Track, which to date has over 172 million kilometres of driver data, analyses driving indicators such as speed, acceleration, braking and cornering. These analyses enable Discovery Insure to measure how well our clients drive. It gives them monthly feedback on their driving and suggestions for improving their driving behaviour. The more a client engages with improving driving behaviour, the greater the rewards.

When we launched Discovery Insure and Vitalitydrive, we firmly believed that with the correct incentives, people would change their driving behaviour for the better. Just over a year later, we are seeing positive results. The methodology of measuring, incentivising and guiding policyholders to become better drivers has proven remarkably resonant:

- We are seeing a strong correlation between driving performance, as measured by the DQ-Track algorithm, and the frequency of motor vehicle accidents.

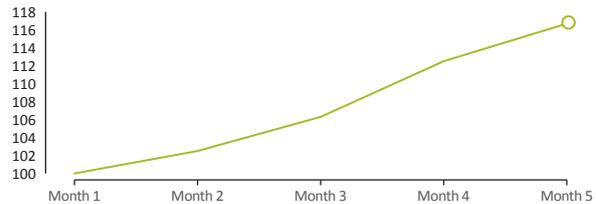
- An average improvement of 20% in driver scores has been observed over five months post policy inception.
- Two in every five vehicles covered by Discovery Insure have had an Annual MultiPoint check at Tiger Wheel & Tyre.
- One out of every five people immediately took steps to improve their vehicle safety after the check.

The year under review saw the launch of meaningful client innovations and enhancements. We refined and simplified the Vitalitydrive benefit: clients can now receive up to 50% of their relevant fuel spend at BP through the monthly fuel cash back incentive, and young adults between 18 and 25 can receive further discounts of up to 25% on their motor premiums. We have also enhanced the Excess Funder Account benefit structure to help our clients build more insurance equity. These enhancements were introduced and rolled out to clients from 1 August 2012.

Going forward, we are optimistic about the potential of the Discovery Insure to continue to improve individual driving behaviour and achieve our societal objective of helping to create a nation of better drivers.

Indexed driver performance scores

(Month 1 = 100)



Challenge

The results of the 2012 Discovery Healthy Company Index show that more focus is needed on corporate wellness and employee health risks

Our priorities for 2013

- Leveraging Vitality as a global thought leader in wellness and having a positive impact on society in the area of wellness
- Encouraging positive behavioural change in the area of health and wellness for our clients through different platforms
- Refining key Vitality benefits to drive higher engagement levels
- Investigating opportunities to enhance Vitalitydrive to benefit broader society

Promote a thriving society

A thriving society that reflects a culture of ethics, confidence, leadership and entrepreneurship is necessary for communities and the economy to grow sustainably. We understand that for our business to continue to grow, the society in which we operate must thrive, and we have an important role to play in ensuring that it does. This is what informs our overall approach to creating value for both our clients and broader society, but we also contribute to a thriving society in more specific ways. One of the key challenges facing South Africa is one of unemployment, and we are helping to address this concern by both directly and indirectly sustaining around 40 000 jobs.

Our priority is to build a world-class business that enhances South Africa's reputation internationally, and to ensure that the way we do business within our value chain and broader stakeholder network is accountable, transparent and ethical. This means firmly entrenching our values into the organisation and working towards a culture that roots out corruption and upholds human rights.

OUR PRIORITIES FOR 2012

- Focusing on opportunities to develop a culture of entrepreneurship through Discovery's enterprise development strategy
- Continuing to encourage entrepreneurial and business knowledge in South Africa through the Discovery Invest Leadership Summit
- Developing our stakeholder engagement strategy to support accountability and transparency

Highlights

- A grant of R314 000 to the Refilwe Community Project has led to the creation of more than 15 jobs
- We expanded our focus on promoting leadership to include youth leadership development

Developing our internal culture and values

We believe our core purpose of making people healthier and enhancing and protecting their lives, and our corporate values are firmly entrenched in our organisation, and that they inform the way we treat our employees as well as how we do business.

Our labour policies clearly uphold the principles of non-discrimination, to create an environment that protects and supports our employees. We have had no reported incidents of discrimination.

In addition, we support our values by equipping our employees with the knowledge and understanding of the issues around fraud and anti-corruption. Over the past year, 34% of our employees received training on our anti-corruption policies and procedures – an increase of 14% from the previous year – and our forensics unit investigated a total of 3 900 cases of potential corruption compared to 3 018 in 2010/2011.

We are confident that Discovery's values, particularly those of honesty, integrity and fairness, are lived by our employees throughout the organisation.

Developing a culture of entrepreneurship through our enterprise development strategy

Our enterprise development strategy continued to focus on fostering mutually beneficial partnerships throughout the year. We work with Enterpriseroom, a specialist enterprise development consultancy, and we encourage innovative entrepreneurs to partner with us to create jobs, improve service in the sectors in which we operate and generate economic value.

During the past year, we continued to sponsor both Endeavour and The Awethu Project. Endeavour is a global organisation that identifies and assists innovative and potentially high-impact entrepreneurs, and our sponsorship is aimed at supporting our business operations in various areas while at the same time creating more jobs. The Awethu Project focuses on developing entrepreneurial potential in young South Africans from poor communities, and we continue to support them through mentorship and procuring the services of the entrepreneurs they assist through our supply chain.

We provided a number of loans to black-owned businesses linked to the health sector and our supply chain, and supported black-owned suppliers who qualify as enterprise development beneficiaries through early payment. Early payments are a focus area for us, ensuring these suppliers are paid within 15 days or less, thus assisting them to grow their own businesses sustainably.

This year, we selected a number of projects that are or were supported through our corporate social investment initiatives, to help them improve their ability to generate income and become more sustainable. We have completed needs assessments for the various projects and are currently assisting them with business planning and feasibility studies. The Refilwe Community Project in Lanseria, Gauteng, is one of these projects. The organisation received a grant of R314 000 through our enterprise development programme to further develop Refilwe Enterprises, which now employs more than 15 people.

Indicator	2011/2012	2010/2011
Enterprise development loans granted (R million)	34 241 972	15 400 000
% preferential procurement spend	92	74
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws	0	0

Promote a thriving society (continued)

CASE STUDY



SUPPORTING A COMMUNITY PROJECT TO ENCOURAGE JOB CREATION

Established in 1991, the Refilwe Community Project works in the areas of childcare, community care and enterprise development, serving farming communities within a 20km radius of Lanseria Airport. Discovery has supported Refilwe since 2006 through a number of initiatives, initially through corporate social investment and more recently through our enterprise development programme.

Through a Discovery grant of R314 000, Refilwe is developing Refilwe Enterprises, an enterprise development initiative established in 2009 to create income-generating projects to ensure long-term sustainability. The grant is assisting Refilwe to upscale a number of the organisation's projects, which has already resulted in the creation of more than 15 jobs and the upskilling of community members. The landscaping division of Refilwe Enterprises was recently awarded the task of upgrading the front entrance of Discovery's 155 West Street building.

The Discovery Employee Volunteer Programme also continues to support Refilwe, both through our Adopt a Project programme and through introducing new employees to the project, who visit Refilwe and do volunteer work of their own. Lunch packs for the employee outings to Refilwe are provided by an entrepreneur supported by The Awethu Project, another of Discovery's enterprise development beneficiaries.



Promote a thriving society (continued)

Promoting a thriving society through leadership in business

For the past three years, Discovery has been a pioneer in thought leadership and business innovation through the Discovery Invest Leadership Summit, which plays host to some of the world’s most notable thinkers. They cover topics such as business, leadership, innovation and intellectual capital. The summit aims to stimulate business knowledge and encourage pioneering approaches to leadership among South Africa’s business community.

Last year, more than 1 600 South African and international delegates gathered under one roof to hear from noted international and African speakers. The line-up included Al Gore, Nouriel Roubini, Graça Machel and Maria Ramos. The theme of this year’s summit was “Intellectual Capital. Shared.”, and the impressive line-up of global thought leaders included acclaimed author and Harvard Business School academic Professor Michael Porter, former Tesco CEO Sir Terry Leahy, world-renowned chess grandmaster Garry Kasparov and Finance Minister Pravin Gordhan. The keynote speaker was former British Prime Minister Tony Blair.

Developing our leaders of the future

A key highlight during the past year was our focus on developing young leaders. In line with our approach to creating a thriving society, we believe that the younger generation has a pivotal role in achieving this vision. It is imperative that we invest in and equip these young people with the skills and the confidence to make their mark on society.

Developing our stakeholder engagement strategy

Discovery impacts the lives of nearly six million clients, over 6 700 employees in South Africa and many more stakeholders in the industries, communities and countries in which we operate. As one of South Africa’s leading businesses we have the responsibility to be an ethical and effective leader that understands the risks and opportunities of our business, engages our stakeholders and has a positive impact on society. We appreciate that the continued growth and success of our business is intrinsically linked to understanding our stakeholders’ concerns, needs and insights. The way in which we interact with our stakeholders and how we conduct our business are key aspects of Discovery’s long-term sustainability strategy.

In our engagement with stakeholders we abide by the following principles:

- Transparency and accountability
- Inclusivity and responsiveness
- Honesty and integrity
- Complete, timely, relevant, accurate, honest and accessible information.

We manage our stakeholder engagement through:

- The Board’s governing role in the monitoring of our stakeholder engagement
- Proactive management of stakeholder engagement
- Our stakeholder engagement framework and guidelines.

In the period under review, we continued our focus on enhancing Discovery as a leader on sustainability issues, and understanding the expectations of various stakeholder groups with regard to sustainability. We have made significant progress in this regard and will continue to develop and improve our approach to stakeholder engagement.

We provide more information on Discovery’s stakeholder engagement strategy in our 2012 Integrated Annual Report. This is available at www.discovery.co.za



Challenge

The preparedness of enterprise development beneficiaries in meeting Discovery’s loan requirements remains a challenge

Our priorities for 2013

- Focusing our enterprise development strategy on mutually beneficial partnerships to encourage entrepreneurship, with the continued spotlight on transformation in the health sector and partners in our supply chain
- Rolling out an anti-corruption campaign throughout Discovery
- Increasing the focus on ethics within Discovery



Promote a thriving society (continued)

CASE STUDY



EMPOWERING YOUNG LEADERS TO MAKE THEIR MARK

Aligned with our aim to promote a thriving society, Discovery is supporting the “ignition project” of enke: Make Your Mark – a youth entrepreneurship and education initiative that aims to build a network for young South Africans who want to take action on social issues.

Derived from the Tswana word for ink, enke empowers young leaders to make their mark on their community, their country and the world. enke participants develop as socially conscious global citizens and initiate their own community-based development projects, creating change on the issues they care about the most. The enke ignition project is a programme for tertiary students, which connects them to a network of change-makers, equips them with skills and experience to increase their employability, and inspires entrepreneurial thinking.

We are supporting the project as it has a tangible and visible impact on these young people’s lives, affords them opportunities they might not otherwise have had and exposes them to new ways of thinking. The enke programme has also made it possible for us to identify young talent to be part of Discovery.

Our environmental responsibility

In the current context of rapidly decreasing natural resources and the need for urgent interventions, we believe we have a significant role to play with regards to our environmental responsibility within our business, throughout our value chain and also in broader society.

We aim to achieve a decrease in our environmental footprint by measuring, understanding and monitoring our direct environmental impact, and finding innovative ways to improve our operational efficiencies. We are also focusing on enhancing our understanding of and responsiveness to climate change, the scarcity of water resources and other pressing environmental challenges.

Our internal environment at Discovery

We are committed to creating an environment at Discovery that is safe, pleasant and comfortable for our employees, while minimising our impact on the natural environment. To achieve this we conduct an annual environmental audit to ensure that our environment is within international air, water and safety standards.

OUR PRIORITIES FOR 2012

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

 **Highlights**

- We completed our third carbon footprint audit during the year and increased the scope of the audit to include Discovery Financial Consultants throughout South Africa
- We started energy efficiency and water saving projects in the Discovery buildings
- We ran environmental campaigns for our employees, including the relaunch of the employee recycling bins on World Environment Day
- Through our Server Virtualisation Project, we contained the growth of our data centres by installing power meters to enable us to measure efficiencies

Continuing to measure and track our environmental performance

As an organisation operating in five provinces and with over 6 700 employees in South Africa, we are in a position to significantly reduce our environmental footprint by addressing our electricity, travel, paper consumption, waste and water usage. We are committed to continuously reducing our impact throughout all our businesses.

We investigated the installation of water saving devices as part of building upgrades on our Sandton campus. A pilot project was run in our building at 155 West Street, which aims to reduce consumption per interaction by 75% through a touch-tap mechanism. Following positive results, the project has since been rolled out to two of our main buildings in Sandton and will be completed in the remaining buildings in the new financial year.

The Server Virtualisation Project is a project which falls under our IT Department, and forms part of our goal to reduce our total electricity usage. The project, started in 2007, aims to decrease the number of physical servers Discovery needs to run its business by creating virtual servers with VMware. The technology enables several servers to be run from one physical server, saving considerable time, money and electricity spent on running and maintaining them. Discovery currently has 70% virtualisation, and we aim to increase this to 80% by 2014.

During the year under review, we also focused on investigating how we manage waste, and verifying that data is accurate and reported correctly. All our buildings now have a recycling station and statistics are tracked monthly, with the exception of our building in Port Elizabeth. This means we are able to recycle 22% of our waste, and we hope to increase this figure going forward. We also aim to provide an environment for our employees encouraging them to recycle, and have placed recycling bins in all our buildings for employees to bring their waste from home. On World Environment Day 2012, we relaunched these recycling bins on our Sandton campus to reinforce this message. Additionally, some of the wet waste is passed on to one of our corporate social investment beneficiaries and used for compost in vegetable gardens.

A key aspect of our environmental performance is our carbon management. We continuously track and measure our carbon emissions and in our most recent calculation, included Discovery Financial Consultants. Although the inclusion proved challenging, we believe it adds to the completeness of our data. Our target for the new financial year is to increase the integrity of our data by ensuring that it includes all our buildings. This will enable us to report back on total consumption based on square metres and per capita.

Our environmental responsibility (continued)

Indicator	2011/2012	2010/2011	2009/2010
Direct energy consumption by primary source	2274.37 MWH	3 420 MWH	1 238.12 MWH
Indirect energy consumption by primary energy source	33 022.62 MWH	29 412.63 MWH	30 825.29 MWH
Total water withdrawal by energy source	106 028.34 KL	110 587 KL	62 049 KL
Total direct and indirect greenhouse gas emissions by weight	49 873.59* tonnes CO ₂ e	44 852.86 tonnes CO ₂ e	44 213.58 tonnes CO ₂ e
Total weight of waste by type and disposal method	648.62 tonnes	89 124.40 kg	34 325 kg
Total environmental protection expenditures and investments	R717 985.28	R201 600	R1 199 750
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	0	0	0

** The dramatic difference between the 2011/2012 and 2010/2011 figures is as a result of improved data collection and measurement methods, as well as the inclusion of Discovery Financial Consultants in this year's audit.*

Carbon Disclosure Project

In keeping with our commitment to transparency and to continue good internal data management practices, we continued our participation in the Carbon Disclosure Project (CDP). The South African CDP, now in its fifth year, is a partnership between the National Business Initiative (NBI) and the CDP in London. Some 3 000 organisations in 60 countries worldwide now measure and disclose their greenhouse gas emissions and climate change strategies through the CDP.

We believe the lessons learnt over the last four CDP cycles have positioned us to engage internally and externally in a pro-active manner. Our submission assists and guides us to advance issues around environmental governance, strategy and risk management, and to gauge our performance relative to our peers across a number of key performance strategies. The results of the 2012 submission will be available in November 2012.



Our environmental responsibility (continued)

CASE STUDY

DISCOVERY'S CARBON FOOTPRINT

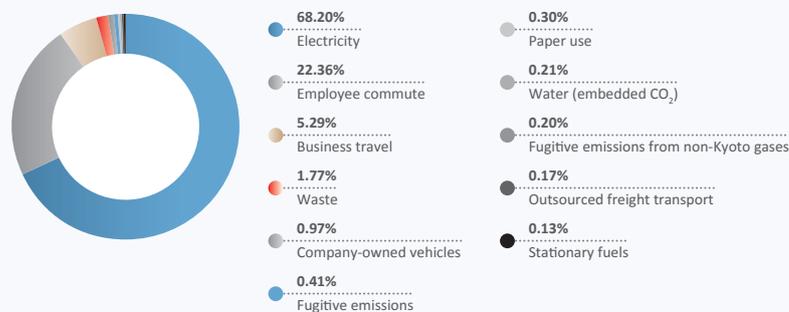
We have completed our third carbon footprint report of our operations and activities with the assistance of Global Carbon Exchange. The report reveals that from July 2011 to June 2012, Discovery left a carbon footprint of 49 873.59 tonnes of carbon dioxide emissions (CO₂e). The largest single emission source remains emissions from the consumption of electricity, totalling 34 013.30 tonnes CO₂e or 68% of total measured emissions (the inclusion of electricity consumption from Discovery Financial Consultants for the first time contributed 4% of electricity consumption). Emissions from employee commuting were the largest indirect source, contributing 74% of indirect emissions and 22% of total measured emissions.

Total emissions for Discovery (2011/2012)

Scope	Source	Tonnes CO ₂ e	% of sub-total
Scope 1	Company-owned vehicles	428.13	1.38%
	Stationary fuels	67.26	0.19%
	Fugitive emissions	202.88	0.58%
Other direct emissions	Fugitive emissions from non-Kyoto gases	99.55	0.29%
Scope 2	Electricity	34 013.30	97.56%
Sub-total – Scope 1, 2 and other direct emissions		34 865.12	100%
Scope 3	Business travel	2 636.87	17.57%
	Employee commute	11 150.61	74.30%
	Outsourced freight transport	86.71	0.58%
	Water (embedded CO ₂)	104.67	0.70%
	Waste	880.30	5.87%
	Paper use	149.32	0.99%
Sub-total		15 008.47	100%
Total emissions measured		49 873.59	

Total emissions by source (2011/2012)

Carbon footprint total: 49 873.59 tonnes CO₂e



Our environmental responsibility (continued)

CASE STUDY



DISCOVERY'S CARBON FOOTPRINT (CONTINUED)

Overall, the year-on-year changes reveal a 3% increase in emissions relative to the previous reporting period, representing an increase of 1 413 tonnes CO₂e. This was however made up of large variances (both increases and decreases) across individual emission sources. Such variances remain a data integrity issue which we are closely monitoring. Electricity showed a 12.27% overall increase (3 718 tonnes CO₂e), with 1 209 tonnes CO₂e contributed by Discovery Financial Consultants not accounted for in the previous years. An increase in waste data equated to increased emissions (by 862 tonnes CO₂e) as a result of better quality data from an outsourced waste service provider. This shows that waste records from previous assessments were largely under-reported.

Emission source comparisons of consecutive assessment

Scope	Source	2009*	2010/11*	2011/12	Change in tonnes CO ₂ e	% Change from 2010/11
Scope 1	Company-owned vehicles	892.97	422.80	482.13	59.33	14.03%
	Stationary fuels	38.83	424.53	67.26	-357.27	-84.16%
	Fugitive emissions	275.79	2 956.54	202.88	-2 753.66	-93.14%
Other direct emissions	Fugitive emissions from non-Kyoto gases	66.84	367.88	99.55	-268.33	-72.94%
Scope 2	Electricity	31 498.13	30 295.01	34 013.30	3 718.29	12.27%
Sub-total – Scope 1, 2 and other direct emissions		32 772.55	34 466.76	34 865.12	398.36	1.16%
Scope 3	Business travel	1 226.62	3 652.11	2 636.87	-1 015.24	-27.80%
	Employee commute	9 401.78	9 917.74	11 150.61	1 232.87	12.43%
	Outsourced distribution	923.68	87.38	86.71	-0.67	-0.77%
	Water (embedded CO ₂)	57.40	105.36	104.67	-0.69	-0.66%
	Waste	58.00	17.47	880.30	862.83	4 940.14%
	Paper use	175.85	212.94	149.32	-63.62	-29.88%
Sub-total – Scope 3		11 843.34	13 993.00	15 008.47	1 015.47	7.26%
Total emissions measured		44 615.89	48 459.76	49 873.59	1 413.83	2.92%

* The 2009 and 2010/2011 emission totals have been adjusted for comparative purposes to reflect updated emission factors.

Our environmental responsibility (continued)

Agreeing on targets for reducing our carbon emissions

Target setting is an important aspect of environmental management as it provides a clear indication of where we are going and allows us to track our progress meaningfully. It is also an area that most companies find challenging, as it is dependent on a number of key variables. These variables have been taken into account as we work towards investigating and implementing various ways of decreasing our carbon footprint, focusing on our energy usage.

In the second half of 2011, we looked into projects around energy efficiency, including installing LED lights around our 155 West Street building. Implementation of this project started in August 2012 and will be concluded in the coming year.

Going forward, our focus will be on promoting further energy efficiency in all our buildings, to achieve our goal of reducing our energy usage. The energy efficient options we are looking at include changing all the lights in our buildings to LED lights, and installing motion sensors in all buildings. This will be rolled out in the next financial year.

To support our energy saving initiatives we have continued to encourage our employees to be environmentally conscious both at work and at home. On World Environment Day, employees each received a 20kW LED light bulb with information on the benefits of installing them in their homes.

Waste reduction is another key area we will focus on in the next financial year by identifying initiatives to reduce our waste and to increase our recycled waste to 25%.

As a global organisation, employee and business travel makes up a large part of our footprint. It accounted for 22.36% of our carbon footprint for this year, including air travel – this was a notable increase from 2010/2011. One of the most effective ways to reduce emissions is to reduce unnecessary travel. With this in mind, we have increased our video conferencing facilities, including installing a TelePresence facility. This facility is being extensively used at our 155 West Street office in South Africa and our Grace Church Street office in the UK, and we expect it will contribute to a marked reduction in the frequency of our domestic and international flights.

A working plan to implement our climate change policy

Discovery's climate change policy focuses on three priorities:

- Minimising and accounting for our direct climate change impacts
- Leveraging our experience in incentivising behavioural change throughout our sphere of influence
- Supporting collaborative research and policy initiatives on climate change.

The first priority is addressed through our environmental strategy. The implementation of initiatives across the business is facilitated through the Discovery Green Forum, which was established in 2009. The forum is currently looking at various initiatives, including projects relating to energy and water usage in our buildings, transport, waste management and employee education.

We are investigating and developing responses to the second priority. Our experience in behavioural economics means we have the knowledge and expertise to address this challenge in a strategic and meaningful way.

Our planned support for collaborative research around climate change is ongoing and we believe we have made progress. We are confident the work being done in this regard will contribute meaningfully to a greater understanding of the impact of climate change.



Challenges

- We have seen an increase of 1 413 tonnes CO₂e in our carbon footprint, resulting from the inclusion of our Discovery Financial Consultants in the calculation and an increase in electricity consumption
- A headcount increase of 6.5% increased energy demand and therefore overall footprint

Our priorities for 2013

- Continuing to monitor our environmental performance
- Focusing on energy efficiency by reducing our power usage
- Continuing initiatives to reduce company waste and increase our recycled waste
- Reviewing our environmental strategy and policy with the aim of further reducing our carbon footprint
- Continuing to educate and inform our employees on environmental issues

ASSURANCE REPORT OF THE INDEPENDENT AUDITORS

for the year ended 30 June 2012

Introduction

We have been engaged by the Directors of Discovery Holdings Limited ("Discovery") to perform an independent assurance engagement in respect of selected identified sustainability information included in Discovery's 2012 Integrated Annual Report and Report to Society for the year ended 30 June 2012 ("the Report").

Scope and subject matter

The subject matter is the Global Reporting Initiative (GRI) G3 Guidelines for the year ended 30 June 2012 and the related Self Assessment Application Level B+ for Discovery. These indicators are in the Integrated Annual Report and the Report to Society.

Our responsibilities extend only to relevant information contained in the signed 2012 Integrated Annual Report and information referenced to the Report to Society.

Responsibilities of the Directors

Discovery's Directors are responsible for the preparation and presentation of the identified sustainability information, as incorporated in the 2012 Report, in accordance with their internally defined procedures (available on request from Discovery). Discovery's Directors are also responsible for maintaining adequate records and internal controls that are designed to support the reporting process.

They are also responsible for the selection and application of the reporting criteria detailed below:

- i. The Global Reporting Initiative (GRI) G3 Guidelines, supported by Discovery's internally defined procedure
- ii. The GRI G3 Guidelines for Discovery's self declaration of the B+ application level.

Responsibility of Indyebo Incorporated

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the identified sustainability information contained in the 2012 Report is not stated, in all material respects, in accordance with the reporting criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, assurance engagements other than audits or reviews of historical financial information, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the identified sustainability information as per the terms of our engagement.

This report, including the conclusion, has been prepared solely for the Directors of Discovery as a body, to assist the Directors in reporting on Discovery's sustainability performance and activities.

We permit the disclosure of this report within the Report for the year ended 30 June 2012, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Discovery for our work or this report, save where terms are expressly agreed and with our prior consent in writing.

Summary of work performed

Our procedures included examination, on a test basis, of evidence relevant to the identified sustainability information. They also included an assessment of the significant estimates and judgments made by the Directors in the preparation of the identified sustainability information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion. Discovery's internal corporate reporting criteria and the GRI new generation (G3) guidelines were applied for evaluating the identified sustainability information.

Inherent limitations

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

We have not carried out any work on data reported for prior reporting periods nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the identified sustainability information.

Conclusion

Limited assurance

With reference to the identified sustainability information, the following applies:

- i. Based on our work performed, nothing has come to our attention causing us to believe that the Key Performance Indicators selected for limited assurance, for the year ended 30 June 2012, are not stated, in all material respects, in accordance with the reporting criteria
- ii. Based on our work performed, nothing has come to our attention causing us to believe that Discovery's self-declaration of a B+ application level, for the year ended 30 June 2012, is not stated, in all material respects, in accordance with the reporting criteria.



Indyebo Incorporated
Director: Ndumi Medupe
Johannesburg
21 September 2012

GLOBAL REPORTING INITIATIVE CONTENT INDEX

Full reporting <input checked="" type="checkbox"/>		Partial reporting <input type="checkbox"/>		Not reported <input type="checkbox"/>	
GRI Indicator	Topic	Annual Report (AR)/Report to Society (RS) page	Level of reporting	Description	
Organisational strategy and analysis					
1.1	Statement from the most senior decision-maker of the organisation	AR 3	<input checked="" type="checkbox"/>	Report by Discovery CEO Adrian Gore	
1.2	Description of key impacts, risk and opportunities	AR 22, 30, 38 RS 10	<input checked="" type="checkbox"/>	About Discovery, our strategic roadmap, our material issues during the past year	
Organisational profile					
2.1 – 2.10	Name, brands, areas of operation, operational structure, markets served	AR 20 RS 7	<input checked="" type="checkbox"/>	About Discovery, how we add value	
Report parameters					
3.1 – 3.4	Reporting period, reporting cycle, date of last report and contact person	RS 2	<input checked="" type="checkbox"/>	About our report	
3.5 – 3.11	Report scope and boundary	RS 2	<input checked="" type="checkbox"/>	About our report	
3.12	Standard disclosures	RS 2	<input checked="" type="checkbox"/>	About our report	
3.13	Assurance	RS 54	<input checked="" type="checkbox"/>	Assurance report	
Governance, commitments and engagement					
4.1 – 4.10	Corporate governance	AR 102	<input checked="" type="checkbox"/>	Corporate governance	
4.11 – 4.13	Commitments to external initiatives	AR 40	<input type="checkbox"/>	Our stakeholders	
4.14 – 4.17	Stakeholder engagement	AR 40 RS 47	<input checked="" type="checkbox"/>	Our stakeholders	
Economic					
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	RS 3, 7 RS 5	<input checked="" type="checkbox"/>	Our performance highlights, how we add value Value-added statement	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change		<input type="checkbox"/>		
EC3	Coverage of the organisation's defined benefit plan obligations		<input type="checkbox"/>		
EC4	Significant financial assistance received from government		<input type="checkbox"/>		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		<input type="checkbox"/>		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		<input type="checkbox"/>		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		<input type="checkbox"/>		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	AR 24 RS 32 RS 14	<input checked="" type="checkbox"/>	Strengthen the healthcare system Key sustainability indicators	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	AR 3	<input checked="" type="checkbox"/>	Report by Discovery CEO Adrian Gore	

Full reporting Partial reporting Not reported

GRI Indicator	Topic	Annual Report (AR)/Report to Society (RS) page	Level of reporting	Description
Environmental				
EN1	Materials used by weight or volume		<input type="checkbox"/>	
EN2	Percentage of materials used that are recycled input materials		<input type="checkbox"/>	
EN3	Direct energy consumption by primary energy source	AR 25 RS 50	<input checked="" type="checkbox"/>	Our environmental responsibility
EN4	Indirect energy consumption by primary source	AR 25 RS 50 RS 14	<input checked="" type="checkbox"/>	Our environmental responsibility Key sustainability indicators
EN5	Energy saved due to conservation and efficiency improvements		<input type="checkbox"/>	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives		<input type="checkbox"/>	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		<input type="checkbox"/>	
EN8	Total water withdrawal by source	RS 50	<input checked="" type="checkbox"/>	Our environmental responsibility
EN9	Water sources significantly affected by withdrawal of water		<input type="checkbox"/>	
EN10	Percentage and total volume of water recycled and reused		<input type="checkbox"/>	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		<input type="checkbox"/>	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		<input type="checkbox"/>	
EN13	Habitats protected or restored		<input type="checkbox"/>	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		<input type="checkbox"/>	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		<input type="checkbox"/>	
EN16	Total direct and indirect greenhouse gas emissions by weight	AR 25 RS 50 RS 14	<input checked="" type="checkbox"/>	Our environmental responsibility Key sustainability indicators
EN17	Other relevant indirect greenhouse gas emissions by weight		<input type="checkbox"/>	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	AR 29 RS 50	<input checked="" type="checkbox"/>	Our environmental responsibility
EN19	Emissions of ozone-depleting substances by weight		<input type="checkbox"/>	
EN20	NOx, SOx, and other significant air emissions by type and weight		<input type="checkbox"/>	
EN21	Total water discharge by quality and destination		<input type="checkbox"/>	
EN22	Total weight of waste by type and disposal method	RS 50	<input checked="" type="checkbox"/>	Our environmental responsibility
EN23	Total number and volume of significant spills		<input type="checkbox"/>	

		Full reporting <input checked="" type="checkbox"/>	Partial reporting <input type="checkbox"/>	Not reported <input type="checkbox"/>
GRI Indicator	Topic	Annual Report (AR)/Report to Society (RS) page	Level of reporting	Description
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		<input type="checkbox"/>	
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		<input type="checkbox"/>	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		<input type="checkbox"/>	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		<input type="checkbox"/>	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	RS 50	<input checked="" type="checkbox"/>	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		<input type="checkbox"/>	
EN30	Total environmental protection expenditures and investments by type	RS 50	<input checked="" type="checkbox"/>	Our environmental responsibility
Labour				
LA1	Total workforce by employment type, employment contract, and region	AR 24 RS 19 RS 14	<input checked="" type="checkbox"/>	A values-based culture of opportunity Key sustainability indicators
LA2	Total number and rate of employee turnover by age group, gender, and region		<input type="checkbox"/>	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		<input type="checkbox"/>	
LA4	Percentage of employees covered by collective bargaining agreements		<input type="checkbox"/>	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		<input type="checkbox"/>	
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		<input type="checkbox"/>	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		<input type="checkbox"/>	
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases		<input type="checkbox"/>	
LA9	Health and safety topics covered in formal agreements with trade unions		<input type="checkbox"/>	
LA10	Average hours of training per year per employee by employee category	RS 19 RS 14	<input checked="" type="checkbox"/>	A values-based culture of opportunity Key sustainability indicators
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		<input type="checkbox"/>	

Full reporting Partial reporting Not reported

GRI Indicator	Topic	Annual Report (AR)/Report to Society (RS) page	Level of reporting	Description
LA12	Percentage of employees receiving regular performance and career development reviews	RS 16	<input checked="" type="checkbox"/>	A values-based culture of opportunity
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	RS 19	<input checked="" type="checkbox"/>	A values-based culture of opportunity
Human rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		<input type="checkbox"/>	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		<input type="checkbox"/>	
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		<input type="checkbox"/>	
HR4	Total number of incidents of discrimination and actions taken	RS 45 RS 14	<input checked="" type="checkbox"/>	Promote a thriving society 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		<input type="checkbox"/>	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour		<input type="checkbox"/>	
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		<input type="checkbox"/>	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations		<input type="checkbox"/>	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		<input type="checkbox"/>	
Society				
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting		<input type="checkbox"/>	
SO2	Percentage and total number of business units analysed for risks related to corruption	RS 45	<input checked="" type="checkbox"/>	Promote a thriving society
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	RS 45 RS 14	<input checked="" type="checkbox"/>	Promote a thriving society Key sustainability indicators
SO4	Actions taken in response to incidents of corruption	RS 45 RS 14	<input checked="" type="checkbox"/>	Promote a thriving society Key sustainability indicators
SO5	Public policy positions and participation in public policy development and lobbying		<input type="checkbox"/>	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		<input type="checkbox"/>	

Full reporting

Partial reporting

Not reported

GRI Indicator	Topic	Annual Report (AR)/Report to Society (RS) 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="checkbox"/>	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	RS 14	<input checked="" type="checkbox"/>	Key sustainability indicators
Product responsibility				
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="checkbox"/>	
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="checkbox"/>	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements		<input type="checkbox"/>	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		<input type="checkbox"/>	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		<input type="checkbox"/>	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		<input type="checkbox"/>	
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 type="checkbox"/>	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		<input type="checkbox"/>	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	RS 14	<input checked="" type="checkbox"/>	Key sustainability indicators