

About our report

We provide information about our reporting for the past financial year

004

“ Our report for this year is entitled *Innovation for good*. It is a bold statement, but one we believe tells the story of Discovery: how we have performed during the past year, what is important for us and where we are heading. ”

Performance reviews for 2011

“ During the past year we delivered on key strategies to deliver value for our clients and build a quality and sustainable business for all stakeholders. ”

Annual Financial Statements

Our annual financial results for the financial year
Shareholder and additional information

126
250





**This section provides an overview of Discovery:
our group structure, companies, key facts, business
model and framework for sustainable development**

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Corporate Governance

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how we manage our business in a responsible,
ethical and transparent manner**

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Discovery was established in 1992, initially as a specialist risk manager in the private health insurance market. We have since expanded into an integrated financial services organisation with nearly five million clients in South Africa (SA), the United Kingdom (UK), United States of America (USA) and China. Our products and services include health insurance, life assurance, long-term savings and investment products, short-term insurance, credit card products and wellness benefits.

OVATION

for good

We understand the importance of good health and overall wellness, which is why we work every day to make people healthier and to enhance and protect their lives. For nearly 20 years, we have used the principles of innovation, wellness and consumer engagement to deliver quality products and services that meet the needs of our clients. In delivering on our core purpose, our aim is to have a positive impact on people's lives, throughout their lives.

Our products and services help improve the health and wellness of our clients, protect their financial future and enhance the quality of their lives. Continuous innovation, made possible by talented and dedicated employees, also changes our markets and industries, bringing about positive social change. This is the driving force behind our financial strength, growth and future sustainability.

Discovery occupies a central role in South Africa's healthcare sector and life assurance industry as well as the other industries in which we operate. As one of the country's leading businesses, we make an important contribution to the South African economy. With this comes the responsibility to be an ethical and effective leader that understands the risks and opportunities of our business, engages with stakeholders and has a positive impact on society.

About our report

004

“Our report this year is entitled ***Innovation for good***. It is a bold statement, but one we believe tells the story of Discovery: how we have performed during the past year, what is important to us and where we are heading. Innovation today is a key requirement for companies to gain competitive advantage and meet client needs within an increasingly complex environment. The challenge for companies globally is to not only be innovative with the products and services they design, but also to ensure that these innovations have a positive impact on society.”

In this report, we provide an overview of Discovery's performance in the context of a complex financial, economic, social and environmental setting. We hope to illustrate the role that innovation plays in our performance.

How our reporting has developed during the past year

In reporting in an integrated way on our performance, we followed the recommendations of the King III Code of Governance Principles, the Framework for Integrated Reporting and the Integrated Report Discussion Paper released in January 2011, as well as the Global Reporting Initiative principles.

Our integrated report is the result of work done by a combined team that involves Discovery's Finance, Risk, Compliance, Sustainability, Operational and Marketing divisions. Our Financial Director, Richard Farber, is the project leader.

Understanding sustainability issues for Discovery

During the past year, our Sustainability Division facilitated various internal dialogues to understand what our business views as material issues and risks. The outcomes of these dialogues identified the key areas where Discovery can play a leadership role and have a positive impact on society. We further determine and define material issues that impact our business according to the business strategy and objectives for each operational area.



The report on our sustainability performance for 2011 is on page 34.



For more detail on Discovery's sustainability initiatives, go to www.discovery.co.za for our Report to Society.

The scope and boundary of our report

We report on strategic and material information for all operating subsidiaries. In some instances, data and information were only available for the South African operations. In future reporting cycles, we aim to develop our reporting processes to include our businesses in the UK, the USA and China, in line with the Global Reporting Initiative guidelines. We prioritise topics according to the important stakeholder groups we impact and the factors we believe are important for each business area in Discovery.

Global Reporting Initiative (GRI) level

Through our Integrated Annual Report and Report to Society, we self-declare a GRI Application level B.



Data collection method

During the year we completed work on an integrated performance management system that will help us track our progress against targets. We have also worked with each business area to understand the business objectives and risks.

How we report to our stakeholders

We report in the following ways on our performance:

- Annual and interim financial results announcements
- Integrated Annual Report
- Discovery website and dedicated Investor Relations website
- Discovery Report to Society and GRI information available online
- Investor roadshows.

Our previous Annual Report was published for the financial year 1 July 2009 to 30 June 2010. The period for this report is 1 July 2010 to 30 June 2011.

Our contact details

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HEAD OF DISCOVERY PEOPLE AND
SUSTAINABLE DEVELOPMENT

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Approval by the Discovery Board of Directors

The Board of Directors approved the Discovery Integrated Annual Report on 14 October 2011, 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 Transformation and Sustainable Development Committee

The Transformation and Sustainable Development 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 2011 Integrated Annual Report provides an accurate and integrated view of Discovery's performance during the past financial year.

Signed by the Chairperson of the Transformation and Sustainable Development Committee:

Sindi Zilwa

Statement from 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 performed, in our opinion, the report:

- Provides confidence in the information presented within the report. The level of data accuracy was found to be within acceptable limits, and additional improvements were recommended to Discovery management to reduce 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 initiatives
- Contains quantitative data which is free from material misstatement

All suggested changes were satisfactorily addressed by Discovery management before finalising the report.

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

Your comments on our report

It is important for us to give our stakeholders relevant information on how our company has performed. We therefore appreciate your comments and feedback on our report. Send your comments to: askthecfo@discovery.co.za

Information for readers of our 2011 Integrated Annual Report

You can find the following information in our 2011 Integrated Annual Report:

- Our progress during the past year
- Views from Adrian Gore, Discovery's Chief Executive Officer
- Interview with Richard Farber, Discovery's Financial Director
- Our performance during the past year
- Highlights for 2011
- More about Discovery
 - Where we make a difference
 - Our business strategy
 - Discovery's Board of Directors and Executive Committee
- Our stakeholders
- Corporate Governance
- Annual Financial Statements

Preparation of Annual Financial Statements

Our Annual Financial Statements for the year ended 30 June 2011 were:

Prepared by

L Capon CA(SA)
L van Jaarsveldt CA(SA)

Assisted by

M Palmer
D Argyle
N Ntuli
W Letchman

Supervised by

R Farber CA(SA), FCMA

Audited by

PricewaterhouseCoopers Inc.

How we report on our progress

Throughout the report we indicate our progress in terms of 'priority achieved', 'priority ongoing', and 'priority not yet started'.

Key to symbols

- Priority achieved
- ◐ Priority ongoing
- Priority not yet started

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

Innovation and financial prudence

Integration

Wellness

Consumer engagement

Incentive-based insurance

Our framework for sustainable development

In delivering on our core purpose and key business strategies, we focus on six key areas of sustainability.



Read more about our sustainability performance on page 34 of this report.

1

A values-based culture of opportunity and innovation

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

2

Strengthen the healthcare system and expand access to care

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

3

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

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

Our business model

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

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

We use innovation to disrupt markets and create value. Central to our business model is the ability to combine and balance innovation with financial prudence and a focus on meeting consumers' needs by creating products and services that deliver value and efficiency.

Our best-of-breed products and services enable us to use the principle of integration to give consumers value by creating efficiency and long-term value. Our product offerings integrate seamlessly through the Vitality programme and DiscoveryCard to enhance value for clients. Integration as a key strategic competency creates efficiency and long-term loyalty, thereby contributing to the profitability and sustainability of our business.

Our philosophy is to contribute to a healthier society by giving people access to healthcare and encouraging healthy behaviour and lifestyles. Across our product offerings, we provide consumers with the tools and incentives to become healthier through Vitality. Vitality is a unique differentiator and driver of competitive advantage and has been scientifically proven to improve health outcomes and lower healthcare expenses.

A focus on consumers and their needs form the basis of our approach. Our client-centric approach aims to create products which fully engage our clients, bring positive change in their behaviour and offer them real value.

Incentive-based insurance applies the principles of behavioural economics to insurance. Through a combination of financial incentives and increased client knowledge, an incentive-based insurance model structurally reduces the cost of insurance and significantly improves the value consumers receive.

4

Use the principles of behavioural economics to drive positive behaviour change

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

5

Promote a stable society

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

6

Our environmental responsibility

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

About Discovery

Key facts

008

6 323
employees

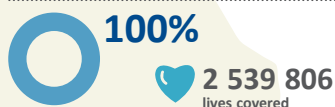
726
employees

South Africa

The industries in which we operate

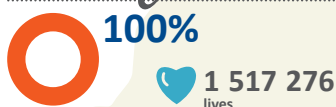
- Health insurance
- Life assurance
- Long-term savings and investments
- Short-term insurance
- Wellness and lifestyle benefits
- Credit card

Discovery Health



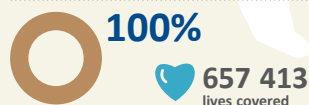
Launched in 1992. One of South Africa's leading healthcare funders and administrator of the largest open medical scheme in South Africa. Read about Discovery Health's performance on page 46.

Discovery Vitality



Launched in 1997. Science-based wellness programme, competitive differentiator and value creator. Read more about Vitality and DiscoveryCard on page 70.

Discovery Life



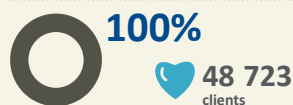
Launched in 2001. Discovery Life is South Africa's fastest growing major life insurer in the risk market, and the first South African insurer to separate risk from investment, leading significant change in the industry. Go to page 56 for more information on Discovery Life.

Discovery Card



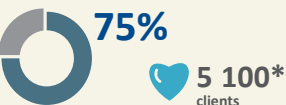
Launched in 2004. A Visa credit card offering that integrates with the Vitality and VitalityDrive™ programme to give clients cash back on shopping and travel.

Discovery Invest



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

Discovery Insure



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

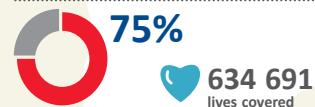
* Number of policies sold at the time of writing the report

United Kingdom

The industries in which we operate

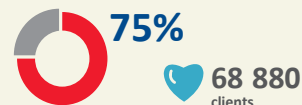
- Health insurance
- Life assurance
- Wellness and lifestyle benefits

PRUHEALTH



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

PRUPROTECT



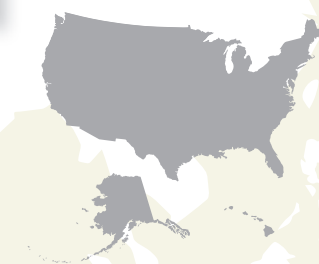
Launched in 2007. PruProtect offers pure-risk protection products in the UK market and is the only life insurer to give clients the opportunity to reduce their monthly premiums when they look after their health with Vitality. Read about PruHealth and PruProtect on page 76 and 80.



Visit www.pruhealth.co.uk for more information about PruHealth's unique approach to healthcare in the UK private medical insurance market.



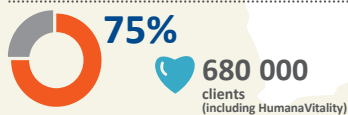
Visit www.pruprotect.co.uk for more information about how PruProtect offers comprehensive life cover, serious illness cover and income protection cover in the UK market.

54
employees

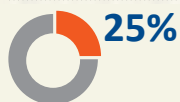
United States of America

The industry in which we operate

- Corporate wellness solutions



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



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



Go to www.thevitalitygroup.com and www.humana.com/vitality for more information about Vitality in the USA market.

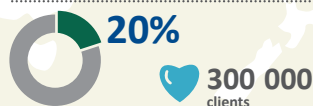
4
employees

China

The industry in which we operate

- Health insurance

中国平安 PING AN



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

About Discovery

Where we make a difference

010

Our area of expertise

Consumer-engaged health assurance

Our health assurance subsidiaries – Discovery Health in South Africa, PruHealth in the UK and our joint venture with Ping An Health in China – offer sustainable health assurance products that aim to make people healthier and provide comprehensive cover for medical expenses when they are ill.

Our innovations

Discovery Health pioneered the Medical Savings Account that enables consumers to control their day-to-day healthcare spending. Traditionally, medical schemes followed a 'use-it-or-lose-it' structure that created perverse incentives for consumers to overspend on day-to-day healthcare costs. Cover typically started at the first Rand and limits, especially on large hospital accounts, were used to control costs. This had a negative impact for members who could not access benefits when they needed them most.

Discovery Health's philosophy has been to provide members with extensive cover when they are really ill and need it most. These are generally large and unforeseen illnesses where members have no control, and only affect a small percentage of the membership base at any time. Day-to-day expenses are usually within a member's control and affect many more members at any given time. Discovery Health's Medical Savings Account structure brought a 'use-it-or-save-it' approach to medical schemes that helped to lower costs.

Our area of expertise

Consumer-engaged life assurance

Through Discovery Life in South Africa and PruProtect in the UK, we offer flexible and relevant protection products that meet people's needs. We price these products dynamically to offer better value for money.

Our innovations

When Discovery Life entered the life assurance market, the industry had been stagnant for many years. The universal life policy, which combined risk cover with an investment element, dominated the market. This led to increasing dissatisfaction from consumers during the 1990s as volatile investment markets were delivering poor returns, which compromised the value of policyholders' risk benefits.

Discovery Life was the first life insurer in South Africa to create a policy focused entirely on risk protection. The Discovery LIFE Plan provided immediate cover for the financial impact associated with health-related risks such as disability, illness and death. This led to lower premiums and affordability for consumers as competitors re-engineered their products. Today, risk-only life assurance products are the dominant type of long-term risk insurance products sold.

Our area of expertise

Long-term savings and investment products

Discovery Invest offers consumers a unique and comprehensive product range that addresses the current gaps in the market by offering greater protection against poor investment choices.

Our innovations

The investment industry was largely efficient at the time of Discovery Invest's launch. Consumerism has driven costs lower, provided greater choice and transparency for investors, and contributed to the emergence of specialist asset managers. Discovery Invest focused on product differentiation and investment protection in its product design. We capitalise on the breadth and skill of the asset management industry and combine this with the integration capabilities of Vitality and Discovery Life. In this way we are able to offer investors greater efficiency and protection against poor investment choices.

CASE STUDY

The power of Medical Savings Accounts

A study published by Discovery Health, covering over three million lives' years data, showed that people spend 49% less on elective day-to-day care when they spend through a Medical Savings Account, compared to insured benefits. At the same time, they do not give up preventive care or experience worse health outcomes.

(Shaun Matisonn, "Medical Savings Accounts and Prescription Drugs: Evidence from South Africa" NCPA Policy Report No 545, August 2002)

CASE STUDY

Objective criteria with Discovery Life

At the time of Discovery Life's launch, claim repudiations were one of the major causes of consumer complaints about the life assurance industry. The industry relied on subjective, occupation-based definitions to assess disability claims. This meant that if a policyholder was partially or temporarily disabled, payouts were typically minimal. To address this, Discovery Life developed objective criteria for claims assessment that focus on categories of medical impairment. If a claim matches the criteria for a specific category, Discovery Life makes a pre-defined payment based on the severity of the impairment.

CASE STUDY

Protection against market volatility with Discovery Invest

The RightChoice™ Investment and Escalator Funds are aimed at protecting investors against market volatility. These products allow investors to adjust their returns automatically at payout stage should the fund they choose deliver lower returns than an alternative investment decision.

Our area of expertise

Wellness

Vitality is our science-based wellness programme that encourages people to adopt a healthier lifestyle.

Our innovations

Vitality has been proven to help reduce long-term healthcare costs by removing cost as a barrier to access a healthy lifestyle, and encouraging people to adopt healthier lifestyle habits.

It underpins all Discovery's businesses and is an important mechanism to integrate products and deliver additional value.

Our area of expertise

Credit card product

The DiscoveryCard is our Visa credit card offering that unlocks a world of rewards for clients through cash back on shopping, travel and Discovery Miles.

Our innovations

DiscoveryCard is a new-generation credit card that provides a mechanism to further incentivise better health among members. It also provides further integration opportunities.

Our area of expertise

Short-term insurance market

Through Discovery Insure, we offer comprehensive short-term insurance products. Coupled with this product offering is our incentive-based driver programme, VitalityDrive™, that encourages clients to improve their driving, thereby reducing their risk.

Our innovations

We have leveraged the behavioural expertise developed in the Vitality programme, in combination with the latest motor telematics technology, to create incentive-based short-term insurance products. Through VitalityDrive™, we dynamically reward individual driving behaviour and fundamentally change the short-term insurance value proposition.

CASE STUDY

VitalityDrive™ draws on the latest technologies and Discovery's expertise in behavioural economics

The programme uses the latest motor vehicle telematics technology – DQ-Track™ – and proprietary behavioural algorithms to develop a scientific measure of driver behaviour, the Driver Quotient™. A driver's Driver Quotient™ measures the key aspects of a person's driver intelligence. Policyholders can improve their Driver Quotient™ in various ways and earn DQ Points™. The more DQ Points™, the more rewards a policyholder can earn.

Our milestones

March 1992:

Adrian Gore establishes Discovery with the support of RMB Holdings

February 1993:

Discovery introduces first consumer-driven healthcare plans that combine actuarial risk management and a Medical Savings Account underpin

October 1997:

Discovery launches Vitality, a groundbreaking science-based wellness programme

September 1999:

Discovery lists on the Johannesburg Securities Exchange

October 2000:

Discovery launches Discovery Life, a life assurance subsidiary

October 2002:

Discovery Health launches KeyCare, a product range for the previously uninsured market

April 2004:

Discovery and Prudential plc announce UK private medical insurance joint venture, PruHealth

October 2004:

Discovery enters the credit card market with the DiscoveryCard, a Visa credit card offering

September 2007:

Discovery and Prudential plc launch PruProtect, a UK life assurance company

October 2007:

Discovery launches Discovery Invest, a linked investment service provider specialising in long-term savings and investments

December 2009:

Discovery enters into an agreement with Ping An Health Insurance Co. of China Ltd, a wholly-owned subsidiary of Ping An Insurance (Group) Company of China, Ltd, to acquire a 20% share in the company

August 2010:

Discovery acquires Standard Life Healthcare, previously a wholly-owned subsidiary of the Standard Life Group and the UK's fourth-largest private medical insurance (PMI) provider, thereby increasing its shareholding of PruHealth and PruProtect to 75%

February 2011:

Discovery announces a joint venture with Humana, the fourth-largest health insurer in the USA, to launch HumanaVitality, in which Discovery holds a 25% stake. HumanaVitality provides its commercial plan members with access to the Vitality programme

May 2011:

Discovery launches Discovery Insure, our short-term insurance company, and VitalityDrive™, an incentive-based driver programme modelled on the principles of Vitality

About Discovery

Our performance highlights in 2011

012

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

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

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

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

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

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

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

680 000 members committed on Vitality in the USA

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

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





Read our detailed performance reviews
on page 30.

Key to symbols

● Priority achieved

◐ Priority ongoing

○ Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Creating benefit and contribution stability for the Discovery Health Medical Scheme members and improved quality of care	<ul style="list-style-type: none"> Average contribution increase of 7.9% for 2011 Benefit enhancements introduced 	◐
Continued product innovation for Discovery Life that leverages the integration capabilities of Discovery Vitality	<ul style="list-style-type: none"> New products launched: AccessCover™, Philanthropy Fund, Income Continuation Benefit Extender 	●
Developing targeted product offerings for Discovery Vitality	<ul style="list-style-type: none"> We launched KeyFIT, our wellness programme aimed at the KeyCare market 	●
Investing in the international capabilities of Vitality	<ul style="list-style-type: none"> We have invested in the core capabilities of Vitality with a view to rolling it out in other markets 	◐
For Discovery Invest, a continued focus on distribution support, product innovation, brand credibility and awareness	<ul style="list-style-type: none"> Discovery Guaranteed Escalator Annuity™, Discovery Classic Flexible Investment Plan, Discovery Best Ideas Fund and Discovery Global Escalator Fund launched We hosted the second Discovery Invest Leadership Summit 	●
Leveraging the strengths of Standard Life Healthcare and PruHealth to create the leading private medical insurance provider in the UK	<ul style="list-style-type: none"> We started integrating the Standard Life Healthcare business into the PruHealth business. New product range launched 	◐
Focusing and developing integration opportunities across Vitality and PruProtect	<ul style="list-style-type: none"> We launched VitalityPlus in the UK market. Innovative benefit enhancements launched, including Education Cover product 	◐
Completing our stakeholder engagement on our environmental policy and strategy and implementing our policy	<ul style="list-style-type: none"> Internal stakeholder engagement completed Environmental and climate change policy completed 	◐
Agreeing on and implementing reduction targets	<ul style="list-style-type: none"> We have not agreed on specific reduction targets yet We are currently investigating different ways of reducing our energy usage 	○
Implementing recommendations from the energy efficiency audit to further reduce our electricity consumption	<ul style="list-style-type: none"> We are currently investigating different ways of reducing our energy usage 	○
Delivering on the environmental initiatives identified by the Green Forum	<ul style="list-style-type: none"> Discovery currently operates a 60% paperless environment in the area of communication to clients Discovery's Green Forum is investigating reducing our reliance on paper even further in other areas of the business 	◐
Formulating and rolling out awareness and communication campaigns to educate our employees on environmental issues	<ul style="list-style-type: none"> Employee awareness campaign hosted on World Environment Day 	◐
Rejuvenating our core values throughout Discovery	<ul style="list-style-type: none"> Project to rejuvenate Discovery's core values throughout the business started in the second half of 2011 	◐
Continuing to embrace diversity in our business to meet our transformation goals	<ul style="list-style-type: none"> Targeted mentorship and development programme implemented in 2010. The Discovery CEO programme is aimed at developing high-potential, primarily black senior leaders at Discovery 	◐
Fully integrating and aligning the Standard Life Healthcare team into Discovery	<ul style="list-style-type: none"> Successful integration of Standard Life Healthcare team into PruHealth First PruHealth Leadership Conference hosted 	●
Continuing to develop our leaders	<ul style="list-style-type: none"> The Discovery Leadership Architecture, aimed at developing leaders at all management levels, was completed during the year 	◐

A summary of our progress in 2011

014

Key to symbols

● Priority achieved

◐ Priority ongoing

○ Priority not yet started

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

Our key priorities for 2012 and how we aim to address them

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

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

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

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

Build financial strength and sustainability to benefit all stakeholders

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

Invest in the talent of our people

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

Deliver innovation for the benefit of our clients

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

About Discovery

Our key risks

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“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 in Discovery.”



Read our full Risk Management Report on page 107.

What we have done during the past year

All categories of risk are important for the sustainability and continued performance of our business. During the past year our Sustainability Division completed a stakeholder engagement process to identify and understand risks that relate specifically to sustainability issues for Discovery. From this process, we were able to develop a sustainability performance management system that enables us to monitor our sustainability performance against our strategic priorities.

Our risks and what we do to manage them

Type of risk for our business	What we do to address this risk
Strategic risk Strategic risk refers to the negative impact poor business decisions, improper strategy implementation or lack of responsiveness to industry changes may have on the current or prospective earnings of Discovery	<ul style="list-style-type: none">• We manage strategic risk according to Discovery's Enterprise Risk Management Framework• Strategic goals, objectives, corporate culture and ethics are communicated and applied throughout the business• Strategic initiatives are supported by sound due diligence and strong risk management processes and systems
Insurance risk This type of risk relates to the inherent uncertainty of insurance liabilities, such as frequency, amount and timing. It includes adverse mortality, morbidity and lapse experience	<ul style="list-style-type: none">• Mismatching and market risk is managed by recognising premium and benefit increases on insurance contracts. This is in line with the lowest increase option available to the policyholder that will not require any other changes of premiums relative to benefits• Lapse risk is managed through new product offerings; commission clawbacks are implemented where a policy lapses within the first two years of inception; maintaining client relationships to establish reasons for cancellations and to possibly conserve the policy; reinsurance; and lapse experience monitoring on a monthly basis• Mortality and morbidity risk is managed through product design and pricing. Products are carefully designed to minimise adverse selection. Rating factors are applied to standard premium rates to differentiate between different levels of risk
Financial risk The risk that Discovery will be unable to meet its expected level of profitability or its financial obligations. This type of risk is primarily a function of credit, market, liquidity and financial performance risks	<ul style="list-style-type: none">• We have appointed reputable external asset managers to manage our investments• The Actuarial Committee reviews the overall matching of shareholder and policyholder assets• The Shareholders Assets Investment Committee (SAIC) is a sub-committee of the Executive Committee and meets quarterly to focus on shareholder assets and the performance of asset managers responsible for managing these assets. The SAIC also sets exposure limits for exposure to individual counterparties• Discovery periodically engages with external consultants to review past investment decisions• The Investment Committee is a sub-committee of the SAIC and meets monthly to make practical decisions regarding Discovery's liquidity and foreign currency exposure
Operational risk This is the risk of loss caused by poor or failed internal processes, people and systems. It may also be caused by external events	<ul style="list-style-type: none">• We manage this risk through an Operational Risk Management Framework. This framework aims to focus the business on key success and risk factors. It also ensures that risk management is integrated into line management• Our Group Internal Audit, Group Compliance, Legal and Group Risk Management functions oversee the management of operational risk throughout the business

Type of risk for our business	What we do to address this risk
Business continuity risk This risk relates to Discovery's inability to recover operations in the event of unexpected disruptions and disasters	<ul style="list-style-type: none"> Through business continuity management we assess business needs and identify weaknesses We also ensure that current business continuity strategies and plans are tested yearly and are up to date
Legal risk This is the risk of loss relating to ambiguity, errors and omissions in contracts resulting in the inadequate protection of the interests and assets of Discovery, or the exposure to possible claims against the business	<ul style="list-style-type: none"> We have control measures in place to monitor new legislation and to identify and manage significant legal risks
Information security This risk relates to a loss of data or unauthorised access to confidential data	<ul style="list-style-type: none"> We have control measures in place to protect Discovery's information assets and to ensure the confidentiality, integrity and availability of Discovery's information Our Information Security Policy defines our objectives for managing information security and outlines the processes needed across the business to ensure the security of information
Compliance risk Compliance risk is the risk of legal or regulatory sanction, material financial loss or damage to reputation. This may happen if a business does not obey legislation, regulations, rules, organisation or industry standards and codes of conduct	<ul style="list-style-type: none"> Discovery's Compliance Division supports the various operational areas to identify and manage their compliance risks
Fraud and security risk This risk relates to issues that impact the safety of our clients, employees and assets. Fraud is a risk for our business as it is a major contributor to rising healthcare costs in the medical scheme industry, as well as the life assurance industry	<ul style="list-style-type: none"> Discovery's Code of Conduct stipulates ethical behaviour of all managers and directors, including non-executive directors, employees and third-party suppliers We have a zero-tolerance approach to any form of fraud, dishonesty or betrayal of trust. Employees involved in fraudulent activity will face disciplinary action, dismissal and even criminal charges Our Forensic Services Department is responsible for managing the risk of fraud in Discovery. This department monitors and manages all incidents of internal and external fraud and corruption We run an active anti-fraud programme that includes an anonymous fraud tip-off line that is open to employees and the general public All new employees receive information about Discovery's Code of Conduct and fraud policy during induction
Macro-economic, social and environmental risk This risk refers to a range of issues that may impact the sustainability of Discovery. It may include internal and external stakeholder issues, as well as social and environmental risk	<ul style="list-style-type: none"> Discovery's Sustainability Division oversees internal and external stakeholder engagement and the identification of factors that impact the sustainability of our business Performance is monitored against targets set by each business area

About Discovery

Our stakeholders

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“Our business impacts various stakeholder groups such as employees, clients, suppliers, financial advisers and the regulators. The way we interact with our stakeholders, and importantly, how we conduct our business, are key aspects for Discovery’s long-term sustainability.”

In the normal course of business, we regularly engage with and talk to our stakeholders. From time to time, we may also speak to selected stakeholder groups on specific issues. King III promotes the ‘stakeholder inclusive model’ where the Board considers the legitimate interests of all stakeholders when making decisions in the best interests of the company. This may mean integration and a trade-off between the interests of different stakeholders at different times, to meet the objectives of the company. The Board is responsible for ensuring that the company’s strategic objectives are met within a framework of sustainable development and corporate responsibility.

What we have done during the past year

We reported in our Annual Report for 2010 that we started work on understanding sustainability for Discovery. Working with Incite Sustainability and Global Carbon Exchange, we started a dialogue process with all internal stakeholders. Following these dialogues, we identified the key sustainability issues that are important for Discovery. Our Transformation and Sustainable Development Committee, a sub-committee of the Board, as well as the Executive Committee, reviewed and gave input on the key issues.

Our next step was a change management programme aimed at broadening the scope and understanding of sustainability issues relating to our day-to-day business operations. As part of this change management programme, we started an internal stakeholder engagement process to talk to our employees about sustainability and what this means to Discovery. This included Future Visioning workshops with the senior leadership team at Discovery, as well as dialogues on risk. In addition to these workshops, we also started a sustainability change agent network that consists of employees from all business areas in Discovery to act as sustainability champions throughout the business. This process assists us in embedding sustainability into the organisation.

A framework to manage our engagement with our stakeholders

During the year, we started work on a framework to manage our relationships and engagement with all stakeholders. The framework has been developed using an internationally accepted standard, the AccountAbility AA1000 Stakeholder Engagement Standard. The AA1000SES assists companies in detailing the following:

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

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

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

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

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

Stakeholder group	How we engaged with our stakeholders during the past year	Examples of outcomes from stakeholder engagement
Industry bodies, regulators and government <p>The industries in which we operate and the regulators that govern our industries are important stakeholders to us. We have a responsibility to engage with the regulators and industry representatives on key industry issues</p>	<ul style="list-style-type: none"> Regular meetings and engagement with regulators, including the National Credit Regulator, Financial Intelligence Centre, the Council for Medical Schemes, Department of Trade and Industry, Financial Services Board in South Africa, the Association of Savings and Investments of South Africa (ASISA) and the Financial Services Authority in the UK Active participation in industry bodies and debates 	<p>We actively engage with the Government and regulators to contribute to strategic development initiatives in our industries. This included:</p> <ul style="list-style-type: none"> Participation in ASISA forums about various changes in the regulatory environment Participation in industry forums on the Protection of Personal Information Act Continuing our participation in the industry regulatory workshop, the Solvency Assessment Management project Continuing our work with industry stakeholders to develop an industry code that will address the requirements of the Consumer Protection Act. Continuing our support for the Prescribed Minimum Benefits project to finalise the Code of Conduct
Financial advisers <p>We work with independent financial advisers and Discovery proprietary distribution channels to ensure proper financial advice to our clients</p>	<ul style="list-style-type: none"> Discovery Insights Series Product launches for Discovery Health, Discovery Invest, Discovery Insure and Discovery Life 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 for high performers in Discovery's proprietary distribution channels 	<ul style="list-style-type: none"> The Discovery Insights Series is a series of regular workshops on relevant industry topics. These workshops are aimed at equipping financial advisers to provide high-quality advice and service on complex financial products A range of additional knowledge courses offered by our training department We introduced development consultants to ensure business consultants are best equipped to market our products Recognition programmes aim to increase new business and quality service to clients
Investors and analysts <p>Investors and analysts are important stakeholders to us, as their perception of our performance could impact how the market views Discovery</p>	<ul style="list-style-type: none"> Annual and interim 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 	<ul style="list-style-type: none"> We received the Investment Analyst Society award for "Best Company Presentation to the Society" for companies with a market capitalisation above R20 billion We received the Nkonki Financial Mail Integrated Reporting survey award. Discovery's Integrated Annual Report was rated second of the 15 financial sector company reports
The media <p>The media has an important role to play in public debates about healthcare, financial services and wellness. Our engagement with the media helps us to build necessary relationships</p>	<ul style="list-style-type: none"> Editor forums and round-table discussions Media lunches Discovery Health Journalism Awards Discovery Rhodes Centre for Health Journalism 	<ul style="list-style-type: none"> The Discovery Health Journalism Awards help to develop health reporting in South Africa – a critical factor for encouraging health debate in South Africa. During the year we awarded the second group of awards to journalists Specialist courses offered in health journalism as part of our partnership with Rhodes University support the objective of the Discovery Health Journalism Awards

Stakeholder group	How we engaged with our stakeholders during the past year	Examples of outcomes from stakeholder engagement
Small to medium enterprises (SME) and entrepreneurs We have partnerships with small and medium businesses, as well as entrepreneurs that form part of our supply chain. Through our enterprise development investments, we help develop and grow young and talented entrepreneurs	<ul style="list-style-type: none"> Working with Enterpriseroom, a specialist enterprise development consultancy, to develop our enterprise development programme further Support for incubators to help develop entrepreneurship in South Africa 	<ul style="list-style-type: none"> Discovery has provided R3 million to the Awethu Project, an initiative launched in April 2010 to develop entrepreneurial potential in young South Africans from poor communities
Community and public healthcare organisations We are able to use our resources to help support and develop our communities in the area of healthcare. We currently provide ongoing support to 32 community healthcare organisations. We have provided grants and scholarships for medical specialist training to 143 healthcare professionals	<ul style="list-style-type: none"> Symbolic hand-over meetings with community projects and one-on-one meetings Meetings with deans and medical schools for the Discovery Foundation Discovery Foundation Alumni Conference, aimed at giving recipients the opportunity to build relationships and networks with their peers Discovery volunteers provide long-term support for community projects through the Adopt a Project programme 	<ul style="list-style-type: none"> We hosted the fourth Discovery Foundation Alumni Conference in June 2011 The Discovery Foundation has commissioned Health and Development Africa (Pty) Ltd to conduct a mid-term evaluation of the Foundation Awards programme. The outcomes of this report will contribute to the Foundation's strategic direction for the next five years



1 Dr Brian Brink (59)

BSc (Med), MBCh, 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. He is the Chief Medical Officer at Anglo American.

- **Expert health and medical knowledge**
- **Understands sustainable development issues**

2 Peter Cooper (55)

BCom (Hons), HDip Tax, CA(SA)
NON-EXECUTIVE DIRECTOR,
APPOINTED IN 2008

Peter is the Chief Executive Officer of RMI Holdings. He is a chartered accountant by training.

- **Financial expertise**
- **Corporate and structured finance management**

3 Jan Durand (43)

BAcc (Hons), MPhil, CA(SA)
NON-EXECUTIVE DIRECTOR,
APPOINTED IN 2011

Jan is a qualified chartered accountant and is currently the Chief Investment Officer of Remgro Ltd.

- **Financial expertise**
- **General business management experience**
- **Investment and corporate finance expertise**

4 Steven Epstein (68)

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 US-based health law firms.

- **Specialist legal expertise in the area of healthcare**

5 Richard Farber (40)

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 (47)

BSc (Hons), FFA, 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 (71)

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 (36)

BEconSc, 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 for Discovery.

- **Actuarial expertise**
- **Strategic business management experience**
- **Marketing and distribution expertise**

9 Neville Koopowitz (47)

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 (59)

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 (51)

BSc (Hons), FIA, FASSA
CHIEF EXECUTIVE OFFICER:
DISCOVERY LIFE, DISCOVERY INVEST
AND PRUOTECT, 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**

12 Vhonani Mufamadi (42)

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**

13 Dr Ayanda Ntsaluba (51)

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**

14 Les Owen (62)

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 Asia Pacific Holdings Limited and AXA Sun Life in the UK.

- **Understands international insurance markets**
- **Actuarial and risk management expertise**

15 Alan Pollard (42)

BSc (Hons), FIA, FSSA
CHIEF EXECUTIVE OFFICER:
DISCOVERY VITALITY, EXECUTIVE
DIRECTOR, APPOINTED IN 2007

Alan is a qualified actuary and is currently the Chief Executive Officer of Discovery Vitality. Previously he was responsible for product research and development for Discovery Health.

- **Actuarial expertise**
- **Understands product research and development**
- **Expertise in wellness**

16 John Robertson (63)

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 for 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**

17 Sonja Sebotsa (39)

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**

18 Tania Slabbert (44)

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**

19 Barry Swartzberg (46)

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**

20 Sindi Zilwa (44)

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**



We provide detailed CVs of all directors on page 98 of this report.

About Discovery

Report from Adrian Gore, CEO of Discovery

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“The past financial year continued to be a highly complex and challenging one, characterised by economic uncertainty, considerable policy debate, and volatile markets both locally and internationally. Against this backdrop, Discovery’s financial performance exceeded expectation, and considerable progress was made in relation to all identified strategic priorities for the period.”

While the economic crisis deepened for many countries over the period and the fears of a global “double dip” recession intensified, the most notable events related to the changes taking place at a geo-political level, with the Arab Spring, London riots and Occupy Wall Street movement showing, to varying degrees, the power of individuals to bring about rapid and profound change.

From an economic perspective, the global recovery continues to rely on the growth of emerging economies, and South Africa’s inclusion in the BRICS group of decision-making countries – Brazil, Russia, India, China and South Africa – provides us with a unique opportunity to assume a leadership position on the world stage. Discovery’s approach to this opportunity is to build a best-in-class global organisation that focuses on a combination of meeting clients’ needs through innovations that add value and provide unique protection, as well as by demonstrating certainty and stability through our financial strength.

Within this challenging environmental context, Discovery continued to focus on a number of key strategies to deliver value to our members, and profitable, quality growth across the business:

1. Financial and capital strength, including strengthening of the capital base
2. Further entrenchment of the market position of Discovery’s existing businesses
3. Bringing about scale, profitability and relevance of Discovery’s emerging businesses
4. Development of new market opportunities, both in South Africa and abroad.

Significant progress was made in relation to all of the strategic thrusts, with strong performance generated by Discovery’s existing businesses of Discovery Health, Discovery Life, Vitality and DiscoveryCard, the generation of maiden profitability from the emerging businesses of PruHealth, PruProtect and Discovery Invest, and the expansion of the business model both in South Africa (through the launch of Discovery Insure), and internationally (through the launch of HumanaVitality in the US, and the acquisition of Standard Life Healthcare in the UK). From a financial perspective, performance exceeded expectation, with strong growth in earnings and embedded value, and the quality of the business manifesting in strongly positive experience variances.

Financial and capital strength

Over the past few periods, Discovery has engaged in a broad capital optimisation and management programme in order to enhance and diversify our capital base, as well as ensure capital efficiency. As part of this programme, a facility was created during 2011 to raise non-cumulative, non-participating, non-convertible, voluntary-redeemable preference shares, as required. While Discovery is currently well capitalised and has no immediate need for additional capital, the preference share facility makes available to Discovery efficient and diversified capital for strategic growth opportunities, as well as to support growth in Discovery’s existing businesses. A placement was undertaken during July 2011 and was well received, with R800 million of the preference shares being placed. In addition to this placement, a number of other capital initiatives have been implemented across the Group, most notably in Discovery Life and PruProtect, to ensure maximum capital efficiency. The combination of these initiatives places the Group in a strong position to experience continued growth without recourse to additional capital.

From a financial perspective, performance over the period exceeded expectation, with normalised profit from operations growing by 32% over the comparative period. The performance was supported by Discovery’s unique integrated model, which allows for ongoing product innovation across the Group, motivates appropriate behaviour among members to deliver enhanced actuarial outcomes, and supports strong new business growth of higher margin and quality. The manifestation of this model has been compound growth in normalised headlines earnings per share of almost 30% per annum over the past decade.

Entrenchment of the market position of Discovery’s existing businesses

Discovery’s existing businesses – Discovery Health, Discovery Life, Vitality and DiscoveryCard – performed well during the period, with the focus on quality manifesting in strong embedded value growth, improved new business margins and significantly positive experience variances. In aggregate, Discovery’s existing businesses generated R5.7 billion of new business annualised premium income, operating profit of R2.9 billion, and covered almost three million unique members.

Discovery Health’s primary role is to ensure that the members of the schemes under its management have access to quality healthcare on a sustainable and cost-effective basis. This requires the management of clinical, actuarial, technological and regulatory challenges. Discovery Health’s primary strategy has been to use its scale and expertise to create a differentiated healthcare system for its members, and it has invested significantly in its assets to fulfil this responsibility. This strategy has translated into continuing strong membership growth, low and declining lapse rates, the roll-out of enhanced services for members that provide greater coordination of care within the healthcare system, and most importantly, a lower rate of medical inflation for the Discovery Health Medical Scheme compared to competitor schemes in the market. From a regulatory perspective, the period under review saw the National Health Insurance (NHI) policy debate mature considerably, manifesting in the release of the Department of Health’s Green Paper. Discovery Health strongly supports the roll-out of an NHI system, and believes that healthcare reform is needed to ensure a comprehensive healthcare system for all South Africans. The policy proposals set out are rational, appropriate and bold, and we are confident that if properly executed, South Africa’s healthcare system will be strengthened as a result.

Discovery Life’s performance over the year was excellent. Given the scale of the business and its rapid growth, its primary strategy during the year was to focus on the quality of the business. The success of this strategy manifested positively in improved new business margins, reduced lapse rates, and a focus on innovation to meet the complex needs of the Discovery Life client base. From a lapse perspective, new work undertaken by Discovery Life clearly demonstrated the impact of the Vitality product integration in mitigating lapse risk. Over the period the rate of policy lapsation reduced to within the level of the long-term lapse assumption inherent in the embedded value calculation. In addition, during the period, a number of new products were launched, most notably, AccessCover™, which allows the policyholder to cash in life cover during life-changing events such as dread disease and disability in order to meet liquidity needs.

Vitality's performance was excellent and its role in product integration and motivating appropriate behaviour change was further enhanced during the period under review. The period also saw Vitality continue its work in understanding the academic and scientific link between Vitality engagement and mortality and morbidity experience. It is this significant and continually evolving knowledge and capability that has been used to underpin Discovery's local and international businesses, as well as its new business expansion. The positive insurance dynamics brought about by the Vitality-integrated model continue to resonate strongly in many markets, and during the period, Discovery used the Vitality chassis to underpin its expansion into the USA with HumanaVitality, support new product design in the UK, and expand into the short-term insurance market in South Africa.

The DiscoveryCard performed pleasingly during the period under review and reflected both the quality of Discovery's client base and the improving economic environment. The DiscoveryCard captured 8.9% of the point-of-sale market share and the quality of the credit experience remained above expectation. In addition, the DiscoveryCard is providing a further integration platform for the Discovery Insure product.

Scale, profitability and relevance of Discovery's emerging businesses

Discovery's emerging businesses (PruHealth, PruProtect and Discovery Invest) performed better than expected, with all three generating profits and positioning themselves strongly for profitability going forward. The scale of these emerging businesses is demonstrated by the fact that their combined run rate of new business at the end of the financial year now accounts for almost a third of Discovery's new business.

The year under review was a defining one for Discovery's UK businesses despite the particularly difficult economic environment. In the UK, our strategy has been to implement Discovery's successful integrated model to offer consumers unique value and protection in a highly competitive and commoditised market, similar to what has been achieved in South Africa. The attainment of this strategy was enhanced during the period through the acquisition of Standard Life Healthcare, which brought significant scale to PruHealth, as well as the buy-up to a 75% shareholding in both PruHealth and PruProtect, which allows Discovery to accelerate the roll-out of its Vitality-integrated strategy in the UK. From a healthcare perspective, PruHealth's performance exceeded expectation, with the successful commencement of the Standard Life Healthcare integration programme, significant progress being made in relation to the loss ratio and expense roadmaps, and the roll-out of a best-of-breed product range. With regards to PruProtect, performance was exceptional across all metrics, with the company attaining maiden profitability during the last six months of the financial year, high levels of new business market share, and continuing innovation taking place around implementing the more mature Discovery product and capital model. Importantly, the success of PruProtect serves as validation of the Vitality-integrated life insurance strategy in international markets.

Discovery Invest's primary strategy is to provide products and services that enable its investors to take advantage of an open architecture investment environment, while being protected against volatile markets or poor investment choices. A fundamental test of Discovery Invest's value proposition is to consider the performance of its products since inception, a perfect test of efficacy given market volatility and the financial crisis. A test in aggregate of this approach is that a hypothetical client investing in a basket of Discovery Funds would have outperformed the equivalent benchmark of funds by a cumulative 7.1% over four years, with the unique Discovery Invest features adding a further cumulative 5.5%. During the period, Discovery Invest continued to launch new products, predicated on the same philosophy. The cumulative effect of Discovery Invest's increasing scale, competitiveness, unique product propositions and fund choices led to strong profitability, a significant increase in new business margins, and excellent growth in funds under management.

Development of new market opportunities

Underpinning Discovery's performance is its integrated business model, of which Vitality forms the basis. During the period, Discovery did considerable work in furthering its understanding of the effect of consumer engagement and wellness on health and life insurance. In both cases, Vitality creates better selection, more accurate pricing, better mortality and morbidity, and superior selective lapsation. The effect of this in both health and life insurance is significant as it not only provides greater actuarial stability but also adds unique value to Discovery's customers. During the period under review, work was done on the Vitality model to ensure its repeatability in markets such as China, the USA and the UK. In addition, the model was used as the basis for Discovery Insure, applying the principles of behavioural economics to the science of driving, resulting in significant value for consumers. While still embryonic, this model forms the foundation for the internationalisation of Discovery's assets and business.

The strategic vision of Ping An Health is to create the premier specialist health insurer in China, offering innovative, consumer-centric products and services. During the period under review, the Ping An Health team made significant progress in operationalising a number of key areas of the business, including product development and technical marketing, rolling out of the distribution network, and transferring Discovery Health's risk management systems and operational IP to China. Although still early on in the joint venture, Ping An Health has gained emerging traction, with the business covering over 300 000 lives, offering services to 1 500 Group clients, and generating revenue of over R155 million for the six-month period to June 2011. Ping An Health will continue to build off the strong foundation that has been created in the coming period.

Discovery's new international partnership, HumanaVitality, which is a joint venture with the US health insurer Humana Inc., has been exceptionally well received, with the business being launched just six months from commencement. Across HumanaVitality and The Vitality Group, Discovery had over 680 000 members committed on Vitality in the USA at the time of printing the report. The Vitality Group continues to develop a strong foundation to create a meaningful business, with a maturing systems and operations infrastructure to support scale, an enhanced wellness and reward network, and continuing high levels of member engagement.

Furthermore, the considerable work done to evolve the science of Vitality, coupled with The Vitality Group's proactive thought leadership drive to showcase the Vitality programme, led to strong external recognition for the Vitality model. In this regard, one of The Vitality Group's clients, Alcon Laboratories, was awarded the C. Everett Koop National Health Award for its use of Vitality in promoting wellness. This is a highly prestigious award that recognises outstanding workplace health improvement programmes that demonstrate the ability to improve health risk status and reduce costs. This esteemed award goes a long way in establishing Vitality's credibility in the market.

Discovery Insure's strategic rationale for entering into short-term insurance was to leverage its behavioural economics experience to encourage good driving behaviour and improved road safety. The result is a telematics-enabled product construct that allows for tailored driver feedback and education on a driver's unique driving style and patterns, coupled with a dynamic reward structure to initiate and sustain good driving.

Concluding thoughts

The work done over the past financial year has ensured that Discovery is both well positioned and capitalised for continued growth and profitability into the future.

It is important for me to state the contribution of Discovery's people in delivering on our vision, and express my deep gratitude to them. Except for the acquisition of Standard Life Healthcare, Discovery has been built entirely organically, which demonstrates clearly the power of a committed and excellent team. In my opinion, the value of an organisation is a direct function of its people, and I look forward to building Discovery with this exceptional team going forward.

About Discovery

Interview with Richard Farber, Discovery Financial Director

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Richard Farber
DISCOVERY FINANCIAL DIRECTOR

“A key differentiator for us is our ability to integrate products across the Discovery businesses. Integration allows us to offer more value to clients as they take up more products with us and is essentially a ‘whole-life’ offering. The benefit for Discovery is increased customer loyalty and higher margins the longer a client stays with us. It’s a unique type of innovation for us.”

What were the highlights for you this year?

There was a saying in an old, popular TV-series The A-Team that for me, describes our performance this year: “I love it when a plan comes together”.

This is how I think of the last year’s performance. All our businesses have come together and the performance across the businesses has been solid. Locally, the Life and Health businesses continued to grow steadily while the younger businesses are performing exceptionally well. I am pleased that PruHealth, PruProtect and Discovery Invest are all profitable.

Another highlight for me this year has been our success in raising R800 million in preference shares – three times more than we expected. For me this is evident of the brand equity and reputation of Discovery. The capital raised puts us in a strong position to invest for future growth in Discovery Invest, Discovery Life and Discovery Insure.

Where could Discovery have performed better?

- New business production for Discovery Life was steady; however, I would like to see an improvement here. In Discovery Health we have done good work in the past few years to improve operational efficiencies, but again, this is an area that I believe we can focus more on. In terms of China, we expected it to be slow. Relative to Discovery's pace though, we always feel that we can perform better.

Where do you see growth coming from over the long-term?

- I believe that our established businesses will continue to grow. At the same time, our newer businesses should contribute to our long-term growth. I expect China, in particular, to be a key market for us in the next five to 10 years.

In terms of new markets and new businesses, we will continue to look at leveraging our intellectual capability and brand strength in markets where we can have an impact.

What are the key risks and challenges for Discovery?

- In healthcare, the severe shortage of skilled healthcare professionals is a serious concern for us. South Africa's healthcare sector needs the relevant infrastructure and resources – especially human resources – to ensure people receive the healthcare they need. For medical schemes working in the private sector, a well-functioning healthcare system is therefore critical. I am optimistic about the work we have done over the past few years with healthcare professionals; not only to ensure quality care for our members, but also to help build a better healthcare system for doctors to operate in. In addition to this, our work over the past few years with the Discovery Foundation and the Discovery Fund is intended to support healthcare delivery in the public sector. The National Health Insurance system will not be as big a risk as I believe there will always be a role for private healthcare. Our ability to innovate and our experience in managing healthcare in a complex regulatory and operating environment will enable us to continue to meet the needs of consumers.

In the Life business, poor mortality and morbidity experiences, as well as lapses are our biggest risk. Vitality has been a key strategy to ensure positive mortality and morbidity experience as well as low lapse rates. It has been proven to have a positive impact on claims while also giving more value to customers. Over the past year we have seen the Vitality engagement levels from Discovery Life customers increase significantly. Practically, we invest in our distribution channels and conservation divisions to ensure we retain clients. Reinsurance structures also protect the business against negative mortality, morbidity and lapse experiences.

In terms of our people, one of our key strengths is the strategic leadership and vision capability in our senior leadership team. The challenge however, is to make sure we keep developing this skill and ability in the next level of leaders. I am optimistic about the development programmes happening in the company to address this challenge. Over the past year for example, we've started the first CEO programme, a mentorship programme targeted at developing talented individuals at an executive and strategic level.

How does the global economic slow-down impact Discovery?

- South Africa is more insulated from the effects of the global recession than the USA and Europe. The health insurance industry specifically, is more resilient than other industries because consumers see the value in healthcare cover. Having said that, we do experience the effects of the recession on the ground in the UK and USA. Another concern for me is how the increasing cost of living impacts our employees and the morale in our business.

Can you implement further cost-efficiencies?

- Our businesses, especially the Health and Life businesses, are driving efficiencies successfully. There is, however, always the potential to find efficiencies. The main operational cost drivers relate to servicing costs such as call centres and claims processing. There are various ways to drive efficiency in the business. We've put measures in place such as Today's Work Today that focuses on resolving queries in the shortest turn-around time, thereby reducing the number of calls into the call centre. Processing more claims electronically is not only more efficient for the healthcare provider as they receive payment quicker, but it also reduces operational expenses. The same principles apply to PruHealth in terms of driving operational efficiencies.

In the Life business, efficiencies relate more to lapses and claims loss ratios. Servicing in the Life business, especially from financial advisers and conservation, help to keep lapse rates in check. The role of Vitality as a value creator is critical.

Is there potential to pay out higher dividends?

- I don't believe there is. Discovery is focused on growth so we invest heavily in our business. We pay 4.5 times cover which is equivalent to approximately 22% of earnings. If we paid a higher dividend it would imply that we have run out of growth opportunities.

Can you sustain your ability to innovate in Discovery?

- Yes, I think we can. We have been successful in innovation in three key areas. The first is operational and service innovation where we are able to have a significant impact on our clients and industry because of our scale. An example of this is PracticeXpress, an iPad application that provides support for healthcare professionals. This type of innovation often sets the trend in our industry and eventually becomes an established feature.

A key differentiator for us is our ability to integrate products across the Discovery businesses. Integration allows us to offer more value to clients as they take up more products with us and is essentially a 'whole-life' offering. The benefit for Discovery is increased customer loyalty and higher margins the longer a client stays with us. It's a unique type of innovation for us.

The third type of innovation is the truest form of innovation where a new product or service changes the industry completely. This is harder to get right and also more difficult to get entrenched in the market. An example of this type of innovation is the Discovery Guaranteed Escalator Annuity, the first of its kind in the industry. I think this product has enormous potential in the market.



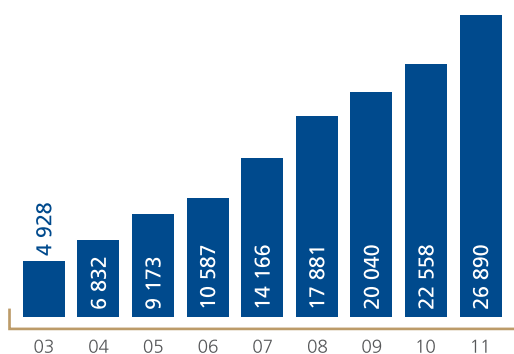
Read more about the Discovery Guaranteed Escalator Annuity on page 68 of this report.

Financial highlights

The results

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Embedded value (R million)

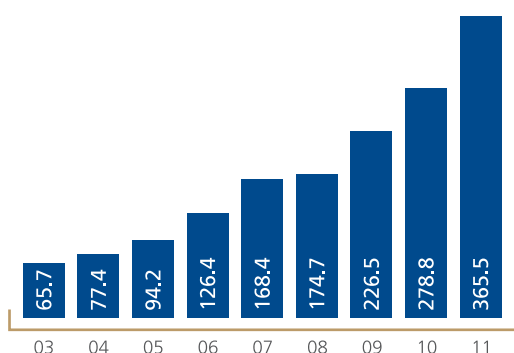


R million

2011	26 890
2010	22 558
2009	20 040
2008	17 881
2007	14 166
2006	10 587
2005	9 173
2004	6 832
2003	4 928

Embedded value is an actuarial calculation of the current value of Discovery as it exists today. An embedded value calculation assumes no growth in the current business. The continual growth of the embedded value shows continuous shareholders' value created by Discovery.

Diluted normalised headline earnings per share (cents)

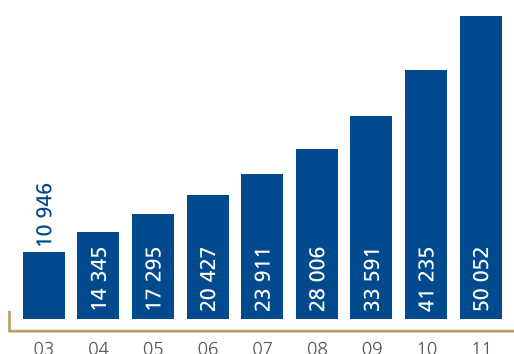


Cents

2011	365.5
2010	278.8
2009	226.5
2008	174.7
2007	168.4
2006	126.4
2005	94.2
2004	77.4
2003	65.7

Diluted normalised headline earnings per share measures the sustainable earnings attributable to ordinary shareholders.

Gross inflows under management (R million)

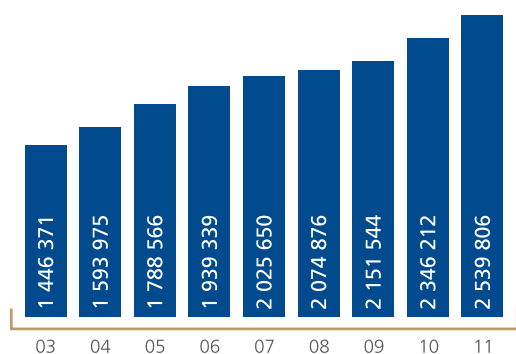


R million

2011	50 052
2010	41 235
2009	33 591
2008	28 006
2007	23 911
2006	20 427
2005	17 295
2004	14 345
2003	10 946

Gross inflows under management measures the total funds managed and received by Discovery and is an accurate measure of the continual growth of Discovery.

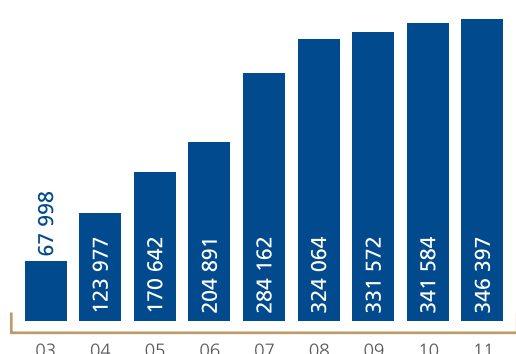
Discovery Health clients (clients)



Clients	
2011	2 539 806
2010	2 346 212
2009	2 151 544
2008	2 074 876
2007	2 025 650
2006	1 939 339
2005	1 788 566
2004	1 593 975
2003	1 446 371

This is the number of lives administered by Discovery Health at 30 June. This large and diverse membership base reduces the reliance on any one member or employer who purchases Discovery products.

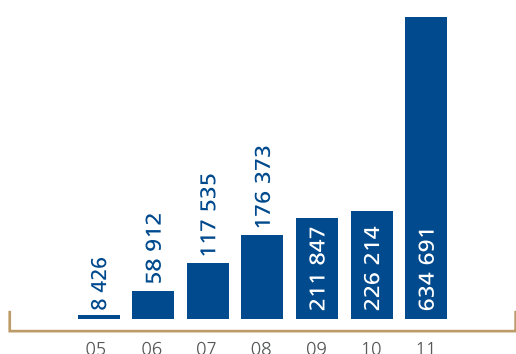
Discovery Life individual policyholders (clients)



Clients	
2011	346 397
2010	341 584
2009	331 572
2008	324 064
2007	284 162
2006	204 891
2005	170 642
2004	123 977
2003	67 998

This is the number of principal lives on risk at 30 June. As premiums collected from individual policyholders are recurring, each policyholder adds to Discovery Life's value.

PruHealth clients (clients)



Clients	
2011	634 691
2010	226 214
2009	211 847
2008	176 373
2007	117 535
2006	58 912
2005	8 426

This is the number of lives administered by PruHealth at 30 June. Each life adds to PruHealth's value. The purchase of Standard Life Healthcare on 31 July 2010 resulted in the increase in membership for the 2011 financial year.

Performance reviews for 2011

Our sustainability performance

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“Discovery is constantly working to understand the impact of sustainability issues on our business and in turn, how we impact on the broader society. Sustainability encompasses a full range of governance, economic, social, environmental, and transformation areas that have a clear link to our financial performance.”



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



We provide feedback on key priorities for 2011 and our progress on page 13 of this report.



Our GRI content index is on page 118.

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

We view sustainability in terms of risks and opportunities for our business. Financial and non-financial risks to our business include uncertain macro-economic conditions increasing market volatility, the need for social development, impact of chronic diseases of lifestyle and climate change uncertainties. To ensure our business develops in a sustainable manner to the benefit of all stakeholders, we must not only address and manage these risks in a responsible manner, but we must also find innovative ways to turn risks into opportunities. Our framework represents Discovery's approach to sustainability and sustainable development as it relates to our core business and the environment and context in which we operate. The framework has six focus areas based on the material risks and opportunities for the business. It is intended to provide a lens through which we view how our business performs. The framework also provides a means to track and report on our progress. We aim to harness our key competencies, experience and knowledge to address these key areas and make a significant contribution to our employees, clients and broader society.

Our framework for sustainable development

We measure, track and report on our progress against our framework for sustainable development. This framework consists of:

1. A values-based culture of opportunity
2. Strengthening the healthcare system and expanding access to care
3. Improving our clients' financial security and protecting them through innovative products and services
4. Using the science of behavioural economics to drive positive behavioural change in society
5. Promoting a stable society
6. Our environmental responsibility

Our management of sustainability

We approach the management of sustainability in an integrated way:

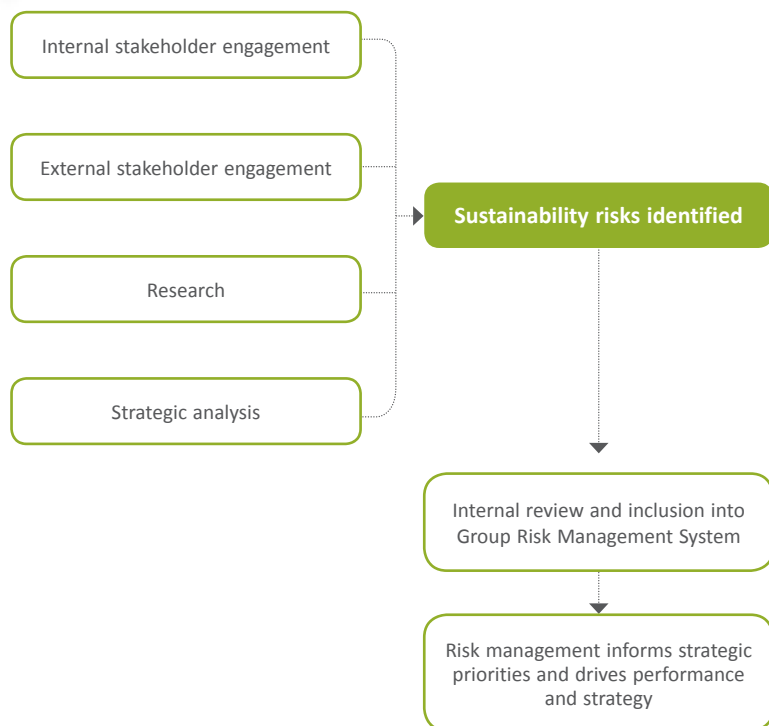
- Discovery's Executive Committee has oversight of the implementation of our sustainable development strategy, and the projects that support this strategy
- Our Transformation and Sustainable Development Committee, a sub-committee of the Board, oversees and monitors the progress against sustainability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

Risk management

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

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

Our dialogue around sustainability risks



Our important focus areas during the past year

Engaging with stakeholders on our sustainability strategy

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

Communicating our sustainability strategy

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

Agreeing on sustainability targets across our business

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

Our sustainability priorities for 2011

- Engaging with internal and external stakeholders on Discovery's sustainability strategy
- Defining, communicating and implementing our sustainability strategy during the next year
- Discussing and agreeing on sustainability targets for our various business areas



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

Our sustainability performance

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A values-based culture of opportunity and innovation

Our people form an important part of our continued growth and success. Our ability to innovate and build a sustainable business, depends on attracting and retaining the best people. Our priority is to enable our people to develop their full potential through a culture of innovation and performance that embraces diversity and transformation.

Key to symbols

● Priority achieved

◐ Priority ongoing

○ Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Rejuvenating our core values throughout the business	<ul style="list-style-type: none"> During the year under review our main focus was on developing our leaders and meeting our transformation goals. Work on a long-term plan to rejuvenate the values of Discovery among all our people was completed. However, implementation across the business only started during the second half of 2011, and will continue over the next year. The process will engage employees at every level of the organisation, with the aim of creating awareness and conversation about the core values of our business 	◐
Continuing to develop our leaders	<ul style="list-style-type: none"> We recognise the importance of equipping our leaders to lead, inspire and mobilise our people to deliver current business requirements and future business demand. During the year we adopted an integrated and focused approach to ensure that we develop leaders at all levels of the business. The Discovery Leadership Architecture is a company-wide programme that develops leadership skills at staff, team leader, manager and senior manager level 	◐
Continuing to embrace diversity in our business to meet our transformation goals	<ul style="list-style-type: none"> We are committed to transforming our workforce into an engaged, diverse and representative community. To support the development of talented black employees at executive level, we implemented a targeted mentorship and development programme in 2010. The Discovery CEO programme is aimed at developing high-potential, primarily black senior leaders at Discovery. Our objective is to develop these individuals for possible future executive positions, thereby strengthening leadership capability whilst meeting our diversity objectives 	◐
Increasing employee engagement in Discovery and retaining talented employees	<ul style="list-style-type: none"> Over the past year, we have increased our employees' engagement in Discovery Prosperity, our internal rewards programme, through regular communication about the programme, how it works and the associated rewards. This exclusive programme aims to encourage employees to improve their skills, look after their health and wellness, and offer their time and skills in the Discovery Employee Volunteer Programme We started an in-depth talent management programme that is aimed at engaging business heads, executives and managers in identifying high-potential employees as well as future Discovery leaders at senior management levels. Once we have identified talented individuals, they will be appropriately developed and managed to retain their skills and talents within our organisation 	◐
Integrating and aligning the Standard Life Healthcare team fully into Discovery	<p>Discovery acquired Standard Life Healthcare, the fourth largest health insurer in the UK, in August 2010. We completed the process of integrating Standard Life Healthcare into PruHealth and Discovery. Some of our projects included:</p> <ul style="list-style-type: none"> The first PruHealth Leadership Conference in March 2011 We hosted employee roadshows at our three offices in the UK We launched the annual Discovery Star Awards programme through which we recognise top performers across the company 	●

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

Occupational levels	Male					Female					Total
	African	Coloured	Indian	White	Foreign Nationals	African	Coloured	Indian	White	Foreign Nationals	
	0	0	1	18	0	1	0	0	0	0	
Top management	0%	0%	5%	90%	0%	5%	0%	0%	0%	0%	20
Senior management	13	8	14	108	8	20	6	21	80	6	
	5%	3%	5%	38%	3%	7%	2%	7%	28%	2%	284
Professionally qualified and experienced specialists and mid-management	30	13	42	153	4	40	31	51	185	11	
	5%	2%	8%	27%	1%	7%	6%	9%	33%	2%	560
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	228	139	293	356	29	334	223	361	502	30	
	9%	6%	12%	14%	1%	13%	9%	14%	20%	1%	2 495
Semi-skilled and discretionary decision making	454	180	252	350	22	673	270	290	348	34	
	16%	6%	9%	12%	1%	23%	9%	10%	12%	1%	2 873
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0
TOTAL PERMANENT	725	340	602	985	63	1 068	530	723	1 115	81	
	12%	5%	10%	16%	1%	17%	9%	12%	18%	1%	6 232
GRAND TOTAL	725	340	602	985	63	1 068	530	723	1 115	81	
	12%	5%	10%	16%	1%	17%	9%	12%	18%	1%	6 232

Employment equity figures are for South African permanent employees only.

Our priorities for 2012

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

CASE STUDY

Building a values-based culture of opportunity by encouraging innovative thinking

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



Read more about 2010's winning Inspiring Excellence idea and our people in our Report to Society at www.discovery.co.za.

Our sustainability performance

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Strengthen the healthcare system and expand access to care

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

Key to symbols



Priority achieved



Priority ongoing



Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Ensuring premium and benefit stability for the members of the Discovery Health Medical Scheme	During the year under review, we ensured the sustainability of members' benefits. Our average contribution increase for 2011 of 7.9% ensured that we continued providing quality benefits to all members	
Using our scale and expertise to improve the quality of care for members	We launched a series of initiatives for 2011 to ensure members receive optimal service and excellent quality care, including the Discovery Trauma Support Service, Discovery MedXpress, the Discovery Integrated Care Unit and the first Discovery Health Member Lounge at the Life Fourways Hospital in Gauteng	
Continuing to increase access to quality healthcare for more people	In 2002, Discovery Health launched the KeyCare series, enabling us to offer quality private healthcare access to lower-income earners and specifically the previously uninsured market. Membership has since grown to the equivalent of the third largest medical scheme in South Africa. In 2010, membership grew by 34% to 340 000. Our KeyCare hospital and GP networks now comprise 106 hospitals and over 2 000 GPs	
Further developing Vitality product offerings, specifically the wellness programme, for the lower-income market	We launched KeyFIT, a wellness programme for the KeyCare market. It combines Vitality's proven methods of promoting exercise, good nutrition and preventive screening with KeyCare's experience in managing cost-efficient networks to give members access to the facilities, incentives and tools they need to improve their health	
Engaging with specific stakeholder groups such as the Department of Health and the Government on issues impacting healthcare in South Africa	During the year under review, Discovery continued to engage with various stakeholders on issues impacting healthcare in South Africa. One of these is the National Health Insurance (NHI) policy. We support the roll-out of an NHI system, as we believe South Africa needs healthcare reform to ensure a comprehensive healthcare system for all South Africans. Discovery Health will continue to be part of the engagement process	
Implementing three partnerships with the Department of Health and other stakeholders to help strengthen the public healthcare system in key areas of need	<p>We support healthcare delivery in the public sector through public-private initiatives, aimed at meeting key national and provincial health priorities identified by the Department of Health. During the year we implemented three public-private initiatives, including:</p> <ul style="list-style-type: none"> A partnership with the South African National Council for the Blind to enable additional cataract surgeries in the public sector The Operation Abraham Collaborative – a training project in partnership with a group of Israeli surgeons – aimed at training teams of doctors in KwaZulu-Natal on high-volume male medical circumcision. The Minister of Health advocated the promotion of medical male circumcision as part of the national HIV Counselling and Testing campaign launched in 2010, and KwaZulu-Natal was selected as the first province in which to expand the service A national training programme for nurses to facilitate antiretroviral treatment. This programme was implemented in partnership with the Lung Institute of the University of Cape Town and the Department of Health 	

Key to symbols



Priority achieved



Priority ongoing



Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Continuing the impact and work of the Discovery Foundation to increase the number of specialists in South Africa	We have increased the number of Discovery Foundation recipients to 143 with a financial commitment of R69 million toward their training	
Implementing a national immunisation project in partnership with UNICEF	To support the Department of Health's national programme on immunisation, we are partnering with UNICEF over the next three years to help increase immunisation throughout South Africa. The pilot programme has been rolled out in two provinces – the Eastern Cape and KwaZulu-Natal. The Discovery Fund is contributing R5 million a year to the partnership, launched in April 2011	

Our priorities for 2012

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

CASE STUDY

Nurturing medical specialist skills in South Africa through the Discovery Foundation

Launched in 2006, the Discovery Foundation is aimed at supporting healthcare delivery and developing capacity and infrastructure in South Africa's healthcare system. It is an independent trust that invests in the medical training of specialists through a series of awards, grants and scholarships.

To date, we have committed R69 million to the further training and specialisation of 143 specialists and healthcare professionals.

The Discovery Foundation's impact:

- The majority of funding has been allocated to academic and clinical research
- We have provided funding for 32 PhDs in various medical disciplines including Pulmonology, Cardiology, Cardiovascular Medicine, Clinical Pathology, Dermatology, Nephrology, Paediatric Gastroenterology, Psychiatry, Paediatric Pulmonology and Internal Medicine



Read more about the Discovery Foundation at www.discovery.co.za and in our Report to Society, also available online.

CASE STUDY

Discovery Fund: providing access to healthcare facilities for communities in need

Through the Discovery Fund, we are committed to investing in public sector health facilities that make it possible for communities that normally rely on public healthcare, to receive quality care. Our investments centre on primary healthcare initiatives, including rural areas, HIV and AIDS programmes, and projects that deal with infectious diseases.

This past financial year, the Fund approved an amount of R11 370 371 for 32 community health projects.



Read the Discovery Health performance review on page 46.

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

In the current economic climate we recognise that the financial well-being of our clients is a key priority to ensure the continued growth of our economy. We aim to protect and improve our clients' financial security through innovative products and services that meet their needs.

Key to symbols

● Priority achieved

◐ Priority ongoing

○ Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Focusing on product innovation that leverages the integration capabilities of Vitality to meet the complex and unique needs of the Discovery Life client base	<p>In life assurance, our priority is to continuously provide protection products that meet the needs of our clients at every stage of their lives, while offering them value. During the year, we introduced innovative products aimed at addressing key areas of need:</p> <ul style="list-style-type: none"> The 2010 Actuarial Gap study highlights a trend that South Africans are underinsured in the event of a life-changing event. This poses a serious financial risk to clients as they continue to live longer while becoming severely ill more often due to a range of lifestyle-related illnesses. Discovery Life has responded by developing the AccessCover™ product, which gives consumers the choice to cash in a portion of their life cover during a life-changing event such as severe illness and disability Another product we introduced is the Philanthropy Fund™, which allows our clients to buy additional life cover to meet their specific philanthropic needs. This is in response to an increasing trend for individuals wanting to give more to charity and make a positive difference to society and their community During the year, we also introduced enhancements to the Discovery Life Income Continuation Benefit product, aimed at providing additional support to policyholders in times of need. We understand that a spouse or child suffering from a severe illness may have a significant impact on a policyholder's ability to earn an income. The Income Continuation Benefit Extender covers the policyholder and family using a range of objective medical criteria 	●
For Discovery Invest, continuing our focus on distribution support, product innovation, brand credibility and awareness	<p>Discovery Invest aims to provide products and services that offer investors unique protection against volatile markets or poor investment choices. During the year we launched a new annuity design in the investment market that has all the features to reverse the retirement income downward spiral. The Discovery Guaranteed Escalator Annuity™ enables clients to invest in equity-linked annuities while enjoying a strong guaranteed underpin and financial protection. We also launched the Discovery Classic Flexible Investment Plan, Discovery Best Ideas Fund and Discovery Global Escalator Fund</p>	●

CASE STUDY

Discovery Life Philanthropy Fund™

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

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

Our priorities for 2012

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

Use the science of behavioural economics to drive positive behaviour change in society

Discovery is acknowledged as a global thought leader in the use of behavioural economics and incentive-based wellness. We aim to use this knowledge to address critical societal problems, such as the increasing risk of chronic diseases of lifestyle and the negative impact this has on society, as well as poor road safety caused by negligent driving behaviour.

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

Key to symbols

● Priority achieved

◐ Priority ongoing

○ Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Investing in the international capabilities of Vitality	We have invested in the core capabilities of Vitality with a view to rolling it out in other markets. During the year, we launched a strategic partnership with Humana (in the USA), one of the largest health and supplemental benefits companies with approximately 10.2 million medical members, 7.1 million specialty members, and more than 300 medical centres and 240 work site medical facilities. Read more about The Vitality Group and HumanaVitality on page 90 of this report	◐
Increasing our members' engagement in Vitality to improve the health profile of our client base	Engagement levels in Vitality have increased during the year under review: <ul style="list-style-type: none"> Gym membership is now 400 000 HealthyFood™ activations now exceed 260 000 HealthyFood™ trolleys purchased since the start of the HealthyFood™ benefit in February 2009: 12.5 million HealthyFood™ cashbacks paid out since February 2009: R200 million 	◐
Continuing our work in understanding and enhancing the science underpinning Vitality	The period under review saw Vitality continue its work in understanding the academic and scientific link between engagement with Vitality and reduced healthcare costs: <ul style="list-style-type: none"> In support of the cross-sectional studies published in 2009 and 2010 which found evidence for the link between fitness engagement and reduced hospital costs over time, a longitudinal study published in the American Journal of Health Promotion validated Vitality's ability to get people engaged in complex fitness activities, and sustain this engagement over time We announced the results of the first Discovery Sunday Times Healthy Company Index. More than 100 companies took part in this survey on employee wellness. Through this process, Vitality obtained additional evidence to validate Vitality Age as a predictor of morbidity risk. Respondents whose Vitality Age was greater than their actual age, experienced 35% more doctor visits in the preceding month, 26% more hospital days in the preceding year, and missed 28% more work days than their peers whose Vitality Age was less than or equal to their actual age 	◐
Developing alternate applications of the Vitality model	We entered the short-term insurance market with the launch of Discovery Insure and our incentive programme that encourages better driving, VitalityDrive™, in May 2011. The Vitality model was used as the basis for VitalityDrive™ and applies the principles of behavioural economics to the science of driving	◐



Read the Discovery Life and Discovery Invest performance reviews on page 56 and 64 of this report.

Using the science of behavioural economics to drive positive behaviour change in society

While the Vitality model of rewarding positive behaviour helps improve the sustainability of our business in terms of its cost-containing impact, it also has a positive impact on the broader society.

Children's wellness. Through the Vitality Schools Programme, launched in 2008, we aim to positively influence the health and nutrition of younger generations.

Employee wellness. The Discovery Sunday Times Healthy Company Index was developed to assess and understand the health status of South African employees.

Nutrition. In February 2009, Vitality introduced the HealthyFood™ benefit, a pioneering first for South Africa in encouraging and rewarding healthy nutrition. The benefit offers Vitality members up to 25% cash back on their purchases of over 10 000 healthy foods at Pick n Pay, one of South Africa's leading food retailers. It makes healthy eating more accessible to Vitality members. The introduction of this benefit stemmed from the need to address poor nutrition as a major driver of morbidity and mortality worldwide.

Sponsorships. We use sponsorships as an opportunity to tell more people about the benefits of a healthy lifestyle, engage them in healthy activities, and inform them of the role Vitality can play in helping them improve their health.



Our priorities for 2012

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

Promote a stable society

As one of South Africa's leading businesses, Discovery makes an important contribution to the national economy. South Africa has the potential and ability to become a leading economy and we are committed to contributing to our country's future growth. Businesses have an important role to play to stimulate, develop and sustain growth. With this comes the responsibility to be an ethical and effective leader that has a positive impact on society.

Our priority is to promote a stable society by building a quality and sustainable business, by demonstrating vision, leadership and knowledge and by supporting a culture of confidence and entrepreneurship.

Key to symbols



Priority achieved



Priority ongoing



Priority not yet started

Our priorities for 2011

What we did during the year

Progress

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

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

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



Our priorities for 2012

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

CASE STUDY

The Awethu Project

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

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

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

CASE STUDY

Promoting confidence in South Africa as an important emerging economy

South Africa has enormous potential to become an important player in the world economy. We have taken the initiative to develop and host the annual Discovery Invest Leadership Summit, which brings some of the world's top visionary thinkers and business and political leaders to South Africa. The summit aims to stimulate business knowledge and encourage pioneering approaches to leadership among South Africa's business community. This is one of the ways we aim to enrich and add value to our stakeholders as well as the broader South African society.

www.theleadershipsummit.co.za

“ In my opinion we need to put people to work to bring about the transition to a low-carbon economy. It will solve both the economic and climate crisis ”

— Al Gore, ex Vice President of the United States, campaigner for climate change, speaking at this year's Discovery Invest Leadership Summit.



Your Business, 1 October, 2011, page 8

Our sustainability performance

Our environmental responsibility

We recognise environmental responsibility as important for the sustainable development of our community, economy and country. Environmental issues have increasingly become key priorities in South Africa and globally. Although Discovery’s direct impact on the environment is minimal, we recognise our ability to make a positive impact through three key areas that are material to our business:

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

Key to symbols



Priority achieved



Priority ongoing



Priority not yet started

Our priorities for 2011	What we did during the year	Progress
Completing our stakeholder engagement on Discovery’s environmental policy and strategy, and implementing our policy	<ul style="list-style-type: none">• We completed stakeholder engagement with internal stakeholders on our environmental strategy. This comprehensive process was aimed at understanding and determining our approach to environmental management. This helped to ensure that our environmental policy and strategy is relevant and material to our business and aligns with our sustainability strategy and overall business strategy• We finalised our environmental policy as well as our climate change policy at the time of writing our report	
Agreeing on and implementing reduction targets	<ul style="list-style-type: none">• We continue to improve how we measure our carbon footprint. Although we have started the process, we have not agreed on or implemented specific reduction targets. We are currently investigating different ways of reducing our energy usage	
Implementing recommendations from our energy efficiency audit to further reduce our electricity consumption	<ul style="list-style-type: none">• We are currently investigating different projects to reduce our energy usage	
Delivering on the environmental initiatives identified by Discovery’s Green Forum	<ul style="list-style-type: none">• Discovery currently operates a 60% paperless environment in the area of communication to clients. Discovery’s Green Forum is investigating further reducing our reliance on paper in other areas of the business	
Formulating and rolling out awareness and communication campaigns to educate our employees on environmental issues	<ul style="list-style-type: none">• We hosted an employee awareness campaign on World Environment Day in June 2011, where we engaged our employees on environmentally friendly behaviour and highlighted some key initiatives we have undertaken to reduce our impact on the environment	

Our priorities for 2012

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

Discovery's position on climate change

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

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

Our commitments

Minimising and accounting for our direct climate change impacts

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

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

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

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

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

Supporting collaborative research and policy initiatives on climate change

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

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