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“Discovery remains deeply committed to South Africa and its future. I believe that we have an important role to play in addressing complex issues where, through our scale and innovation, we are in a position to progress society.”
In reviewing Discovery’s performance for the past financial year, it is important to reflect on the challenging macro-environment in which we operate. Globally, the world continues to be impacted by the Eurozone crisis and the resulting slow or negative growth, as well as the increasing geopolitical instability in the Middle East and North Africa. In addition, global leadership challenges, and changes brought about by social change, impact the very core of social systems. Businesses often find themselves at the vortex of such shifting social systems, and must not only navigate changed landscapes, but contribute to building the stability necessary for future growth as well.

In terms of South Africa, we face many challenges, including issues of inequality, poverty and unemployment, which in turn contribute to leadership tensions. Although these challenges are not unique and every country in the world has its own set of circumstances and challenges to steer, we also have many strengths and assets that must be developed and leveraged further. In light of these challenges, but also taking into account the potential of our country, the need for effective and visionary leadership is critical.

In 2010, the National Planning Commission was appointed to develop a strategic roadmap for South Africa to address our most pressing social and economic issues. The recently released National Development Plan provides an important strategic vision for economic growth, leadership and social cohesion. It calls for leadership in society – not only on the part of government, but from all spheres of society. For business, it presents an opportunity to engage with government and other stakeholders to offer business-specific leadership and expertise to help enable the steps detailed in the plan.

Discovery remains deeply committed to South Africa and its future. I believe we have an important role to play in addressing complex issues where, through our scale and innovation, we are in a position to progress society. Discovery’s core purpose of making people healthier and enhancing and protecting their lives has given rise to a unique business model, and a determined ambition: building a superior financial services organisation that measures competitively against its peers on a global scale.

We have defined specific strategic objectives against which our performance is measured. These are sustained earnings growth; a set return on capital target; a positive social impact and footprint; and lastly, ensuring the development of our people. When measured against our stated ambition and strategic objectives, the year under review was a seminal one with the following themes emerging:

**A unique and market-disruptive business model that delivers high levels of profitability and excellent return on capital**

Underpinning our ambition is an explicit methodology to utilise powerful financial and behavioural structures that enable innovative products and services to meet people’s needs in a better way, and provide superior returns for shareholders. Our strategy has been validated by the market. In South Africa, the PricewaterhouseCoopers fifth biennial Strategic and Emerging Issues in South African Insurance survey rated Discovery’s health and life products first in their respective industries, with our investment products rated second. The survey also singled out our ability to innovate; our Customer Relationship Management approach; and our marketing strategies as being first class.

In the UK, PruProtect received recognition from a number of prestigious industry bodies for its product design and innovation; while in China, Ping An Health gained strong traction with sales of R680 million, covering over 560 000 lives. This is evident of Discovery’s leadership position across our multiple industries.

Important in the South African development and growth context, is Discovery’s approach, of building businesses organically that are repeatable in other markets. Our compelling business model has enabled us to attract best-of-breed global partners, where our intellectual property, innovation and leadership are key contributors. This strategy of incubating businesses organically, and using IP-led partnerships to leverage capabilities, was evident during the period under review. From a new business growth perspective, this strategy resulted in strong traction gained in the new and emerging businesses of Discovery Insure, The Vitality Group and Ping An Health.

At the same time, our capital allocation strategy of directing capital to established businesses with higher levels of certainty, has led to a strong growth in earnings (24%) for Discovery Health, Discovery Life, Discovery Invest, PruHealth and PruProtect. In addition, return on capital during the period under review measured 22%.
Progress and growth across all businesses

Within the challenging and complex South African healthcare environment, Discovery Health’s vision is to play an important societal role for all stakeholders, with a focus on the issues of quality, cost and sustainability. First, we have the opportunity to use our expertise and assets to build a better healthcare system from an accessibility and value perspective, for all the members of the schemes under our management. In addition, we have a responsibility to ensure the sustainability of these medical schemes by carefully balancing the natural tensions that exist between issues of affordability and quality of care. Finally, ensuring world class service, and a fully digital, user-friendly member journey that ensures members are in touch with their health plan at any point in time, remains critical.

Against this vision, Discovery Health continued to create value for its members and in the broader healthcare system. To illustrate: Discovery Health Medical Scheme (DHMS) members pay between 10% and 30% less than comparable plan options in the rest of the industry. At the same time, the quality of benefits is never compromised. In 2012, over 94% of members chose to remain on the same plan option, while 3.5% upgraded and 2.2% downgraded their option. Furthermore, the scale and breadth of our network assets and payment models ensure that out-of-pocket costs for members are reduced, with close to 90% of all DHMS member interactions with GPs and specialists happening within one of our contracted payment arrangements.

The results of such value creation are evident in the performance of Discovery Health and DHMS: the period saw 10% growth in new business Annualised Premium Income; DHMS lives under management growing to 2 417 369 lives; continued industry-low lapse rates within DHMS (3.9%); and market-leading financial strength. Furthermore, Discovery Health’s normalised operating profits increased by 10% to R1 499 million.

Discovery Life has a clear vision: to build a life insurer of excellent quality that provides unique solutions to customers and superior and sustainable returns to shareholders, given the capital-intensive nature of the business. During the year, we focused on enhancing quality across every aspect of the business, from distribution and all aspects of retention; to the refinement of the integrated model with Vitality that ensures better mortality and morbidity experience and appropriate pricing across the risk spectrum, and a selective approach to new business development based on expected new business margin. This enabled us to achieve positive results despite the turbulent financial and economic market: normalised operating profit grew by 34% to R1 819 million; new business Annualised Premium Income grew by 8% to R1 749 million; and the value of in-force business increased significantly from R10 592 million to R12 358 million.

A further focus is to leverage the powerful Vitality capability to make people healthier. The strategic importance of Vitality cannot be emphasised enough – not only does the programme have a direct positive impact on people’s lives, but it is also an important long-term value creator for Discovery in its ability to reduce costs for Discovery Health and Discovery Life.

The instability in financial markets contributed to a difficult operating environment for investment companies. Despite this, Discovery Invest continued to focus on its strategy of providing innovative products and solutions that give investors more certainty. From a financial results perspective, our performance was excellent. Normalised operating profit increased by 50% to R151 million with the value of in-force business increasing by 46% to R1 714 million.

The year under review proved seminal for Discovery’s UK operations, with the continuing focus on quality, product innovation, distribution development and customer value. This translated into an excellent financial performance across the businesses. At a combined level, new business Annualised Premium Income from the UK exceeded R1 billion for the first time; earned premium approached the R5 billion level; normalised operating profit measured R300 million; and the membership base stabilised at around 670 000. PruHealth and PruProtect continue to represent a significant growth point for us going forward.

In China, our vision for Ping An Health is to build a quality business of scale that holds considerable potential and opportunity for Discovery’s growth. In this regard, Ping An Health continued to make progress during the year in building the scale and importantly, the capability, that is required to shape the commercial health insurance market. The company’s insurance premium income grew by 133%, with particular success in the group high-end medical insurance market. We also reached important milestones during the past year with the deployment of Vitality in the Chinese market; and progress was made with respect to building the core health insurance infrastructure of Ping An Health. Going forward, our focus is on rolling out Vitality to the membership base and leveraging the opportunity in the individual market.

The launch of Discovery Insure was predicated on the coalescing of four key trends and opportunities in this environment: Discovery’s core purpose of making people healthier and enhancing and protecting their lives and the opportunity to leverage our current actuarial and distribution capabilities to address the societal problem of high accident rates in South Africa; the relevance of Discovery’s behavioural economics model in understanding and addressing people’s behaviour through Vitality; the behavioural trend of people’s over-optimism regarding how well they drive; and lastly, the increasing relevance and accessibility of telematics technology to track and measure driver behaviour. Within this environment, Discovery Insure performed exceptionally well during its first trading year. New business levels are encouraging with a 9% personal lines insurance market share at the current new business run rate. Importantly, the quality of the business is excellent with loss ratios declining steadily as policyholders respond to driver behaviour incentives through Vitalitydrive.
In terms of The Vitality Group’s performance in the USA, our focus has been on building solid relationships and partnerships that will enable us to increase our scale. Our partnership with Humana Inc, the fourth largest insurer in the USA, is progressing well with total membership exceeding the 1.5 million mark. Importantly, the issues of healthcare reform and costs in the USA healthcare environment present a significant opportunity for The Vitality Group to capitalise on going forward.

One of the successes during the year has been a partnership with ADP, one of the world’s largest providers of payroll and employee benefits administration solutions. Through this partnership, we are able to increase our distribution reach into the mid-size employer market with a sophisticated product offering that was previously only available to large corporates.

A positive societal impact through the products and services we offer and our engagement with people

The relationship between business and society, and the role of business in society, are becoming more complex amidst increasing societal problems. Professor Michael Porter, a foremost authority on modern competitive strategy, provides a framework for the role that companies can play in society – one of creating value in society without compromising their businesses. The concept of creating shared value talks to how companies can harness their resources to develop innovative products and services that meet people’s needs, resulting in profitability and a positive impact on society. In this way, the individual, business and society benefit and progress.

Given Discovery’s scale with over 5.8 million unique clients on four continents; and a core purpose that is fundamentally socially progressive in nature – to make people healthier and enhance and protect their lives – the heart of Discovery’s work powerfully positions us to make a real, systemic difference.

Concluding thoughts

Core to Discovery’s performance is the contribution of our more than 8 000 employees. Our success today is a manifestation of the high standards and values they adhere to and the innovative and dynamic culture we have built over the years. The talent of our people needs to be nurtured and developed further – an aspect that forms part of our strategic roadmap and an area that we will continue to focus on.

Lastly, I would like to thank each member of the Discovery team for their commitment and contribution. Our work done over the past year continues to open up new possibilities and opportunities to innovate, grow and make a difference. I look forward to working with this exceptional team in the year ahead.
What were the outstanding features for you of this year’s performance?

For me, what was pleasing about our results was the progress made towards our core purpose and stated ambition – leveraging profound innovation to build an organisation that is best in class globally, and demonstrably measures up to this standard. This has manifested in leadership in virtually all of the markets in which we operate; and has translated into substantial earnings growth (24%) for our established businesses of Discovery Health, Discovery Life, Vitality, DiscoveryCard, PruHealth, PruProtect and Discovery Invest. In addition, the period saw significant traction of and investment in our new franchises of The Vitality Group, Ping An Health and Discovery Insure – providing a powerful platform for growth going forward.

In your recent financial results presentation, you spoke about Discovery’s societal role and being a force for social good. How do you see this being translated in the business?

In my view, success is broader than financial and business performance. Being a force for social good has been deeply embedded in the intent of Discovery since inception; as we grow in size and scale, a function of our success is that society’s scrutiny of this intent grows too. In my view this is important and right – we should be held accountable on a societal basis. Having said that, let me also acknowledge that our desire to build societal goodwill is seldom easy. Our role in the healthcare system is a great example. The dynamics of private healthcare imply that value for money is always in question. Given the scale of Discovery Health and the Discovery Health Medical Scheme, we are an effective proxy for the medical scheme industry, and as such, we attract significant attention for the choices we make to balance the competing demands of access to, quality of and cost of healthcare. Our results bring to light an interesting paradox – how we, and society, measure our success. If we look at the performance of Discovery Health and the Discovery Health Medical Scheme over the past 12 months, results have been remarkable, including record growth to 2.4 million lives in the Discovery Health Medical Scheme year-to-date; continued industry-low lapse rates of 3.9%; and continued stability within the membership base with 98% of members either remaining on the same plan or upgrading.

We would assume that on this basis, society would view us favourably; members have after all voted with their feet, joining and staying in record numbers. And herein lies the paradox – success is not a function of statistics or achievement at an aggregated level, but is found in people’s everyday experience. It is in the empathy and respect that we demonstrate for each and every member that has difficulty in affording our products and services, or experiences problems with our service from time to time. What is the antidote to this paradox? I believe it is continuing to use our success and scale to single-mindedly pursue excellence and value for our members. This is true across all our businesses and means persisting with our commitment to achieve both prudence and innovation in all that we do, maximising our members’ greatest good. I am confident that going forward, we will continue to do this.

At the recent Discovery Invest Leadership Summit, various international leaders discussed the concept of leadership in different spheres – from political to personal and business leadership to creating value in society. What are your thoughts on the issue of leadership in South Africa?

Leadership is a fundamental and critical issue necessary to build our country. South Africa’s intractable problems are neither unique nor insurmountable. While our problems are painful and not simple to solve, strategic and visionary leadership can assist in shifting society in spite of the fundamentals. The National Development Plan provides the blueprint for what needs to be executed, but it will take good leadership in all areas of our society to realise this vision and accelerate progress. From Discovery’s perspective, we remain optimistic about the future and the potential of our country. Leadership must be debated, recognised and elevated. I was excited to introduce the Discovery Leadership Award at the recent Discovery Invest Leadership Summit. Through this award we hope to recognise and elevate those remarkable South Africans who are impacting South Africa. By providing international exposure and networking opportunities for our leaders, we hope to encourage and nurture a culture of leadership and vision in our society.
Richard Farber, Discovery’s Financial Director, talks about the highlights of the past year’s performance and the work done to build a quality business.
What were the highlights and disappointments for you this year?

I think we performed really well during the past year and achieved much of what we set out to do. Discovery is a business that continuously looks to grow so we have done a lot of work to build a quality business and to achieve scale in many areas. I’m very pleased with the fact that we are gaining significant traction in the UK with PruHealth and PruProtect as well as with Discovery Insure, where we’re adding between 100 and 150 new policies per day. PruProtect has been a star performer if you look at all the metrics – new business growth, the quality of the book, claims experience and lapse rates.

An area that has been somewhat disappointing has been our progress in the Chinese emerging mass market. While we’ve successfully launched a product for the Chinese group high-end market, we haven’t made enough inroads into the emerging mass market. The market is complex and there are many variables to take into account such as product design and the distribution model. It is an area that we are working on very hard.

In terms of Discovery Life’s potential for further growth, do you think the Life business has reached maturity?

No, I don’t believe it has; for the simple reason that South Africans in general still need a huge amount of risk protection. South Africa generally has a consumerist culture with low levels of household savings and underinsurance, which is a significant risk for the financial future of most individuals. There is tremendous opportunity for innovative companies to turn this trend around. The key is to provide consumers with additional and unique value and to make it affordable for them to look after their financial future. This is an important area of focus for Discovery Life and Discovery Invest.

Discovery Life’s distribution model relies on financial advisers. With the onset of direct-to-consumer competitors, are you considering changing your distribution channel?

The nature of our products requires high-level and high-quality advice from knowledgeable and experienced financial advisers. People have different needs according to their lifestyle, circumstances and the life stage they find themselves in. In our view, a one-size-fits-all approach to a person’s financial future is not effective. Our products are very innovative and designed to address different needs. Consumers also start getting more value as they integrate their Discovery products. Because of this, we view the role of the financial adviser as critical. Having said that, there may be space for financial products aimed at the mass market where a direct-to-consumer distribution model is appropriate. Should we offer such a product in future, we will develop a distribution model that will work best for this market.
What do you see as the key risks and challenges for Discovery?

I spoke last year about the challenge of human resources in our healthcare sector. This remains a challenge and risk, not only for Discovery but also for our country. There are great imbalances in our healthcare sector, especially in rural areas. While over 43% of South Africans live in rural areas, we have only 12% of doctors working in these areas. The vast majority of newly trained doctors – 97% – end up working in urban areas. There are also generally more healthcare professionals working in the private sector than in the public sector. As a business working in the private sector, we need a well-functioning healthcare sector in general. We don’t operate in a vacuum where our only concern is the state of the private sector.

A key challenge for government is to balance short-term needs and risks such as the high disease burden and HIV and AIDS with long-term needs such as training enough specialists and academic specialists. This is an area where we believe we can support government. The Discovery Foundation has made a significant investment in the training of specialists and academic specialists over the past six years. We have helped to train an additional 169 specialists and provided R84 million in research and training grants. What is most rewarding is to see the qualitative impact of the funding. One of the recipients, who received a grant from the Discovery Foundation a few years ago, completed his training in the scarce discipline of paediatric rheumatology. Dr Scott completed his training in Belgium as there were no training posts available in this field at a South African medical school. This year we provided funding for one of his students to specialise as a paediatric rheumatologist at the University of Cape Town through a training programme that he helped develop. To put this in context, there are only five paediatric rheumatologists working in the public sector in South Africa.

A further challenging but positive factor in especially the long- and short-term insurance sector and in the healthcare industry is the intensified regulatory changes we’re seeing. Regulatory changes such as the Solvency and Assessment Management framework and Treating Customers Fairly (TCF) in the insurance industry will add value, if implemented pragmatically.

Vitality has been an important part of the Discovery product offering but some may wonder how sustainable this business model is in terms of profitability and the engagement of your members. What is your take on how the model will evolve?

Vitality has been a key differentiator for us. It has not only helped us to differentiate our product in the minds of consumers, but more importantly, it plays a huge part in our strategy to create value. We developed Vitality over 15 years ago in response to a growing wellness trend and over the years, we realised Vitality has immense potential to help reduce healthcare costs and improve the sustainability of our business.

Health outcomes are linked to key risk factors such as smoking, lack of exercise and poor diet, which in turn increase the morbidity and mortality risk for our business. Early on we understood the value of using incentives to encourage people to change their behaviour. But I think we are only now starting to understand the far-reaching impact and long-term trends of Vitality. Earlier this year we published new research studies that prove Vitality’s effectiveness in entrenching healthy behaviour. This in-depth and retrospective study shows that engagement with the programme, the take up of an active lifestyle and usage of fitness benefits increased the longer a member stays on Vitality.

What are Discovery’s future expansion plans?

We are always looking at future opportunities where we can replicate our business model and bring value to the market. However, our focus now is on building our emerging businesses in the USA and China, as well as here in South Africa. We have a lot of work to do.

What is your key focus area for next year?

My focus next year will be on the implementation of various regulatory requirements in our business, such as the Solvency and Assessment Management framework and TCF. Although we are strongly positioned to implement these requirements and we will be ready, our focus will be on ensuring business processes are comprehensive and robust to meet the requirements.
“Vitality has been a key differentiator for us. It has not only helped us to differentiate our product in the minds of consumers, but more importantly, it plays a huge part in our strategy to create value.”
ABOUT OUR REPORT

The 2012 Discovery Integrated Annual Report is our second report in which we aim to give our readers a strategic and integrated view of our company and how we performed during the past year. In last year’s report we told the story of how innovation makes a difference in our business, for our employees, clients and the industries in which we operate. The issue of value creation for all stakeholders is increasingly becoming more important as societal challenges increase. The concept of creating shared value – a theory first introduced by Michael Porter and Mark Kramer – has evolved from corporate social responsibility to an acknowledgement that opportunity exists for companies to gain competitive advantage by building social capital as part of their core business strategy. Our 2012 report aims to interrogate our strategy for our readers and answers the question: how do we create value, now and in the future?

We received very useful and valuable feedback on our 2011 report. The general opinion was that it was well-structured and easy to read with excellent case studies and interviews, but there was scope to shorten the content. Our readers also wanted more concise feedback on our sustainability performance and greater clarity on the link between performance, our core business strategy and our framework for sustainable development. We were also asked to consider greater disclosure on some of our challenges and concerns. During the year, we did considerable work to address this feedback for our 2012 report.

This report relates to our business performance for the financial year 1 July 2011 to 30 June 2012. We report on strategic and material information for all operating subsidiaries. Materiality was determined according to business objectives, strategy, the important stakeholder groups we impact, our material issues as well as our framework for sustainable development.
Approval by the Discovery Board of Directors

The Board of Directors approved the Discovery Integrated Annual Report on 27 October 2012, based on the recommendation of Discovery’s Audit and Risk Committee.

Signed by the Chairperson of the Discovery Board of Directors:
Monty Hilkowitz

Statement from the Discovery Social and Ethics Committee

The Social and Ethics Committee has the responsibility to oversee transformation and sustainability issues for Discovery to ensure the Group meets its objectives. One of the responsibilities of this committee is to ensure transparent communication to stakeholders on issues that impact them, as well as the sustainability of Discovery. The committee has therefore reviewed and provided input into this year’s report and is satisfied that the 2012 Integrated Annual Report provides an accurate and integrated view of Discovery’s performance during the past financial year.

Signed by the Chairperson of the Social and Ethics Committee:
Sindi Zilwa

Preparation of Annual Financial Statements

Our Annual Financial Statements for the year ended 30 June 2012 were prepared by: B Mill (FFA, FASSA), L Capon CA (SA) and L van Jaarsveldt CA (SA). Assisted by: M Palmer, D Argyle, N Ntuli and W Letchman. Supervised by: R Farber CA (SA), FCMA. Audited by: PricewaterhouseCoopers Inc. Read their report on page 137

Statement from Discovery Group Internal Audit

Discovery Group Internal Audit performed a limited review of the statements and quantitative data contained in the Integrated Annual Report, with the exception of the Annual Financial Statements.

Based on the results of our work, in our opinion, the report:
• Provides confidence in the information presented. The level of data accuracy was found to be within acceptable limits, and additional improvements were recommended to Discovery management to reduce the potential for minor anomalies and misstatements, which were subsequently amended. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data
• Appropriately reflects environmental, social and economic performance achieved during the period
• Represents a fair statement of Discovery’s sustainability framework and strategy
• Contains quantitative data which is free from material misstatement.

Overall, Group Internal Audit is satisfied that the report is an appropriate representation of the relevant aspects during the reporting period, based on the audit procedures applied during this review.

Global Reporting Initiative (GRI) level

We declare a GRI Application Level B+ for the 2012 Integrated Annual Report and Report to Society. We received third-party verification of this application level. Read the independent auditor’s statement on page 126

OUR CONTACT DETAILS

Discovery Group
Financial Director
Richard Farber
+27 11 529 1855

Discovery Investor Relations
Olivia Serithi
+27 011 529 1401

Discovery Public Relations
Duke Malan
+27 11 529 1151

Head of Discovery People and Sustainable Development
Dr Penny Tlhabi
+27 11 529 2895

We trust that you will find our report informative and useful. Please send your comments and feedback on this year’s report to askthecfo@discovery.co.za
OUR PERFORMANCE DURING THE PAST YEAR

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.

More than 5.8 million unique CLIENTS WORLDWIDE

- 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

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**Embedded value**

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<tr>
<td>2009</td>
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<td>2011</td>
<td>26 890</td>
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<td>2012</td>
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**Diluted normalised headline earnings per share**

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<td>2010</td>
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<tr>
<td>2011</td>
<td>365.5</td>
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<td>2012</td>
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**Gross inflows under management**

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<td>2010</td>
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<td>2011</td>
<td>50 052</td>
</tr>
<tr>
<td>2012</td>
<td>56 914</td>
</tr>
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</table>
**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. Read our operational report on page 98 of this report.

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. We provide more information on Discovery Life on page 60 of the report.

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*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.*
# OUR PERFORMANCE DURING THE PAST YEAR (continued)

## Discovery Health

**NORMALISED OPERATING PROFIT**

10%  

- Improved competitiveness of the Discovery Health Medical Scheme across all key metrics
- Further development of healthcare assets

**OVERALL NEW BUSINESS**

10%  

- Improved competitiveness of the Discovery Health Medical Scheme across all key metrics
- Further development of healthcare assets

**NORMALISED OPERATING PROFIT**

after R100 million reduction in Discovery Health Medical Scheme administration fee

## Discovery Life

**NORMALISED OPERATING PROFIT**

14%  

- Focus on product innovation resulting in new products to market
- Reducing lapse rates and good morbidity and mortality experience

## Discovery Insure

**NEW BUSINESS**

R239 million  

- Market share of over 9% at the current new business run rate
- Product enhancements introduced to the market
- Evidence of positive impact on selection and behaviour

## PRUHEALTH

**NORMALISED OPERATING PROFIT**

R91 million  

- Excellent performance on key drivers of loss ratio and lapse rate
- Focus on quality new business
- High take-up of Vitality Plus

## PRUPROTECT

**NORMALISED OPERATING PROFIT**

R209 million  

- Strong new business with new product enhancements well received in the market
- Good claims experience
**Discovery Invest**

**NORMALISED OPERATING PROFIT**

R151 million

50%

- Assets under management exceed R25 billion
- Focus on product innovation resulting in new products to market
- Fourth Discovery Invest Leadership Summit hosted with international thought leaders

**MEMBERS**

Over 1.6 million

- High levels of engagement in the programme
- Important research studies on Vitality published in the year
- DiscoveryCard: growth in market share to 9.1%

**Vitality**

**MEMBERSHIP APPROACHING**

1.8 million

- Strategic partnership concluded with ADP, one of the world’s largest providers of payroll and employee benefits administration solutions, for wholesale distribution of Vitality

**SALES**

R680 million

- Strong emerging traction with more than 560 000 lives
- Vitality introduced to the market
- Third-largest writer of group high-end insurance products
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.
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 that 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 where 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 broader South African society.
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.
Making people healthier

**SA**
1,600,944 members
Largest wellness programme in South Africa
Launched in 1997

**USA**
293,674 members
Largest full-scale wellness programme in USA
Launched in 2008

**USA**
1,509,279 members
Largest wellness programme in USA
Launched in 2004

**SA**
674,978 lives covered
Largest pure risk writer in South Africa
Launched in 2001

**UK**
132,616 lives covered
Top four provider in UK IFA channel
Launched in 2007

Protecting health

**SA**
2,664,573 lives covered
(all schemes under management)
Manages largest open medical scheme in South Africa
Launched in 1992

**UK**
554,730 lives covered
Top four PMI provider in the UK
Launched in 2004

**CHINA**
561,900 lives covered
Number three in group high-end health insurance market
Launched in 2010

Protecting lives

**SA**
674,978 lives covered
Largest pure risk writer in South Africa
Launched in 2001

**UK**
132,616 lives covered
Top four provider in UK IFA channel
Launched in 2007

Protecting and building wealth

**SA**
65,573 policies
Number one writer of endowment and voluntary purchase annuities
Launched in 2007

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
Launched in 2011

Enhancing lives

**SA**
231,302 card accounts
Largest stand-alone credit card in South Africa
Launched in 2004
Our Strategic Roadmap

Core Purpose

To make people healthier and enhance and protect their lives.

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 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.

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 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

Read more about Discovery’s framework for sustainable development in each business from page 46
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.

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.

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 Awards recipients; 41 community healthcare projects supported by the Discovery Fund; 3.5 million members impacted by Vitality; around 136 000 people take part in sponsored walks every year in South Africa; 19 000 employees took part in the second Discovery Healthy Company Index; and launch of Britain’s Healthiest Company in the UK
- People: over 8 000 Discovery people; employee engagement measures high and is in line with Global High Performers.
HOW OUR FRAMEWORK FOR SUSTAINABLE DEVELOPMENT CONTRIBUTES TO OUR PERFORMANCE

Key performance indicators

SUSTAINABILITY PILLAR 1  A values-based culture of opportunity and innovation

<table>
<thead>
<tr>
<th>KPI</th>
<th>2011/2012</th>
<th>2010/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent employees in South Africa</td>
<td>6741</td>
<td>6232</td>
</tr>
<tr>
<td>% of African women at senior management level</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Number of black people with disabilities</td>
<td>165</td>
<td>144</td>
</tr>
</tbody>
</table>

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

Developing talented people in our business

Discovery People developed a targeted and proactive recruitment programme to identify talent for core capabilities. The Discovery Graduate Recruitment programme forms part of a broader talent management strategy aimed at attracting, retaining, developing and nurturing talent in our business. Actuarial science is a scarce skill in South Africa and an important area for development. During our first Graduate Challenge, we received over 200 CVs from prospective actuarial science students.

www.discoverygraduatechallenge.co.za

SUSTAINABILITY PILLAR 2  Strengthen the healthcare system and expand access to care

<table>
<thead>
<tr>
<th>KPI</th>
<th>2011/2012</th>
<th>2010/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds committed to specialist training through the Discovery Foundation (R million)</td>
<td>17 167 700</td>
<td>14 816 250</td>
</tr>
<tr>
<td>Funds committed to healthcare community projects and NGOs (Discovery Fund) (R million)</td>
<td>15 608 718</td>
<td>11 370 371</td>
</tr>
<tr>
<td>Discovery Health Medical Scheme members</td>
<td>2 664 573</td>
<td>2 539 806</td>
</tr>
</tbody>
</table>

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

Using technology to have a positive impact on the quality of care for patients

In May 2012, Discovery Health launched HealthID, the first health record application of its kind in South Africa. Valuable clinical information is derived from claims data and from pathology laboratories. Doctors are able to access their patients’ data and details of their previous doctor and hospital visits. More than 44 000 DHMS members have given their consent for their doctors to access their records.

Read more about Discovery Health on page 46

SUSTAINABILITY PILLAR 3  Improve the financial security of our clients and protect them through innovative products and services

<table>
<thead>
<tr>
<th>KPI</th>
<th>2011/2012</th>
<th>2010/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discovery Life policyholders</td>
<td>674 978</td>
<td>657 413</td>
</tr>
<tr>
<td>Discovery Invest policyholders</td>
<td>65 573</td>
<td>48 723</td>
</tr>
<tr>
<td>Discovery Insure policyholders</td>
<td>13 343</td>
<td>5 100</td>
</tr>
</tbody>
</table>

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

Addressing the challenge of underinsurance in South Africa

In South Africa, like elsewhere in the world, consumers remain over-optimistic about the level of financial protection they need when a life-changing event occurs. The reality is that South Africans are underinsured to the amount of R18 trillion. Discovery Life’s strategy is to leverage the integration capabilities in our business to access additional life cover as efficiently as possible. During 2008 and 2009 we introduced new products – the Cover Integrator and Financial Integrator – that give clients more opportunity to access the life cover they need. During the year under review, we built on the success of these products by introducing further enhancements aimed at closing the underinsurance gap.

Read more about these benefit enhancements in the Discovery Life performance review on page 60
**SUSTAINABILITY PILLAR 4 Use the science of behavioural economics to drive positive behaviour change**

<table>
<thead>
<tr>
<th>KPI</th>
<th>2011/2012</th>
<th>2010/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vitality members globally</td>
<td>1 600 944</td>
<td>1 517 276</td>
</tr>
<tr>
<td>% of families purchasing HealthyFood</td>
<td>32</td>
<td>31.8</td>
</tr>
<tr>
<td>% of members who had a preventive screening event</td>
<td>58</td>
<td>59.5</td>
</tr>
</tbody>
</table>

**Reducing the cost of healthcare through lifestyle interventions**

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. 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. This year, we published the second Vitality Journal where we report on new research studies.

Read more about the Vitality research studies on page 72

**SUSTAINABILITY PILLAR 5 Promote a thriving society**

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

**Encouraging a culture of entrepreneurship in South Africa**

A stable society is a prerequisite for an economy to thrive. It must reflect a culture of ethics, development, confidence and entrepreneurship. Through our enterprise development programme we aim to nurture a culture of entrepreneurship. During the past year, we continued our support for innovative and high-impact entrepreneurs to support our business operations in various areas while at the same time creating more jobs. We also worked with projects that are supported through our corporate social investment programme to help them improve their ability to generate income. We provided a grant of R314 000 to the Refilwe Community Project to develop Refilwe Enterprises, thereby creating 15 jobs in the Lanseria community in Gauteng, South Africa.

**SUSTAINABILITY PILLAR 6 Environmental responsibility**

<table>
<thead>
<tr>
<th>KPI</th>
<th>2011/2012</th>
<th>2010/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct energy consumption by primary source</td>
<td>2274.37 MWH</td>
<td>3 420 MWH</td>
</tr>
<tr>
<td>Indirect energy consumption by primary source</td>
<td>33 022.62 MWH</td>
<td>29 412.63 MWH</td>
</tr>
<tr>
<td>Total direct and indirect greenhouse gas emissions by weight</td>
<td>49 873.59* tonnes CO₂e</td>
<td>44 852.86 tonnes CO₂e</td>
</tr>
</tbody>
</table>

*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.

**Our environmental responsibility**

We completed our third carbon footprint audit during the year and increased the scope to include Discovery Financial Consultants (our proprietary distribution channels) across South Africa. During the year we started energy efficiency and water saving projects in all Discovery buildings, to be completed during the next financial year.

Read more about our environmental initiatives in our opinion piece on page 29
STRENGTHEN THE HEALTHCARE SYSTEM AND EXPAND ACCESS TO CARE

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.

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

Challenges

To implement the awareness campaign of the Discovery UNICEF Immunise SA programme, we engaged extensively with the Department of Health and UNICEF. This required building relationships with key representatives, which has taken more time than initially anticipated. Although this process delayed the start of the campaign last year, we have since started rolling out the various elements of the awareness campaign.

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 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 programme aims to help improve the quality of service in districts that are not performing well, and building capacity in the healthcare system by 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.

CASE STUDY

Advertising billboards in the Eastern Cape and KwaZulu-Natal were placed from September to November 2012.
With sustainable practices comes a responsibility to ensure that businesses worldwide minimise their impact on the environment. This responsibility includes being cognisant of an organisation’s direct impact on the environment and reducing this impact by identifying innovative ways to improve operational efficiencies.
With sustainable practices comes a responsibility to ensure that businesses worldwide minimise their impact on the environment. This responsibility includes being cognisant of an organisation’s direct impact on the environment and reducing this impact by identifying innovative ways to improve operational efficiencies.

Discovery is committed to implementing environmentally sustainable practices and continuously reducing our impact throughout all our businesses. This means looking at how we can achieve a meaningful decrease in our environmental footprint by measuring, understanding and monitoring our direct and indirect environmental impact. Discovery’s total carbon footprint for the year July 2011 to June 2012 was 49 873.59 tonnes of CO2 emissions. Of this, 34 013.30 tonnes, or 68%, came from electricity usage alone. This is an overall 12.27% increase from 2010 to 2011, when Discovery’s total electricity usage was 30 295.01 tonnes. This increase in electricity usage was due to the inclusion of Discovery Franchise Consultants in the carbon footprint audit. This allowed us to gain a more accurate understanding of our carbon footprint countrywide to address these issues efficiently.

Our total carbon footprint can be equated to burning 17 043 tonnes of coal. Reducing this by 10% would have the same effect as removing 1 166 cars from the road, and reducing our electricity consumption by 25% would save enough electricity to power 826 middle-income homes for one year. This is a great incentive for us to decrease our carbon footprint further, and contribute to the environmental health and wellbeing of current and future generations. Given this, there is a great need to find innovative ways to improve our operational efficiencies to meet our environmental targets, and we are using technology to achieve this across the business.

Although our direct environmental impact is minimal due to the service-intensive nature of our business, it also means that we have an opportunity to use technology smartly to reduce this impact and save costs. We are leveraging technology to help us decrease our environmental footprint, and some of the innovative ways we are doing this are through our Server Virtualisation Project and reducing the carbon footprint generated by employees.

The Server Virtualisation Project forms part of our goal to reduce our total electricity usage. The project 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. When this project started in 2007, Discovery had around 1 200 physical servers. Since then, this number has been reduced to 750 physical servers. Considering the server requirements for our growing business, the virtual server count has increased to 1 700 virtual servers – without virtualisation these would have been physical servers with a significant carbon impact. Virtualisation isn’t a new phenomenon, and the average company has about 60% of its servers virtualised. Discovery currently has 70% virtualisation, and aims to increase this to 80% by 2014. In addition, through a rental programme, servers are refreshed every three years to gain the benefits of new and more efficient technologies.

Our employee and business travel accounted for 22.36% of our carbon footprint for this year, including air travel. This was a notable 12% increase from 2010/2011. One of the most effective ways to reduce emissions is to reduce unnecessary travel. Discovery’s expanding global presence means that we may continue to see an increase in international travel and the costs associated with it. With this in mind, we have increased our video conferencing facilities, including installing a TelePresence facility. TelePresence refers to a video conference session that feels like a live meeting. This improved technology makes international meetings via TelePresence more popular, which should lead to a decrease in international travel. Our video conferencing facilities show a significant return on investment, as well as CO2 savings and we expect this to continue.

Through these various initiatives, and with more in the pipeline, we are committed to reducing our carbon footprint throughout all our businesses in the most energy efficient, environmentally friendly way possible. By doing so, we are able to ensure that our environmental responsibility and vision are aligned to our core purpose of making people healthier, and enhancing and protecting their lives, and that all our actions as a business impact positively on broader society and the environment.
The issues that are material for our business to enable us to meet our strategic objectives, take into account Discovery’s strategic roadmap – our core purpose, ambition, business model and framework for sustainable development.

To make it easier to find information relating to our material issues, we’ve developed the following icons. **We use these throughout our report so you can easily identify how a specific section, case study or opinion piece relates to our material issues.**

**Use innovation to protect people’s health and lives and give them more value**

Innovation is a critical prerequisite to ensure we create value and meet people’s needs in a sustainable manner. Ensuring a rigorous cycle and culture of innovation in our business enables us to disrupt markets and in this way, continuously grow our business. Our key strategies focus on various aspects of innovation in our business, ranging from optimising benefit design in Discovery Health and developing new products and benefits to meet people’s financial and investment needs, to using mobile and digital technologies to better serve our clients.

**Strengthen the healthcare system to ensure sustainability for all stakeholders**

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.
Use the principles of behavioural economics to encourage positive behaviour

Discovery is acknowledged as a global thought leader in the use of behavioural economics and incentive-based wellness. We leverage this experience to create value and address critical societal problems. 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.

Develop great people in our business

Our people are one of our key assets in building a best-in-the-world business that is renowned for its excellence, innovation and financial strength. Our ability to innovate and build a sustainable business depends on various factors including maintaining our unique company culture, attracting and retaining talented employees, developing employees and ensuring we build the necessary human resource capacity to support the growing demands in our business. At the same time, we must continue to improve the diversity of our employees, particularly at senior and professional levels.

Read more about Discovery people in our Report to Society at www.discovery.co.za

In the way we do business, have a positive impact on society

A culture of ethics, social development, investor confidence, leadership and entrepreneurship is necessary for society to prosper. We understand that for our business to continue to grow sustainably, 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. 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.
Innovation is core to long-term sustainability and is at the heart of any organisation’s growth. Innovation is about progress. It’s about moving a society forward by introducing new, more efficient and more productive ways of doing things, and at the same time creating greater value for multiple stakeholders. Through the creation of value for all parties, innovation results in a sustainable and positive impact on the business, its employees and partners as well as society in general.

Translating business objectives into sustainable business practices underpinned by social responsibility and good citizenship is the foundation of creating value for future generations. This approach usually results in businesses reporting an improved financial performance as well as fostering a greater appreciation for the brand among employees and the public in general.

The knowledge that an organisation is committed to having a positive long-term impact for all stakeholders provides a catalyst for meaningful conversation within the business about individual commitment and contribution to realising the organisation’s goals. Creating an environment in which employees are able to participate in the conversation about sustainability and where they can contribute to its realisation through innovation, is critical to ongoing success.

Constantly pursuing solutions to some of society’s most complex challenges is at the heart of Discovery’s culture. The company values act as a framework within which employees operate, and as a result, there is a deep understanding of the behaviours and actions that are valued and supported within the working environment, resulting in a dynamic energy throughout the business.

Because continuous and radical innovation is embedded in the DNA of the organisation, diversity of race, gender, background, experience and anything else that may allow for a new take on problems, is prized and pursued.
Innovation is at the core of Discovery’s business and forms part of the company values. How do you ensure the company culture and environment remains progressive and supportive of innovation?

Innovation and optimism are core values of Discovery and are very strongly embedded in our business model and strategy. In addition to the values being alive across the business there are a number of mechanisms which ensure that innovation is always a top-of-mind objective. With the launch of new products for each of our businesses taking place every year, innovation is formalised within an annual cycle. This framework with hard deadlines ensures a discipline around innovation and an understanding that it’s not just a “nice-to-have”.

Supporting this annual cycle is Inspiring Excellence, an innovation challenge in which all our leaders are expected to participate. Teams are supported in developing their own innovative ideas through several rounds of judging which culminate in the final teams presenting to their peers at our annual leadership conference. Winners are then announced and projects move into an implementation phase. Our leaders benefit greatly and learn more about the innovation process and what it takes to get an idea to implementation phase. This learning is then taken back into the business and informs further innovation processes.

Bright Sparks is a similar competition that takes place in our Health Operations space and is aimed at innovating in the areas of business process and customer service.

Discovery is steadily becoming a global organisation, competing in internationally diverse markets such as China, the UK and the USA. How do you ensure depth of leadership and skills, and more importantly, that the company culture is ‘repeated’ in your international operations?

Discovery’s rapid growth towards being a global competitor has brought into focus the need to develop internal bench strength in leadership and our core capability areas. Along with this comes the challenge of perpetuating the Discovery culture, carefully crafted over years, within these new environments. A lot of work has been done to develop a compelling Employee Value Proposition which will enable us to attract, develop and retain the best people across the business. We have also been through a process to identify key talent in our core competency areas that will support and develop them to take on leadership positions. It also helps to ensure that we have individuals ready to take on new roles as the business grows. From a leadership perspective, our Leadership Charter forms the framework within which Discovery leaders operate, and work is underway to further entrench the charter and deepen the understanding of what is expected of Discovery leaders, given the new context we are operating in.

You rely on very specific skills and capabilities in the business. How do you identify talented people, and attract, develop and retain them?

We have identified the core capability areas that we believe underpin our ability to grow and succeed locally and internationally. Our ability to attract, develop and retain the best people within these critical skill areas is a priority for us.

We have a multi-pronged approach to ensure our business has the great people it needs and that we create an inspiring and liberating environment. This includes proactively identifying the best people for our business at all levels, including graduates, a robust and structured recruitment process, a talent management strategy to ensure we develop and nurture talent and lastly, recognition of excellent performers. We invest significantly in developing our people, in both technical and leadership skills. Growth of our existing businesses, as well as expansion into new markets, results in a myriad of opportunities across the Group for high performing professionals across many disciplines. All employees are encouraged to have regular performance and career conversations to enable them to match their personal aspirations with the opportunities available.

A values-based culture of opportunity and innovation

Key highlights for 2012

- 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

Our challenges

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

Key strategies 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

with DR PENNY TLHABI,
Head of Discovery People and Sustainable Development
BOARD OF DIRECTORS

1 Dr Brian Brink (60)
BSc (Med), MBChB, DA (SA)
Non-executive Director, appointed in 2004
Brian is a respected thought leader in the health arena, advising companies on HIV and AIDS management in the workplace.
- Expert health and medical knowledge
- Understands sustainable development issues

2 Peter Cooper (56)
BCom (Hons), HDip Tax, CA (SA)
Non-executive Director, appointed in 2008
Peter is the Chief Executive Officer of RMI Holdings.
- Financial expertise
- Corporate and structured finance management

3 Jan Durand (44)
BAcc (Hons), MPhil, CA (SA)
Non-executive Director, appointed in 2011
Jan is a qualified chartered accountant and is currently the Chief Executive Officer of Remgro Ltd.
- Financial expertise
- General business management experience
- Investment and corporate finance expertise

4 Steven Epstein (69)
JD (Columbia University Law School), BA (Tufts University)
Non-executive director, appointed in 2005
Steven is the founder and senior partner of Epstein Becker & Green, one of the largest USA-based health law firms.
- Specialist legal expertise in the area of healthcare

5 Richard Farber (41)
BCom (Hons) CA (SA) FCMA
Financial Director, Executive Director, appointed in 2009
Richard is a chartered accountant by training and is currently the Financial Director of Discovery.
- Corporate finance and accounting expertise
- Strategic finance expertise

6 Adrian Gore (48)
BSc (Hons), FIA, ASA, MAAA, FASSA
Group Chief Executive Officer, Executive Director, appointed in 1999
Adrian is a qualified actuary and founded Discovery in 1992. He is currently the Group Chief Executive Officer of Discovery.
- Strategic and visionary leadership
- Actuarial expertise
- Entrepreneurial and forward-thinking

7 Monty Hilkowitz (72)
FIA
Chairperson and Non-executive Director, appointed in 2002
Monty is involved in investment management, financial services and insurance interests in several countries.
- Actuarial expertise
- Strategic business leadership
- Entrepreneurial experience

8 Hylton Kallner (37)
BComSc, FFA, FASSA
Chief Marketing Officer, Executive Director, appointed in 2010
Hylton qualified as an actuary from the University of the Witwatersrand. He is currently the Chief Marketing Officer of Discovery.
- Actuarial expertise
- Strategic business management experience
- Marketing and distribution expertise

9 Neville Koopowitz (48)
BCom, CFP
Chief Executive Officer: PruHealth, Executive Director, appointed in 1999
Neville joined Discovery as Marketing Director in 1996 and has played a key role in defining and building the Discovery identity.
He is currently the Chief Executive Officer of PruHealth.
- Healthcare management experience
- Strategic business management experience
- Marketing and distribution expertise

10 Dr Vincent Maphai (60)
BA, BA (Hons), M Phil, D Phil, Advanced Management Program (Harvard)
Non-executive Director, appointed in 2005
Vincent is the Director of Corporate Affairs and Transformation at the SAB. He is also the Chairperson of the Discovery Foundation.
- Strategic business management expertise
- Understands transformation issues in South Africa

11 Herschel Mayers (52)
BSc (Hons), FIA, FASSA
Chief Executive Officer: Discovery Life, Discovery Invest and PruProtect, Executive Director, appointed in 2000
Herschel joined Discovery in 2000 to set up and launch its life insurance arm, Discovery Life. He is currently the Chief Executive Officer of Discovery Life, Discovery Invest and PruProtect.
- Strategic business management expertise
- Actuarial expertise
- Understands the individual and group life industries
Vhonani Mufamadi (43)
BA (Law), LLB
Non-executive Director, appointed in 2010
Vhonani is the founder and Chairperson of Muvoni Investment Holdings that has over the years invested in various sectors including engineering (electrical and telecommunications), information technology and biometrics.
- Legal expertise
- Investment and entrepreneurial expertise

Dr Ayanda Ntsaluba (52)
MBChB, MSc (Lond), FCOG (SA)
Executive Director, appointed in 2011
Before joining Discovery in July 2011, Ayanda served as Director General of the Department of International Relations and Co-operation. Before this, he was Director General of the Department of Health.
- Understands health policy in South Africa
- International relations expertise
- Strategic planning expertise

Les Owen (63)
BSc (Hons), FIA, FPMI
Non-executive Director, appointed in 2007
Les is a qualified actuary with extensive experience in international insurance markets. He was previously the Chief Executive Officer of AXA Pacific Holdings Limited and AXA Sun Life in the UK.
- Understands international insurance markets
- Actuarial and risk management expertise

Alan Pollard (43)
BSc (Hons), FIA, FSSA
Chief Executive Officer: The Vitality Group, Executive Director, appointed in 2007
Alan is a qualified actuary and is currently the Chief Executive Officer of The Vitality Group. Previously he was the Chief Executive Officer of Vitality in South Africa.
- Actuarial expertise
- Understands product research and development
- Expertise in wellness

John Robertson (64)
BCom, CTA, CA (SA), HDip Tax
Chief Information Officer, Executive Director, appointed in 1999
After a career in IT consulting, John joined Discovery at the start of the company to develop its IT strategy, systems and finance infrastructure. He is currently the Chief Information Officer of the Discovery Group and is also responsible for the Group Risk and Compliance functions.
- Understands information technology strategy
- Expertise in systems development, e-commerce and information technology networks
- Understands business risk and compliance

Sonja Sebotsa (40)
LLB (Hons), MA
Non-executive Director, appointed in 2005
Sonja is the founder and principal partner in Identity Partners, an investment firm, and has extensive experience in corporate advisory work. She was previously a vice president in Deutsche Bank’s investment banking division. She was appointed to the Discovery Board in 2005.
- Legal expertise
- Experience in investment banking and corporate finance

Tania Slabbert (45)
BA, MBA
Non-executive Director, appointed in 2008
Tania is the Chief Executive Officer of WDB Investment Holdings and has extensive experience in investments. Her focus area is to facilitate the socio-political and economic development of women in South Africa.
- Investment expertise
- Understands economic and socio-development issues

Barry Swartzberg (47)
BSc, FFA, ASA, FASSA, CFP
Group Executive Director, appointed in 1999
Barry is one of Discovery’s founders and contributed to the evolution of the Group’s marketing approach, risk management capability and operations. He was previously the Chief Executive Officer of Discovery Health. He is currently Group Executive Director of Discovery, responsible for international operations.
- Actuarial and risk management expertise
- Understands the healthcare environment
- Expertise in business development and international markets

Sindi Zilwa (45)
BCompt (Hons), CTA, CA (SA), Advanced Taxation Certificate, Advanced Diploma in Financial Planning, Advanced Diploma in Banking
Non-executive Director, appointed in 2003
Sindi is the Chief Executive Officer of Nkonki, a chartered accountancy firm. She is a thought leader in the areas of business, entrepreneurship and transformation.
- General business management expertise
- Accounting expertise
- Understands transformation and sustainable development issues
- Knowledge on integrated reporting
Discovery’s products continue to be rated highly in the industry: the PwC fifth biennial South African Insurance survey ranked Discovery Health and Life products first in their category, and Discovery Invest was rated second.
## OUR PROGRESS AGAINST PRIORITIES IN 2012

<table>
<thead>
<tr>
<th>Priority</th>
<th>Our progress in 2012</th>
</tr>
</thead>
</table>
| Have a positive impact on society through our products and services and in the way we do business | - A year since the launch of Discovery Insure and Vitalitydrive, members have improved their driving behaviour by 20%, as measured by DQ-Track  
- More than 19 000 employees took part in the second Discovery Healthy Company Index survey  
- We launched HealthID, a tablet-based application aimed at improving the quality of care for patients  
- KeyCare, our health plan series for the lower-income market, continued to grow. We added 28 666 lives to KeyCare during the 2011 calendar year  
- The number of Discovery Foundation recipients increased to 169 with over R84 million committed  
- In the second year of the Discovery UNICEF Immunise SA programme, we have made progress in the training of nurses, mass-mobilisation of communities and planning processes |
| Play a leadership role for our clients and in our industries and country | - We published the second Vitality Journal that details various research projects looking at the efficacy of Vitality in encouraging healthy lifestyles and its relation to reducing healthcare costs  
- Discovery’s products continue to be rated highly in the industry; the PwC fifth biennial South African Insurance survey ranked Discovery Health and Life products first in their category, and Discovery Invest was rated second  
- Discovery Invest hosted the fourth Invest Leadership summit |
| Build financial strength and sustainability to benefit all stakeholders | - New business API increased by 24% to R9.3 billion  
- Normalised operating profit increased by 21% to R3.4 billion  
- Normalised headline earnings increased by 14% due to increased investment in new business  
- Embedded value grew by 12% to R30.2 billion  
- Discovery Invest: assets under management exceed R25 billion |
| Invest in the talent of our people | - We continued the Discovery CEO programme aimed at developing talented black employees at executive and strategic management level  
- A talent management process has been adopted and implemented across the business  
- We appointed five qualified and talented black employees at senior management level  
- Employee engagement levels are high compared to South African and international standards (Towers Watson survey)  
- We met our employment equity targets at Group level |
| Deliver innovation for the benefit of our clients | - We introduced Vitality to the Chinese market  
- We launched enhancements in Discovery Life to give policyholders more cover: Life CoverBooster, Drive CoverBooster and BenefitBooster  
- Discovery Invest launched new products, as well as benefit and service enhancements  
- We refined the Vitalitydrive benefit to encourage and reward safer driving |

### KEY TO SYMBOLS

- Objective achieved
- Objective ongoing
- Objective or initiative not yet started
How we manage risk in our business

We manage risk in our business according to the Enterprise Risk Management Framework. Our Group Risk Management, Group Compliance and Group Internal Audit functions oversee how this framework is applied and monitored within Discovery.

Our risks and what we do to manage them

<table>
<thead>
<tr>
<th>Types of risk for our business</th>
<th>The processes in place to manage these risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic risk</strong></td>
<td>• Enterprise Risk Management Framework</td>
</tr>
<tr>
<td></td>
<td>• Communication about strategic goals, objectives, corporate culture and ethics</td>
</tr>
<tr>
<td></td>
<td>• Sound due diligence and strong risk management processes and systems</td>
</tr>
<tr>
<td><strong>Insurance risk</strong></td>
<td>• New product offerings that create more value to retain clients</td>
</tr>
<tr>
<td></td>
<td>• Commission payback where a policy lapses within the first two years of inception</td>
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<tr>
<td></td>
<td>• Client conservation processes to maintain client relationships and retain clients</td>
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<td></td>
<td>• Lapse experience monitoring on a monthly basis</td>
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<tr>
<td></td>
<td>• Product design to minimise adverse selection</td>
</tr>
<tr>
<td></td>
<td>• Rating factors are applied to standard premium rates to differentiate between different levels of risk</td>
</tr>
<tr>
<td><strong>Financial risk</strong></td>
<td>• Reputable external asset managers manage our investments</td>
</tr>
<tr>
<td></td>
<td>• The Actuarial Committee reviews the overall matching of shareholder and policyholder assets</td>
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<tr>
<td></td>
<td>• The Capital, Currency and Investment Committee meets quarterly to focus on shareholder assets and the performance of asset managers responsible for managing these assets</td>
</tr>
<tr>
<td></td>
<td>• Limits for exposures to individual counterparties</td>
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<tr>
<td></td>
<td>• Discovery periodically engages with external consultants to review past investment decisions</td>
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<tr>
<td></td>
<td>• The Investment Committee meets monthly to make practical decisions regarding Discovery’s liquidity and foreign currency exposure</td>
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<tr>
<td></td>
<td>• The Board reviews and approves Discovery’s capital management plan. The plan is monitored monthly and projects income and outflows under various scenarios.</td>
</tr>
<tr>
<td></td>
<td>• Short-term cash flow and liquidity requirements are monitored daily by Group Treasury</td>
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<tr>
<td>Types of risk for our business</td>
<td>The processes in place to manage these risks</td>
</tr>
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<td>-------------------------------</td>
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</tr>
<tr>
<td><strong>Operational risk</strong></td>
<td>• Operational Risk Management Framework</td>
</tr>
<tr>
<td></td>
<td>• Integrating risk management into line management</td>
</tr>
<tr>
<td></td>
<td>• Our Group Internal Audit, Group Compliance, Legal and Group Risk Management functions oversee operational risk management</td>
</tr>
<tr>
<td><strong>Business continuity risk</strong></td>
<td>• Assessment of business needs and identification of weaknesses</td>
</tr>
<tr>
<td></td>
<td>• Testing of current business continuity strategies and plans</td>
</tr>
<tr>
<td><strong>Legal risk</strong></td>
<td>• Control measures to monitor new legislation and to identify and manage significant legal risks</td>
</tr>
<tr>
<td><strong>Information security risk</strong></td>
<td>• Control measures to protect Discovery’s information assets</td>
</tr>
<tr>
<td></td>
<td>• Information Security Policy</td>
</tr>
<tr>
<td><strong>Compliance risk</strong></td>
<td>• Discovery’s Compliance Division identifies and manages compliance risks</td>
</tr>
<tr>
<td><strong>Fraud and security risk</strong></td>
<td>• Discovery Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>• A zero-tolerance approach to any form of fraud</td>
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<tr>
<td></td>
<td>• Forensic Services Department manages the risk of fraud</td>
</tr>
<tr>
<td></td>
<td>• Anti-fraud programme that includes an anonymous fraud tip-off line</td>
</tr>
<tr>
<td><strong>Macro-economic, social and environmental risk</strong></td>
<td>• Sustainability Division oversees sustainability issues</td>
</tr>
<tr>
<td></td>
<td>• Performance monitoring against targets</td>
</tr>
</tbody>
</table>
Discovery impacts the lives of close to six million clients, over 8 000 employees and many more stakeholders in the industries, communities and countries in which we operate. 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.

**OUR STAKEHOLDERS**

Discovery impacts the lives of close to six million clients, over 8 000 employees and many more stakeholders in the industries, communities and countries in which we operate. 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 follow these principles:

- Transparency and accountability
- Inclusivity and responsiveness
- Honesty and integrity
- Complete, timely, relevant, accurate 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

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>How we engage with our stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our clients</strong></td>
<td>• Regular product and benefit updates&lt;br&gt; • Member-based research and surveys&lt;br&gt; • Corporate Health Managers who regularly meet with employers&lt;br&gt; • Outbound surveys and interviews&lt;br&gt; • Complaint and escalation process&lt;br&gt; • Discovery website and smart-phone applications&lt;br&gt; • Social media (Facebook and Twitter)&lt;br&gt; • Discovery magazine and ezine (digital magazine)&lt;br&gt; • Electronic statements&lt;br&gt; • Employer website and call centre&lt;br&gt; • Year-end revision launches and communication&lt;br&gt; • Presentations to employees of large employers&lt;br&gt; • Discovery Invest Leadership Summit&lt;br&gt; • Discovery Invest Moneyweb seminars</td>
</tr>
<tr>
<td><strong>Our employees</strong></td>
<td>• Leadership roadshows and conference&lt;br&gt; • Company-wide performance appraisals&lt;br&gt; • Annual leadership conference&lt;br&gt; • Employee engagement surveys&lt;br&gt; • Discovery intranet&lt;br&gt; • Employee roadshows&lt;br&gt; • Discover internal magazine&lt;br&gt; • Stay and exit interviews</td>
</tr>
<tr>
<td>Stakeholder group</td>
<td>How we engage with our stakeholders</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Healthcare professionals                | • Thought leadership summits  
• Engagement with healthcare professionals on specific matters, for example HealthID  
• Key account managers  
• Engagement with representative bodies on specific industry issues  
• Articles in medical journals                                                                                                                                     |
| Industry bodies, regulators and government | • Regular meetings and engagement with regulators  
• Active participation in industry bodies and debates  
• Participation in debates and engagement with government on relevant industry issues                                                                                                                                     |
| Financial advisers                      | • Discovery Insights Series  
• Product launches  
• Supporting marketing material and tools  
• Ongoing communication through electronic newsletters and website articles  
• Intermediary Advisory Forum  
• Training material and support  
• Continuous Professional Development days that form part of quarterly training  
• Recognition of high performers in Discovery’s proprietary distribution channels                                                                                                                                 |
| Investors and analysts                   | • Annual and interim financial results announcements  
• Integrated annual report  
• Investor relations website  
• Investor one-on-one meetings with institutional investors and sell-side analysts after results announcements  
• Investor roadshows                                                                                                                                                                                                          |
| The media                               | • Editor forums and round-table discussions  
• Media meetings with the Discovery leadership team  
• Discovery Health Journalism Awards  
• Discovery Rhodes Centre for Health Journalism                                                                                                                                                                               |
| Community and public healthcare organisations | • Mid-term evaluation of the Discovery Foundation  
• Discovery Foundation roadshows at universities  
• Symbolic hand-overs and site visits to community projects supported by the Discovery Fund  
• Discovery CSI engagement with employees on the Business Unit Challenge, a challenge to drive volunteerism in the business                                                                                             |
| Small to medium enterprises (SME) and entrepreneurs | • Support for incubators to help develop entrepreneurship in South Africa                                                                                                                                                         |
ENGAGING WITH THE DEPARTMENT OF HEALTH IN SOUTH AFRICA ON A COMMUNICATION PLAN TO MASS-MOBILISE COMMUNITIES

The Discovery UNICEF Immunise SA programme aims to support the South African government in its efforts to improve maternal and child health through a focus on immunisation coverage. The partnership with UNICEF, government’s local implementation partner, addresses aspects such as training, planning and vaccine management. During the year under review, Discovery’s Marketing Division worked with UNICEF and the Department of Health on a communication plan to mass-mobilise communities and raise awareness on the importance of immunisation. Our engagement with these stakeholders included meetings with representatives in the Eastern Cape and KwaZulu-Natal as well as the Department of Health to understand what the needs, experiences and lessons are. Based on these engagements, we developed a communication programme to support the National Expanded Programme on Immunisation.

The communication programme includes:

• Educational information booklets for community healthcare workers
• Information leaflets for mothers
• Information posters for clinics
• Branded carry-bags for mothers
• Branded umbrellas for healthcare workers
• A five-minute documentary video clip for the Discovery website and YouTube
• A six-week radio campaign in the Eastern Cape and KwaZulu-Natal
• Advertising billboards in the two provinces.

At the time of writing the report, we have completed the radio and billboard elements of the plan. We are currently completing and rolling out the rest of the communication plan elements.

EMPLOYEE ENGAGEMENT SURVEY

As Discovery has done over the past few years, we conducted an employee engagement survey to understand the level of employee engagement in our business. This year we used Towers Watson to conduct the survey. The results showed that at a Discovery Group level we did extremely well when compared to the South African norm. We were also above the International High Performance norm in some categories.

Through these results we have been able to identify areas in which we are performing well in order to build on these strengths, as well as areas where we must improve.

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 highlighted areas for improvement for us too. Some employees believe that management style does not always encourage employees to give their best. There is also a concern over personal wellbeing. Some employees were unsure whether there would be follow-through on the survey results.

Our next steps

Based on the results of the survey, we will continue to build on our strengths. We have also identified two areas to develop further across the company: leadership and career opportunities. Aspects to look at include a renewed focus on strategic leadership development within our Leadership Charter and company values, a focus on developing potential long-term career paths, and development opportunities. We analysed feedback and results by division and gave feedback on the results and actions to all employees. Further actions include implementing an online tracking mechanism with quarterly updates from managers on their progress against commitments.
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.
With a population of 50 million, only a small number of South Africans – eight million – have access to private healthcare while 42 million South Africans who are not covered by medical aid, and do not 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.

Discovery is committed to contributing to our healthcare system, by helping more South Africans have access to quality healthcare. By using our cumulative expertise in the healthcare industry, we are able to strengthen and support the country’s healthcare system, especially in the public healthcare sector.

It is widely known that South Africa has some of the best medical centres and specialist care in the world, yet much still needs to be done. Like our BRICS counterparts, we are making a contribution to shaping global consensus on healthcare solutions for different conditions, but we still face enormous healthcare challenges as a country. Some of the most critical challenges are a shortage of qualified medical practitioners and specialists; a need for more medical academics in our medical schools to train a new generation of medical practitioners; poor hospital and clinical infrastructure; and a tiny pool of researchers and clinical scientists dedicated to researching new medical technologies and developments that will lead to innovations in the healthcare sector.

Our eight medical schools produce a combined 1 200 medical graduates each year, and this is not enough to service South Africa’s healthcare needs. Half of these graduates choose to practise abroad once they graduate, and a large percentage of those who remain in South Africa work in the private healthcare sector rather than in the public healthcare sector where their skills and expertise are greatly needed. The country’s doctor-to-patient ratio magnifies this shortage, as there are only 77 doctors per 100 000 people, well below the World Health Organization’s recommended benchmark of 166 doctors per 100 000 people. With over 100 000 vacancies waiting to be filled, much needs to be done to address this shortage. These healthcare challenges are usually not addressed because of a lack of funds, highlighting the critical role the private sector can play in supporting the Department of Health’s mandate to strengthen and improve the country’s healthcare system.

Despite these challenges, we are seeing a few success stories emerge from our healthcare sector. Global Health Strategies recently conducted a study on the BRICS countries to see how these countries are making innovative contributions to reshaping issues around global health and development. The report found that although South Africa has the highest burden of infectious diseases of BRICS, the country is a hub for research and development and clinical research focused on infectious diseases, and is making significant contributions in the fight against TB.

Some of the most critical challenges are a shortage of qualified medical practitioners and specialists; a need for more medical academics in our medical schools to train a new generation of medical practitioners; poor hospital and clinical infrastructure; and a tiny pool of researchers and clinical scientists dedicated to researching new medical technologies and developments that will lead to innovations in the healthcare sector.

Building on South Africa’s emerging role as a leading research hub, Discovery is able to make a difference through the Discovery Foundation, which forms part of our corporate social investment programme. The Discovery Foundation was established in 2006 with the aim of supporting and strengthening South Africa’s healthcare sector by investing over R150 million in the training and education of 300 medical specialists in the public healthcare sector over 10 years. To date, the Discovery Foundation, which is in its sixth year, has invested over R80 million in research and training grants to over 160 specialists and to 38 healthcare institutions. The Foundation funds specialist training and education in the following areas: Academic Medicine research, sub-specialist training, and rural healthcare. Some of the areas of focus include HIV and AIDS, TB, neurology, kidney disease, pneumonia, paediatrics, cancer, pharmacology, septic arthritis, gynaecology and obstetrics, critical care, and cardiology.

Discovery Foundation recipients, both past and present, are focused on numerous initiatives that will help boost South Africa’s healthcare system in a number of ways. Some of these initiatives include participation in landmark studies, conducting research towards future vaccines for TB, cytomegalovirus and Group B Streptococcus, drug resistance research that will lead to better policy-making decisions concerning treatment, and the training of the next generation of medical graduates. All these research and training activities will help to strengthen South Africa’s healthcare system and position South Africa as a world leader in creating innovative healthcare solutions. The Discovery Foundation is just one example of how public-private partnership initiatives can support the Department of Health’s mandate to improve and deliver quality healthcare to South Africans.