



CREATING SHARED VALUE
People and Sustainable
Development Report
2015

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Statement from the Discovery Social and Ethics Committee

The Social and Ethics Committee oversees transformation and sustainable issues for Discovery in support of the business meeting its long-term strategic objectives. The Committee has the important responsibility of ensuring transparent communication and engagement with stakeholders. The Social and Ethics Committee has reviewed and provided input into this year's Report.

The Committee is satisfied that the 2015 People and Sustainable Development Report, together with the Integrated Annual Report, provides a comprehensive and accurate view of Discovery's performance for the past financial year.

Signed by the Chairperson of the Discovery Social and Ethics Committee.
Sindi Zilwa

Contact person for reporting

We welcome and encourage stakeholder feedback on our strategy, initiatives and our reporting which can be sent to sustainability@discovery.co.za.

The contact person for this report is Dr Penny Tlhabi, Head of Discovery People and Sustainable Development

Compilation of our People and Sustainable Development Report

Discovery's shared value insurance model transforms insurance, creating customer centricity and social purpose.

The financial outcomes of our shared value insurance model are described in our Integrated Annual Report, together with our newly-developed shared value metrics.

The purpose of this report is to outline how our business has created, nurtured and managed social, environmental and human capital during the 2015 financial year. It is designed to be accessed and used by a broad stakeholder audience, beyond the providers of financial capital who are the primary audience for our Integrated Annual Report.

It covers the period 1 July 2014 to 30 June 2015 and updates our previous report, published on 31 October 2014.

Scope and boundary

In this People and Sustainable Development report, we cover the operations of Discovery Limited, including Discovery Health, Discovery Vitality, Discovery Life, Discovery Invest, Discovery Insure and Discovery Card in South Africa, with specific references to initiatives in our international operations in the UK, including VitalityHealth and VitalityLife, and our other international operations, falling under Discovery Partner Markets. The latter include Ping An Health, The Vitality Group (including the John Hancock partnership), AIA Vitality and the Generali partnership.

All of these operations are managed by Discovery. Non-financial data is included for all South African-based businesses only.

Important developments during the past year

Discovery became a signatory to the UN Global Compact in 2015 and fully supports the initiative and its 10 principles relating to human rights, labour relations, environmental responsibility and anti-corruption. Sustainable development is influenced by a number of socio-economic and environmental factors. A leading company in the global insurance industry, we strive to understand the factors that impact our business and communities, and the impact we have on the communities with which we interact. This can only be done by working in partnership with a wide range of stakeholders, from local communities through to national governments. The multi-stakeholder approach of the UN Global Compact and its ability to bring parties together to address some of the most pressing global issues we face today, are therefore highly relevant to Discovery.

In addition to becoming a signatory to the UN Global Compact, Discovery has also focused on the new and important corporate reporting area of health metrics. In our view, this area of reporting is increasingly becoming critical for businesses to understand as the health of a workforce is a key contributor to a company's productivity. During the past year, Discovery worked in partnership with governments from the Southern African Development Community (SADC) to further develop

integrated health reporting. Endorsed in principle by the SADC health ministers, a SADC Multi-Sectoral High-level Task force has been mandated to develop an approach through which all SADC member states will be encouraged and guided on integrated health reporting in their countries.

Through these technical consultations and roundtables in partnership with the SADC Multi-Sectoral High-level Task Force on Innovative Financing, the metrics will undergo feasibility testing with a selection of companies. Our aim is to report on the work done by the task force in our 2016 People and Sustainable Development Report.

Application of the Global Reporting Initiative (GRI) guidelines

We have reviewed the GRI's G4 guidelines in detail. While we are not yet in a position to comply fully with the guidelines, we have used them to shape our reporting. A content index is provided at the end of this document, listing the GRI indicators included in this report.

Sustainability management and governance at Discovery

In South Africa, our sustainability strategy is implemented through a network of issue owners within the various functional areas and through dedicated teams in each market. The Chief Executives of the individual operating companies have an overall responsibility for the sustainability performance of their business areas. Regular meetings to evaluate progress take place between the Group Head of Sustainable Development and executive teams in the business units.

The Group Head of Discovery People and Corporate Sustainability (an Executive Committee member) heads a team of experts who advise business sustainability teams and issue owners.

The role of the Group sustainability team is to focus on:

- **Compliance** – issues management and data collection to ensure that the Group operates responsibly and complies with external regulations and internal policies
- **Commercial opportunities** – to leverage the sustainability credentials of our business, products and services as a commercial differentiator
- **Communications** – researching and improving our understanding of the role of communications in leveraging behavioural economics across the societies and communities in which we operate, and in addressing global trends.



Refer to the Integrated Annual Report, pages 24 to 28, for an overview of the key trends in our industry and an explanation of how our business model addresses them.

Our core purpose and ambition

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

Our ambition is to be the best insurance organisation in the world and a powerful force for social good.

Discovery is a shared value insurance company whose purpose and ambition are achieved through a pioneering business model that incentivises people to be healthier, and enhances and protects their lives.

Our shared value model delivers better health and value for clients, superior actuarial dynamics for the insurer, and a healthier society.

Our unique approach has underpinned Discovery's success globally, with substantial new business growth and an impressive increase in normalised operating profit and headline earnings. Today, Discovery covers over 5.1 million clients, and generates in excess of R37.8 billion of annual revenue.

In this report we explain what it means for Discovery to be a powerful force for social good – creating shared value for society through our core business and our strategy for sustainable development.

Our values

Our values frame our decisions and form the foundation of everything we do.
They are brought alive by our people; in how we think and act.

Great people

Liberating the best in people

Innovation and optimism

Intellectual leadership

Dazzle clients

Business astuteness and prudence

Drive, tenacity and urgency

Integrity, honesty and fairness

Foreword by Dr Penny Tlhabi

Head of Discovery People and Sustainable Development



We recognise that our business does not operate in isolation from society and that it needs to deliver social and financial benefit.

At Discovery, we believe that people and sustainable development are closely interlinked. This perspective is a direct outcome of our shared value business model and our ambition to be the best insurance company in the world by 2018 and a powerful force for social good.

A key strategic priority for Discovery is ensuring that we have access to the skills, depth of leadership and diversity that will enable us to innovate continually for the benefit of our clients. This is in line with the first part of our goal – to become the best insurance organisation in the world.

During the year, we made significant steps towards establishing the structures and processes necessary to achieve our transformation vision with a particular focus on our South African market where the vast majority of our workforce operates. Our transformation strategy addresses the most significant barriers to diversity by harnessing leadership capability more clearly in pursuit of transformation goals, eliminating any unconscious bias in our organisational culture, systems and processes and promoting greater clarity and transparency in our human resources practices.

In line with our ambition to be the best insurance organisation in the world, one of our key priorities is to ensure we have


diverse talent who excel in Discovery's unique and inclusive culture. We hold this view not simply because we believe that it is good business, but also because we want to leave a legacy of meaningful contribution to economic inclusion in South Africa, consistent with our values and leadership charter.

Through our enterprise and supplier development activities, we also aim to extend access to healthcare among lower income groups, while at the same time creating viable and sustainable business opportunities for new and existing black entrepreneurs.

We recognise that our business does not operate in isolation from society and that it needs to deliver social and financial benefit. This understanding led us to develop a business model that creates shared value by engaging clients in their health and wellness in a way that is unique and innovative in the insurance sector.

Our model yielded data that showed just how closely a person's engagement with their health and wellness correlates with other aspects of a healthy and productive lifestyle. We believe intuitively that healthy employees are more productive, but we have now been able to prove it. Armed with this understanding, we support employees to become healthier and more engaged


in their wellness. In the past year we have undertaken many initiatives with this goal in mind.

 **See 'The health of our employees' on page 23 and the case study on our 10 Ton Challenge on page 24.**

We also realised that our goals needed to be supported by a clearer understanding of how employee health should be measured and managed. This led us to support the growing call for companies to firstly understand the impact of health risks on their company performance and ultimately to measure health indicators and use these in their reporting as a means to improve performance. The concept of health metrics reporting adds another dimension to corporate performance through a focus on employee health and wellness.

This is a new area and we are taking the first steps to flesh out this concept within existing reporting frameworks such as the Global Reporting Initiative (GRI) and the International Integrated Report Council (IIRC) <IR> guidelines. It has been an exciting journey and one which we aim to continue in conjunction with partners and other stakeholders, such as government, businesses and other health experts.

We believe that Discovery has much to contribute to the debate and as such we have taken the first step by starting to investigate health metrics reporting in our business. We will further refine and develop our current framework.

 **Refer to our Sustainable Development Framework on page 17 for more details.**

During the year we re-formulated our sustainable development strategy. Our revised strategy is grounded in an understanding that we need to support the development of a healthy society in which our business can thrive.

Our focus is twofold. Firstly, we will continue to implement initiatives relating to employee health and wellness, including reporting on health metrics.

In addition, we will pursue initiatives that enable a healthier society by improving the urban environment in which our employees live and work. Our employees typically live and work in cities, and regrettably our urban landscape does not always facilitate their health and wellness. In supporting healthier cities, we are contributing to the health and wellness of both employees and society at large.

In this report we explain our Healthy Cities initiative, a scalable concept that can be adapted to all countries in which we operate. In Johannesburg, it has taken the form of a partnership with the City of Johannesburg. Globally, we are targeting the development of performance measures that can help cities assess whether they are offering health options for residents and how they can improve their ability to facilitate a healthy lifestyle.


 **See page 12 for additional details.**

We continue to contribute towards a healthier society through community outreach and investment that addresses some of the most compelling and urgent needs in our society. The Discovery Foundation, for example, aims to increase capacity in healthcare provision by supporting over 250 doctors in specialist education and training, with a particular focus on developing South Africa's future clinical academics and researchers. Grants to the value of R129 million have been awarded through the Foundation since 2006.

We look forward to carrying this strategy forward and reporting on our progress in future years. We welcome and encourage comment and input from stakeholders as we continue this journey.

Looking ahead to 2016, we intend to reformulate Discovery's Sustainable Development Goals, and will undertake a detailed review of a range of sustainability issues that will support our focus on building healthy workforces and healthy cities.

Discovery has worked with leading health institutions and businesses to develop health metrics that can be used to measure employee health and wellness and its impact on the business. The metrics developed are being piloted with a range of companies from different sectors of the economy.

 **Refer to the CFO's report on pages 12 to 17 of the Integrated Annual Report.**

A key partner for Discovery in developing and promoting health metrics reporting is Government. The response to our initial proposals from South African Development Community (SADC) Health Ministers has been extremely positive. At the SADC Annual Health Ministers meeting in Victoria Falls in January 2015, SADC Health Ministers endorsed Discovery's strategy in principle, and set up a ministerial team, headed up by the Regional Director, Sheila Tlou from the Joint United Nations Action Programme on HIV/Aids, to guide its promotion in the SADC group of countries.

Our shared value insurance model

The Discovery business model centres on making people healthier and having a positive long-term impact on cost and value for both the insurer and the client. The model encourages clients to improve their health-related behaviour, thereby having a positive impact on mortality and morbidity experience in the health, life and short-term insurance markets. The resulting insurance savings offer more value, as better price points and more client incentives are created that drive ongoing positive behaviour change. The effect is shared value, with a positive impact on clients, insurers and society.



Behavioural change

Behavioural economics forms the foundation of the Vitality product construct, which actively influences behaviour and improves morbidity, mortality, and financial outcomes for clients.

Better insurance outcomes for clients

The positive impact of Vitality on health improves mortality and morbidity experience, resulting in lower claims and increased retention of healthier clients and better value for clients.



Discovery Vitality

A world-class behavioural wellness solution that helps people become healthier by giving them the tools, knowledge, access and incentives to improve their health. Vitality has scientifically proven that clients who actively engage in the programme live longer and have lower healthcare costs than non-Vitality clients. Vitality also has relevance for other markets and industries. Our driver-behaviour programme, Vitalitydrive, is the latest manifestation of a behaviour-based incentive programme in South Africa.

Technology as an enabler

Data analytics provide us with unique insights into understanding how clients respond to incentives – an aspect that enables us to provide clients with more value.

Dynamic underwriting

Vitality allows for dynamic risk assessment and more accurate pricing of individual clients, based on their Vitality engagement and lifestyle choices.

Product integration

Vitality creates a mechanism to enhance value for clients who have multiple Discovery products.



The Discovery business model is responsive to key macro trends that impact our industry

1 The increasing importance of lifestyle choices as a driver of health outcomes

Physical inactivity, poor nutrition and smoking account for four conditions (cancer, diabetes, heart and lung disease), which are responsible for the majority of all deaths. Lifestyle choices drive 80% of the disease burden and 60% of mortality. World Health Organization (WHO) projections show that non-communicable diseases (NCDs) will be responsible for a significantly increased total number of deaths in the next decade. NCD deaths are projected to increase by 15% globally between 2010 and 2020, to 44 million deaths.

The implications of these trends for the life and health insurance markets are substantial – static underwriting in which risk is evaluated at policy inception, based on pre-existing conditions at that point, overlooks the fact that much of the risk will be determined by choices the policyholder makes during the lifetime of the policy. This presents an opportunity for significant innovation and disruption.

2 Our tendency as human beings to under-invest in wellness and over-invest in healthcare, which has motivated the development of our incentive-based approach to changing consumer behaviour

While the long-term benefits of wellness and preventive care are well documented, people make decisions regarding their health based on over-optimistic and present-biased assumptions, leading to an under-consumption of wellness.

Despite its hidden costs, people tend to over-consume healthcare, due to its immediate benefits but under-consume preventive wellness measures that have long-term benefits. These behavioural biases need to be understood, and individuals need to be nudged toward adopting and maintaining positive health choices.

3 The increasing cost of healthcare, not only as a result of increased life expectancy, but also because of various other demand- and supply-side factors

Globally, the cost of healthcare continues to escalate, making it challenging for healthcare systems – private and public – to ensure adequate access to quality healthcare. Various complex factors contribute to healthcare inflation, including demand- and supply-side factors such as a shortage of healthcare professionals, new medicines and technologies that come onto the market at a significantly higher cost than the technologies they replace, and demographic trends such as an ageing population and the rise in chronic diseases of lifestyle. One of the key characteristics of healthcare costs is that the healthcare industry experiences the Baumol Effect where healthcare inflation continues to outstrip wage inflation. Contrary to industries where technological advances lead to cost decreases, in healthcare the same scarce human resources are still required and do not result in lower costs.

4 The generational shift in expectations from business, underlining the importance of social mission and value

The millennial generation demands more from the institutions that serve it. This generation is more civically minded and has experienced a loss of trust in institutions following the global financial crisis. Organisations that seek the patronage of millennials must demonstrate that they too are a force for social good. Discovery's business model and vision of making people healthier and enhancing and protecting their lives creates tangible change within our markets, the broader society and for our clients and employees.

5 Increased demand for insurance products in a volatile economic environment, giving an opportunity for insurers to innovate for the benefit of the consumer

During difficult economic periods, consumers' demand for insurance products tend to increase as financial markets and investment performance continue to be more volatile. This provides an opportunity for insurers to be more innovative in the products they offer consumers.

Traditionally, risk cover was combined with an investment component, resulting in a portion of the policyholder's monthly premium covering risk benefits, and the remainder being invested on the policyholder's behalf. Discovery by contrast put the policyholder's premiums to work at once to provide cover for the financial impact associated with health-related risks such as disability, illness and death.

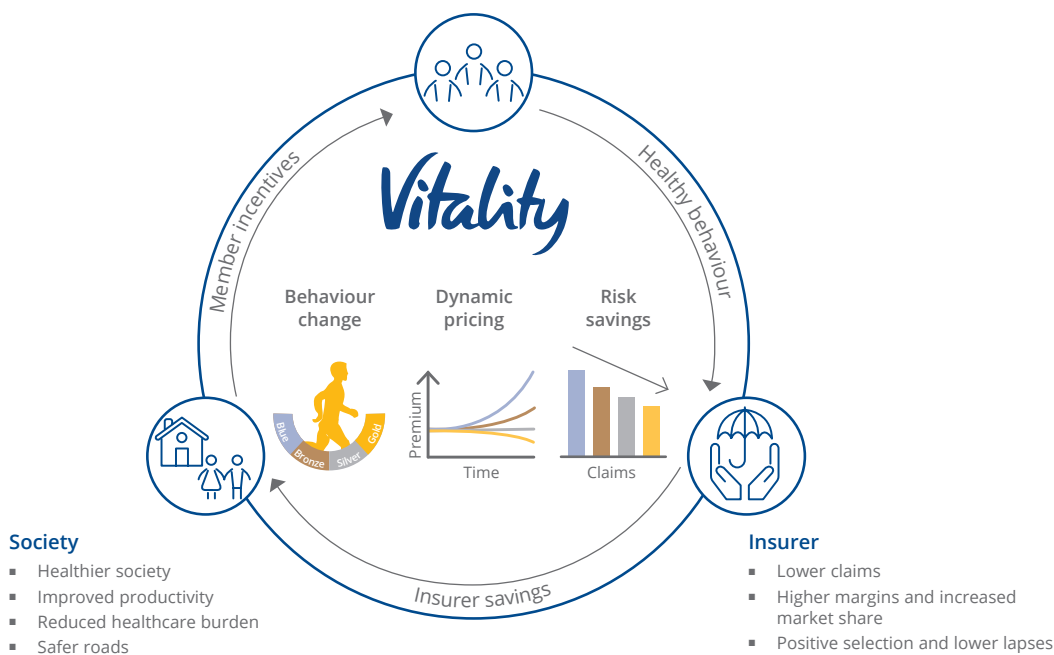
Discovery Life's integrated model harnesses its unique access to data on clients' health, wellness and driving patterns to assess and underwrite client risk dynamically. Clients pay premiums which reflect their risk profile and, in many cases, far lower premiums than they would pay for equivalent policies based on a traditional insurance model. Discovery Life's integrated model therefore provides a scientific foundation to encourage and reward healthy living, while protecting clients against unforeseen events and illnesses.

Measuring our shared value performance

Clients who are highly engaged with Vitality have lower mortality, morbidity and lapse rates than clients who are not engaged. For the insurer, this means lower costs, and for the individual, better health, more cost-effective cover and improved benefits. Discovery clients benefit from rewards across the Discovery suite of products.

Members

- Better value through better price and improved benefits
- Improved health
- Significant financial rewards for managing their health



The impact of the Discovery business model from an actuarial and competitive perspective is dramatic. The model creates more value through lower price points and better benefits, attracts better lives, encourages positive behavioural change, and has lower claims rates with better selective lapsation. This has resulted in unique price competitiveness and significant margin uplift.



Creating value for our clients: how Vitality helps clients be healthier

Various academic research studies, undertaken since 2006 and published in leading academic journals, show the benefits of engaging medical scheme members in their wellness through Vitality. One study reported on the effect of an incentive-based wellness programme on medical claims and hospital admissions by looking at the data of 948 974 members in terms of their participation in fitness activities and their medical claims data. The study found that hospitalisation costs per member were lower in the engaged

group compared with the inactive (non-engaged) group. The same pattern was shown for the number of admissions per patient and length of hospital stay per patient. Highly active members who were hospitalised experienced an average annual savings in associated medical claims of R5 025 compared with inactive members.¹

A second retrospective study, done over five years, examined the extent to which changes in engagement with

fitness-related activities, as part of a health promotion programme, in the first three years of enrolment, were related to the probability of hospital admission and hospital claims during the subsequent two years. The research shows that the proportion of members in the study cohort using the gym had increased from 27% at the time of enrolment in 2004 to 33.1% at the end of 2008. The proportion of inactive members changed from 76% to 68% from years 1 to 5.²

¹ *Fitness-related Activities and Medical Claims related to Hospital Admissions – South Africa, 2006; Preventing Chronic Disease, October 2009*

² *Participation in Fitness-related Activities of an Incentive-based health promotion program and hospital costs: a retrospective longitudinal study, The Science of Health Promotion, May/June 2011, Vol. 25, No 5*

Our shared value metrics

In applying our shared value approach and business model, we measure our performance in terms of both social and financial outcomes.

1

Mortality and morbidity rates of our client base

2

Lapse rate in our business

3

Value created for clients in the form of financial rewards and other benefits

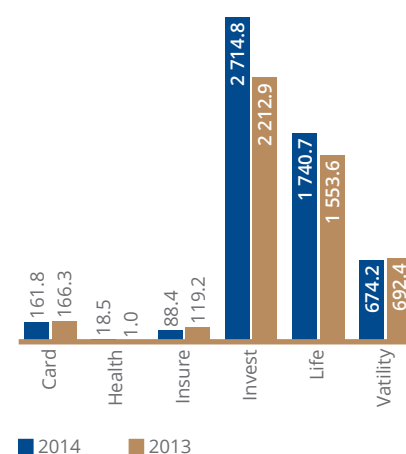
Trend in mortality and morbidity claims of engaged and non-engaged members



Trend in policy lapse rate of engaged and non-engaged members



Value of Discovery rewards earned (Rm)



Engaging with stakeholders

Our ambition to be a powerful force for social good informs the way in which we engage with stakeholders. We aim to be a leader in the industries in which we operate and to create value by delivering positive structural change to the markets and industries we serve. Our products and services are designed to make people healthier and enhance and protect their lives across a spectrum of financial needs.

We can only achieve this ambition through active and responsible engagement with stakeholders. We understand that the continued growth and success of our business is intrinsically linked to understanding our stakeholders' concerns, needs and insights. The way in which we interact with our stakeholders in conducting our business is a key aspect of Discovery's long-term sustainable development strategy.

Discovery's key stakeholders

1 Employees

Close to 10 000 employees globally, shape and deliver products and services to Discovery clients.

See pages 19 to 22 of this report for more detail about how we engage with employees, including our employee survey results and outcomes.

See pages 23 to 25 for more detail on how we support employees in achieving their personal health and wellness goals.

2 Members and policyholders

We serve 5.1 million unique clients globally, who engage with our products and services to protect themselves from risk and to benefit from improved health and wellness. Our Integrated Annual Report describes some of the innovative products we have introduced during the year.

3 Investors and analysts

We engage with the investment community through a dedicated team under the leadership of the Chief Financial Officer. A primary concern for investors is our ability to create sustained, long-term value. Our Integrated Annual Report is an important channel of communication with investors, along with regular investor meetings, interviews and presentations.

Close to
10 000
employees globally

5.1
million
unique clients
served globally

During the year, we therefore refined our stakeholder engagement framework further with the objectives of:

- Enhancing our understanding of the socio-economic environment in which we operate, so that we can more effectively address challenges and identify opportunities for our business and our stakeholders
- Enabling us to respond more effectively to stakeholder issues and concerns
- Positioning Discovery as a powerful force for social good and as a leader in guiding business in addressing national priorities, such as the National Development Plan (NDP) in South Africa.

Our approach to stakeholder engagement is shaped by the following principles:

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

The Board plays a governing role in overseeing and monitoring our stakeholder engagement framework.

4 Partners

Our partners are playing an increasingly important role in our business as we roll out our shared value model to international markets, together with some of the largest and most respected insurance companies in the world.

5 Media

The media plays an important role in providing accurate information about complex issues such as healthcare and financial services. We engage regularly with the media through our various publications, summits, our website and in media interviews and interactions.

6 Suppliers, including healthcare and other professionals who serve our members

As described in our Integrated Annual Report, we make every effort to foster a healthcare system that provides quality healthcare to members at the lowest possible cost. Skilled healthcare professionals and other providers of healthcare are critical for the sustainability of healthcare systems and industries globally, as well as the continued care and wellbeing of patients.

7 Financial advisers and other agents and intermediaries

Financial advisers, agents and intermediaries are the cornerstone of our distribution strategy for many of our products. Our interaction with this group is therefore critical to our business success. In particular, we need to ensure that intermediaries are well-informed about our products and their unique benefits. We need to inspire them to market our products enthusiastically and create value for themselves by increasing our product footprint.

8 Industry bodies, regulators, and government

Financial services and insurance industries are highly regulated in our various markets. We are responsible for engaging with these industry bodies and regulators, and are required to comply with the various regulations that impact our business.

9 Society and communities

Our shared value model and social ambition reflect our underlying approach to social value and community engagement which differentiates us from our industry peers. In this report, we describe our interactions with society and communities and how we put our ambitions into practice.

Our sustainable development strategy

Our sustainable development strategy brings together a portfolio of complementary initiatives and actions that help us achieve our core purpose of making people healthier and enhancing and protecting their lives.

Our strategy is based on the recognition that businesses must not only navigate social change successfully, but must also contribute to building the stability necessary for a thriving society, in essence creating a solid ecosystem around all our businesses in the countries in which we operate. We strive to achieve our ambition to be a powerful force for social good through the products and services we offer, through our engagement with people and through the social partnerships and collaborations we build for the benefit of society as a whole.

Our sustainable development framework defines our approach to sustainability and supports us in defining, implementing and reporting on progress towards achieving our ambition. See pages 16 to 49 for our sustainable development framework and our progress report against it.

To support the creation of a solid ecosystem around our businesses, we have identified two additional strategic objectives that act as a focus for our actions and partnerships.

Our first objective, arising from our recognition of the link between health, wellness and employee productivity, is **to build healthy and productive workforces**. We aim to achieve this through our core business, where we engage employees of Discovery and our clients to improve their health. We are also progressing this objective through the work we are undertaking to advocate more rigorous approaches to measuring and managing employee health through reporting on health metrics.

As outlined earlier in this report, our research has shown that there is a strong link between productivity and employee costs and health and wellness. We believe that we can play a role in enhancing the measures employers use to benchmark and manage the health of their employees.

Secondly, our strategy targets partnerships and actions **to support healthy cities** – encouraging the development of an urban landscape that facilitates health and wellness.

Both of these priorities are relevant to our business in all of the geographic locations in which we operate. They underpin and support our organisational focus on making people healthier.

By 2018, we intend to demonstrate sustainability and shared value partnerships across all our primary and partner markets. In 2015, we embarked on two partnerships to progress towards this goal.

- In South Africa, we initiated a partnership with the City of Johannesburg to support its development as a healthy city. We describe the initiatives underway in support of this objective overleaf.
- Globally, we progressed efforts towards building healthy and productive workforces. We have developed metrics to implement reporting on employee health and wellness, which are being piloted by a group of leading companies globally. We have also described on page 23 of this report the current wellness of our own employees.

Supporting the development of healthier cities

The development of a healthy urban infrastructure is essential for the success of our business and the wellbeing of our employees, clients, and other stakeholders. The overriding objective of our healthier cities initiative is to create opportunities for physical activity and active living for all.

The built environment – transport infrastructure, land use, urban design, recreational spaces and sports facilities – plays a major role in our wellbeing. Our social environment, which includes the nature of our social networks, social support and cohesion, is also a key contributor.

Threats to social cohesion include income inequality, particularly in the South African context, and the high level of unemployment, especially among young people. These underlying social issues create tension and act as barriers to collective action that promotes health and wellbeing.

To take forward our healthy cities initiative, we formalised our partnership with the City of Johannesburg during the year, establishing a Partnership Steering Committee with private sector representatives, as well as key players from the municipal government.

Through this partnership, our activities will initially be focused in two areas:

The Vitality Schools Programme, which encourages schools to improve health indicators and outcomes among learners. Research shows that the health of children in schools is under pressure, with a lack of focus on good nutrition and physical activity contributing to poorer

health outcomes. To address this issue, a programme was designed that addresses a broad range of factors influencing wellness, including cleanliness and sanitation.

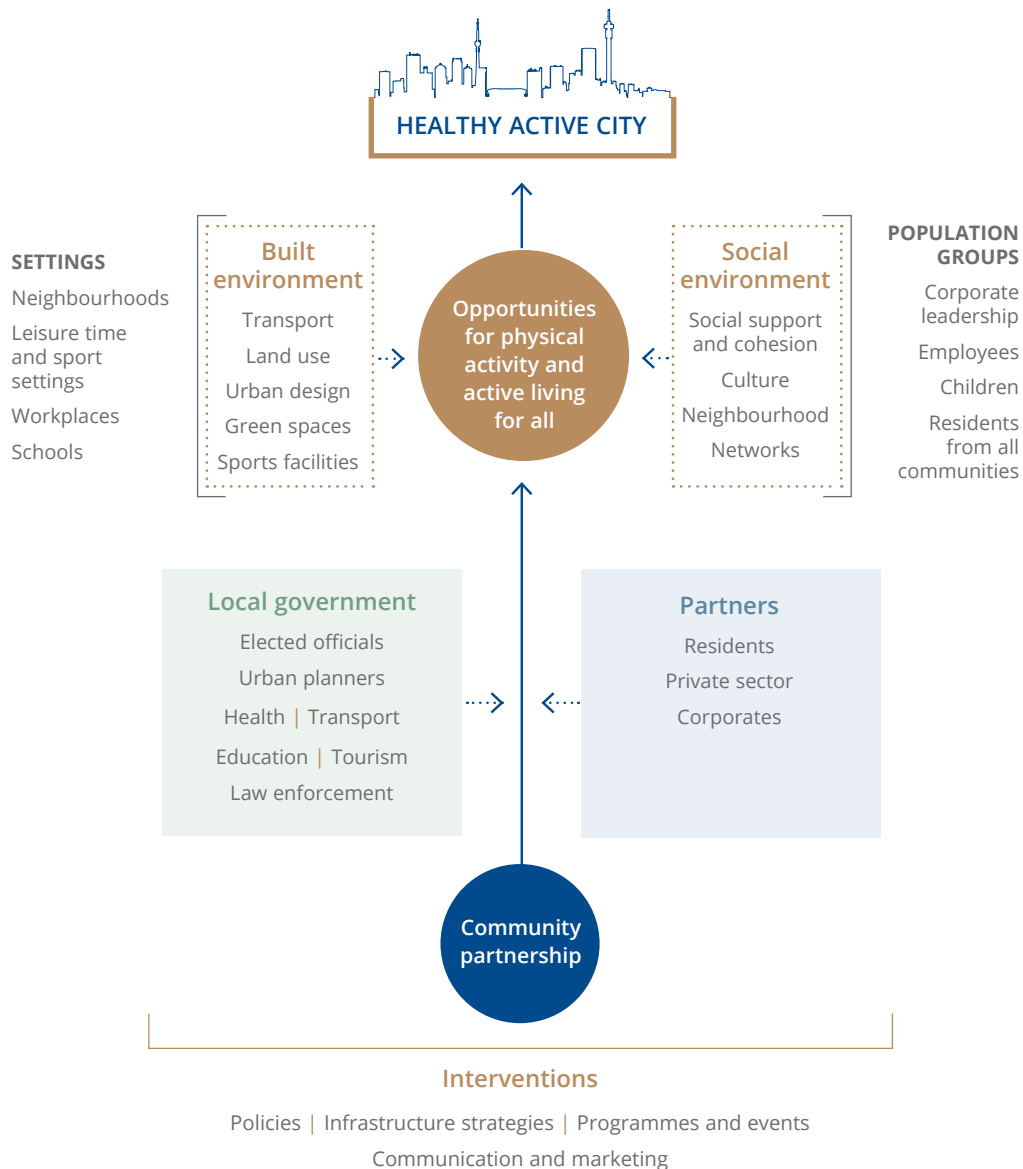
The Discovery Insure child safety programme, which seeks to make the journey to and from school safer for learners in the Johannesburg area. Our efforts will focus on working with the school transporters whose responsibility it is to transport children to and from school, making them aware of some of the safety risks for children and the importance of safeguarding child welfare through safe driving.

In addition, we have been working with the City of Johannesburg in preparing for the **Ecomobility World Festival** which was held in Sandton, Johannesburg during October 2015. A duathlon series was held as part of the festival and a multi-purpose soccer pitch will be built in Alexandra, supported through a fundraising initiative driven by Discovery's British Premier League soccer sponsorship relationships.

As many of our employees reside in the Johannesburg area, an important aspect of the partnership is the engagement of Discovery employees in initiatives taking place in Johannesburg through our **employee volunteer programme**.

We aim to engage at least 80% of employees in volunteer activities, focusing on the Orange Farm community in Johannesburg. This will be a joint volunteer programme with City of Johannesburg employees. The volunteer programme will pursue interventions that seek to make a positive impact in three priority areas – unemployment, health and youth development.

World Health Organization's framework for creating a healthy, active city



A powerful force for social good



Physical inactivity, unhealthy diet, smoking and excessive alcohol intake are responsible for the four main non-communicable diseases – cardiovascular disease, cancer, respiratory disease and diabetes – accounting for

60%
of all deaths worldwide.

Since the insurance industry was first developed, it has played a key social role by pooling resources to protect consumers and businesses against risk and uncertainty.

Today, in the context of longer life spans and the increasing influence of behavioural decisions on health and mortality, we have developed a shared value insurance model that promotes lifestyle changes to decrease risk and create social value.

While we have more control over our health and our quality of life than ever before, we know that paradoxically we do not always make the right decisions to remain healthy. We tend to over-consume healthcare, as the benefits are generally immediate, regardless of its high cost. In contrast, we under-consume wellness, which is harder to achieve but brings far greater benefits over the longer term.

Our shared value insurance model seeks to break this cycle by incentivising people to make healthier choices – in the food they eat, their exercise patterns and their consumption of preventive wellness measures, such as screening for preventable conditions.

At the centre of our model is engagement through behavioural incentives that drive members to make better health and lifestyle choices and which are integrated into their insurance. The outcome is that our clients become healthier, thereby having the opportunity to lower their premiums; and we are able to operate with better actuarial dynamics and profitability.



Our framework

to guide the implementation of our sustainable development strategy

Building healthy work forces

Building healthy communities and cities

01 | Create a values-based culture of opportunity and innovation page 18

We aim to foster a culture of innovation, opportunity, and excellence to enable us to meet our business objectives, including being a force for social good in society.

OBJECTIVES

- Attract, develop, and retain talent that creates economic and social value
- Actively work towards achieving inclusivity and transformation
- Make Discovery employees healthier

02 | Change behaviour to make people healthier and better protected page 26

We aim to make people healthier and protect them by using our knowledge of behavioural economics and our ability to change behaviour through Vitality and Vitalitydrive, two of our behaviour-based programmes linked to our health, life assurance and short-term insurance businesses.

OBJECTIVES

- Reduce the burden of non-communicable diseases (NCDs) by encouraging physical activity and improving nutrition
- Improve road safety by rewarding safe driving behaviour
- Increase member engagement in our behaviour programmes

03 | Strengthen and expand access to quality healthcare page 32

We aim to use our resources, knowledge, and expertise to improve the private and public healthcare systems fundamentally and to provide quality care for all South Africans.

OBJECTIVES

- Increase access to quality care for Discovery Health members through innovative and affordable products
- Improve and enhance the healthcare system by building the necessary capacity to service the healthcare needs of South Africans
- Decrease costs and improve quality of care for members of the medical schemes under our management

04 | Enhance economic and financial security and prosperity page 40

We aim to enhance economic and financial security by developing innovative products and investing in projects and initiatives that work towards including more South Africans in the economy.

OBJECTIVES

- Develop innovative products that decrease our clients' insurance gap
- Develop products that foster a culture of saving
- Invest in the inclusion of more people in the economy by supporting small- and medium-sized enterprises (SMEs), entrepreneurs, and youth

05 | Understand and improve our environmental performance page 44

We aim to achieve a meaningful decrease in our environmental footprint, and to enhance our understanding and responsiveness to climate change and other environmental challenges.

OBJECTIVES

- Reduce our direct environmental footprint
- Drive positive behaviour change
- Understand climate change implications

In the report sections that follow, we outline our progress and outcomes against the five pillars of our framework. Our report covers both social and sustainable development outcomes resulting from our core business (implementation of our shared value model) as well as projects that are undertaken on a purely philanthropic basis.

We firmly believe that social investment has an important role to play when it is structured in a way that has a practical and positive impact on South African communities and that creates social value over the long term.

To ensure that the impact of our social investment projects is sustainable, we have, where possible, integrated corporate social investment (CSI) activities into enterprise development strategies, ensuring that business can create value for every stakeholder, and sustainably uplift the communities we support.

Our CSI initiatives continue to focus on development in our public healthcare sector, as we view this as a critical development area for our country and one that impacts the success of our business. Through two independent funds, we support clinical research projects and the further education of medical specialists in our public healthcare sector, as well as various primary healthcare organisations throughout South Africa. In 2015, the Discovery Foundation committed R22 million to the training and research projects of 38 Foundation Award recipients working in South Africa's public healthcare sector.

We focus our socio-economic development (SED) efforts on projects responding to national healthcare priorities identified by government. During the year, for example, we made a contribution of R500 000 to Gift of the Givers in support of the Marikana community affected by the extended mining strike in 2014. We also responded to a call from the Minister of Health to support health workers exposed to Ebola, making a contribution of R500 000 towards personal protection equipment for use by health workers.

Discovery has joined the Aids 2016 Conference for the Private Sector Reference Group through a contribution of US\$150 000. The Reference Group was launched in 2015 by the South African deputy president, Cyril Ramaphosa. We will host a wellness lounge for delegates at the conference, and plan to use this opportunity to showcase our wellness model and enable Discovery Foundation and Fund beneficiaries to present their research on topics appropriate to the conference.



Create a values-based culture of opportunity and innovation

OBJECTIVES

1

Attract, develop, and retain
talent that creates
economic and social value

2

Actively work towards
achieving inclusivity
and transformation

3

Making Discovery
employees healthier

We made significant progress in all of these areas during the year.

Attract, develop, and retain talent that creates economic and social value

A number of initiatives are being undertaken to ensure that we can continue to recruit and develop talented employees in areas of the business that are critical to our success.

The **Adrian Gore Fellowship Award** is now in its third year. It aims to attract the best 20 actuarial students from various local universities and puts them through a rigorous selection process, with one student being awarded a sought-after fellowship at the end of the process. The final Fellow chosen in 2015 was also the first black recipient.

The **IT Grad Hackathon** was hosted in July 2015 for the second time. During the Hackathon, 59 IT students were challenged to develop innovative technology solutions for existing business challenges. This year's programme saw an increased number of employment equity (EE) participants. Of the 59 students participating in the Hackathon, 20 candidates, of whom 10 are equity candidates, were shortlisted for permanent roles in 2016.

In line with these initiatives, we have also revised our recruitment philosophy and approach to transform the recruitment and selection function into a high-touch experience that attracts and retains the best talent. Key projects that have been implemented during 2015 are:

- Using customer relationship management (CRM) strategies and processes to develop a talent pipeline.
- Putting internal tools and processes in place for the identification of Discovery employees to fill internal vacancies, especially strategic roles. We have saved an estimated R3 million in recruitment costs during 2015 by sourcing talent internally.
- Structured interviews with panels to identify high-potential individuals, reduce bias in selection, and bring scientific rigour to recruiting.

Leadership development

Notable innovations in 2015 include:

Further strengthening of our leadership development programmes. We have partnered with Stellenbosch University to accredit our leadership development programmes, the Foundational and Core Peak Performance Programmes, aimed at all employees and team leaders. Discovery People also partnered with the Insurance Skills Education Training Authorities (InSETA) to provide bursaries of up to R30 000 for each delegate. As a result, 176 employees and team leaders graduated from the accredited Discovery leadership courses in July 2015. This project has significantly scaled up the impact of leadership development to build a solid foundation of Discovery leaders.

Developing Discovery's thought leadership potential. Discovery People launched a 'Learning as a Service' (LAAS) initiative in 2015 to support employees who do not qualify for Peak Performance Programmes and to ensure Discovery will have leaders at all levels. The first LAAS offering is Discovery getAbstract, a service that creates summaries of over 8 000 business books and gives employees the opportunity to buy books of interest through Amazon. The service is available through a dedicated co-branded website that is accessible across multiple devices to all employees.

Create a values-based culture of opportunity and innovation continued



Employee engagement survey

During 2015 we conducted an employee engagement survey to understand and track our progress in employee engagement, year-on-year. Over the past two years, the survey consisted of a broad, wide-ranging survey for employees and a more focused leadership survey. The survey had a 80% response rate (6 173 employees responded to the survey in 2015 and 5 656 in 2014). It consisted of 22 statements that touch on management, career, work, innovation and lifestyle.

A summary of the results are:

- Positive scores were received for questions relating to employees' immediate managers – ranging from 68% to 77%. There are, however, opportunities to develop management skills further.
- Under the categories of work, career and innovation, scores for dignity and “no bullying” were excellent, with scores for job satisfaction and being innovative marginally lower.
- In terms of lifestyle and employee wellness, employees on average spend between 0.5 and 1.5 hours travelling to work one way, and 30% have financial concerns.
- Up to 26% of employees work an unhealthy number of additional hours that may lead to burnout.

Going forward, our aim is to link what we measure more closely to our core purpose. All business areas will be provided with insight and support into how our leaders are impacting our brand, employee wellbeing and performance. Our leaders will also be supported to identify appropriate interventions that may result in greater employee engagement and productivity.

80%
response rate
to the survey
in 2015.

The results indicate that many interventions implemented by the business have had a **positive impact** on employees' engagement scores.

Actively work towards achieving inclusivity and transformation

In March 2015, Discovery People started a process to redefine its role in supporting Discovery's 2018 ambition. This process provides us with the opportunity to achieve our objective of being an innovative and value-adding employer.

Our transformation vision

Our vision is to be the best insurance organisation in the world by 2018, powered by **diverse talent** who excel in Discovery's unique and inclusive culture.

We are committed to taking **bold transformative actions** to support a diverse workforce at all levels, **even when it challenges our comfort zones**.

We want to leave a **legacy of meaningful contribution to economic inclusion in South Africa**, as this is consistent with our values and our leadership charter, and because we hold the unwavering belief that it is the right thing to do for Discovery and for South Africa.

We aim to attract, grow and retain talented employees, who contribute meaningfully to our unique culture and core purpose. Further to that, it is also a requirement to nurture their talent, inspire and liberate the best in them. Developing skilled leaders on a continuous basis, is therefore critical.

Our transformation process is designed to address some of the challenges we identified to achieve this vision by:

- Achieving greater clarity and transparency in our human resource practices
- Harnessing leadership capability more effectively in pursuit of transformation goals
- Eliminating any unconscious bias in our organisational culture, systems and processes.

Research to inform an institutional response to ensuring more opportunities for black people and women, was also completed.

A number of measures have been implemented as a result, including:

- The evaluation of management practices and the introduction of tools to reduce bias, such as instituting interview panels as part of the recruitment process
- Processes and reporting to ensure that individual managers are aware of and held accountable for decisions made on a daily basis around employment equity

- The proactive identification, development and retention of employment equity talent and women
- Implementation of a cultural agility programme to upskill Discovery leaders to perform successfully in cross-cultural situations and environments
- Equipping women and black people with practical tools to navigate the Discovery culture more successfully.

Discovery's Group Employment Equity Talent Committee was formed in July 2013 and plays an important role in supporting transformation efforts in the group. The current priorities of the committee are to:

- Monitor and review progress towards transformation at a group and divisional level
- Make recommendations and provide structured focus on the development and retention of talented equity employees
- Build a transformation vision and implement the key transformation initiatives identified by the social and ethics committee.

Create a values-based culture of opportunity and innovation continued

Discovery's transformation targets

Target

A minimum of 25% black representation in each divisional Executive Committee by June 2015

Make further progress in implementing the Executive Associate programme. This programme targets the appointment of Executive Associates in roles reporting directly to members of the Executive Management team, from whom they receive mentoring and development support

Review management incentives

Research into identifying systemic barriers to transformation and developing institutional responses

Progress to date

The majority of business divisions have already met this target. Plans are in place for the two divisions that have not yet reached this goal

Since 2010 there have been 23 Executive Associate appointments, of which 21 are black

With effect from July 2015, the management incentive weighting for employment equity was increased from 10% to 15%

As outlined previously, this research has been completed and actions to address systemic and environmental barriers to further opportunities for women and black employees are being put in place

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	2	16	1	0	0	0	1	1	22
Senior management	23	12	28	150	23	10	32	126	11	6	421
Professionally qualified and experienced specialists and mid-management	42	22	80	218	90	54	163	309	9	18	1 005
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	417	160	336	443	424	256	393	559	39	33	3 060
Semi-skilled and discretionary decision making	700	238	365	390	1 053	385	344	432	17	18	3 942
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	1 183	432	811	1 217	1 591	705	932	1 426	77	76	8 450
Temporary employees	0	0	0	3	0	0	1	0	0	2	0
GRAND TOTAL	1 183	432	811	1 220	1 591	705	933	1 426	77	78	8 456

* Section 21 of the Employment Equity Act in South Africa requires every employer to submit an Employment Equity (EE) report annually to the Department of Labour. The above data was submitted for the reporting period July 2014 to June 2015.

Making Discovery employees healthier

In line with our core purpose of making people healthier, we engage pro-actively with employees to support them in understanding their health risks better and to encourage them to take the actions needed to improve their health.

The health of our employees

We run an internal rewards programme, **Prosperity**, that encourages engagement in Discovery. As part of the programme, employees are encouraged to improve their health and are rewarded with additional leave for attending Wellness Days and for improving their health.

To drive participation in Wellness Days and encourage attendance, wellness campaigns that encourage awareness and improvement in levels of physical activity and nutrition, are hosted and tracked. Typically, the campaign is based on data emerging from the previous year's Wellness Day, which highlights the highest priority health risks we need to address with employees.

Results from our Wellness Day

Between 2014 and 2015, the number of employees at risk due to:



smoking
increased by 5.9%



poor nutritional intake
increased by 2%

On the positive side, our Wellness Day data showed that employees are more active



physical activity
increased by 3.2%

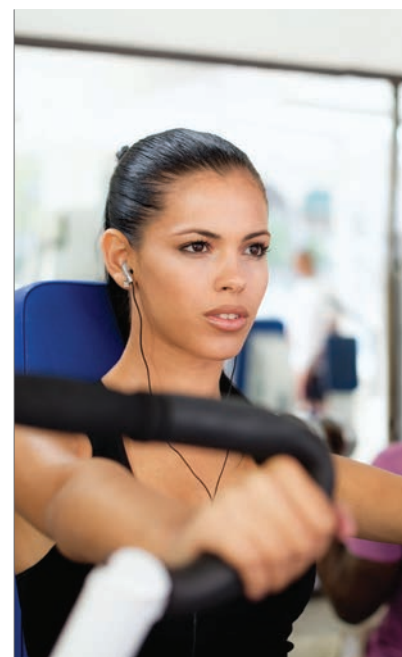
Validity Age is a scientifically and actuarially derived risk algorithm that incorporates health behaviours as well as objective clinical measures to determine a person's risk-related age.

The number of employees at risk due to their blood pressure and alcohol consumption has remained static over the period at 15% and 2% respectively.

Despite some of the improvements shown in these indicators, our employees remain less healthy than what we would like. The average Validity Age of employees is 37, three years higher than their actual age, and employees' health indicators are worse than the industry average in the following areas:

- Stress management
- Physical activity
- Nutrition
- Smoking
- Blood pressure
- Blood glucose

The percentage of employees at risk due to their body mass index (BMI) also increased by 2% from 58% to 60%.



The number of employees attending Wellness Days has grown significantly over the past five years, with **6 128*** employees attending our Wellness Day in 2015.

**South-African based employees only*

Create a values-based culture of opportunity and innovation continued

case study

10 Ton Challenge

As part of Discovery's efforts to understand what drives sustainable change in wellness behaviour in large corporates, an internal weight-loss initiative called the **10 Ton Challenge** was held between March and June this year. The challenge was to lose 10 000 kilogrammes as an organisation, with one kilogramme of healthy food donated for every one kilogramme of weight lost. Various divisions and teams were able to enter together, and compete against others.

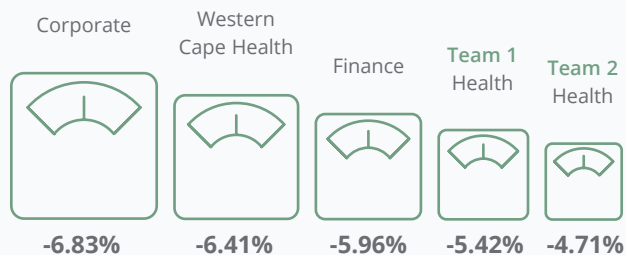
A key focus was to encourage employees to participate and to be more aware of healthy nutrition and weight.

Discovery employees lost 2 200 kilogrammes, resulting in 43 940 nutritious meals donated to a charity partner, Joint Aid Management. Employees completed almost 25 000 campus walks and 23 employees lost over 10 kilogrammes each, with the biggest weight loss being 18 kilogrammes.

Encouragingly, more and more employees are now taking steps to increase their levels of physical activity.

Results from our 10 Ton Challenge

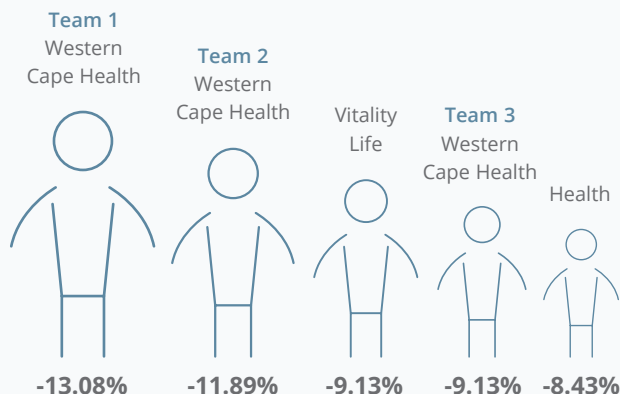
Top five Discovery teams based on % weight change



Top five divisions based on % weight change

- 1 Finance
- 2 Corporate
- 3 Life
- 4 Cape Town
- 5 Marketing

Top five Discovery teams based on % body fat change



Top five divisions based on % body fat change

- 1 Finance
- 2 Life
- 3 Invest
- 4 Discovery Partner Markets
- 5 Marketing

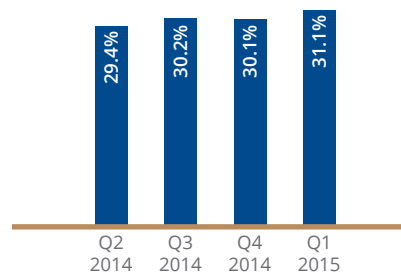


Healthy nutritional intake is improving, with just under 600 employees activating the Vitality HealthyFood benefit over the past year with an increasing level of healthier food purchases.

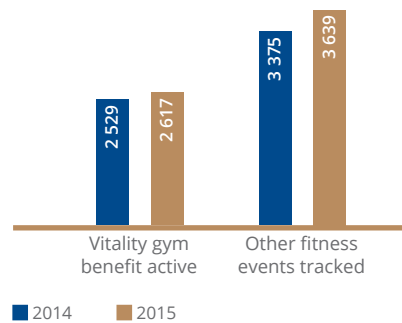
Our philosophy is to support employees to take some action to support their health, rather than none at all, so we encourage employees through campaigns to participate in campus walks, organise healthy lunchbox challenges and take part in other onsite activities such as pilates, zumba and core strengthening classes.

To assist high-risk employees, we recruited a **wellness coach**, who works with just over 100 employees on their weight, fitness and nutrition, either on a one-on-one basis or in group coaching sessions.

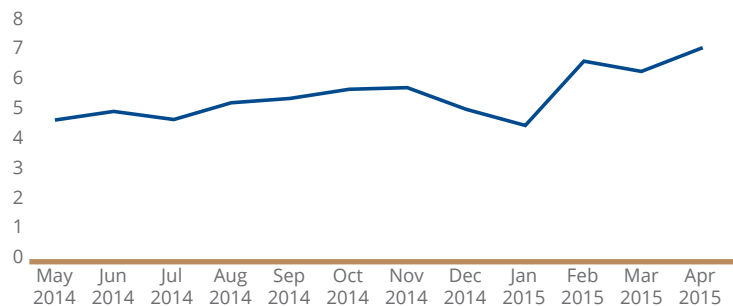
Employees' HealthyFood spend as a percentage of total food spend at partner stores



Employees taking steps to increase their levels of physical activity



Average number of fitness activities tracked per employee per month



The results of our wellness coach programme, run throughout the financial year:

442.6kg

total weight lost during the year, with the biggest single weight loss at 31 kilogrammes

9 630

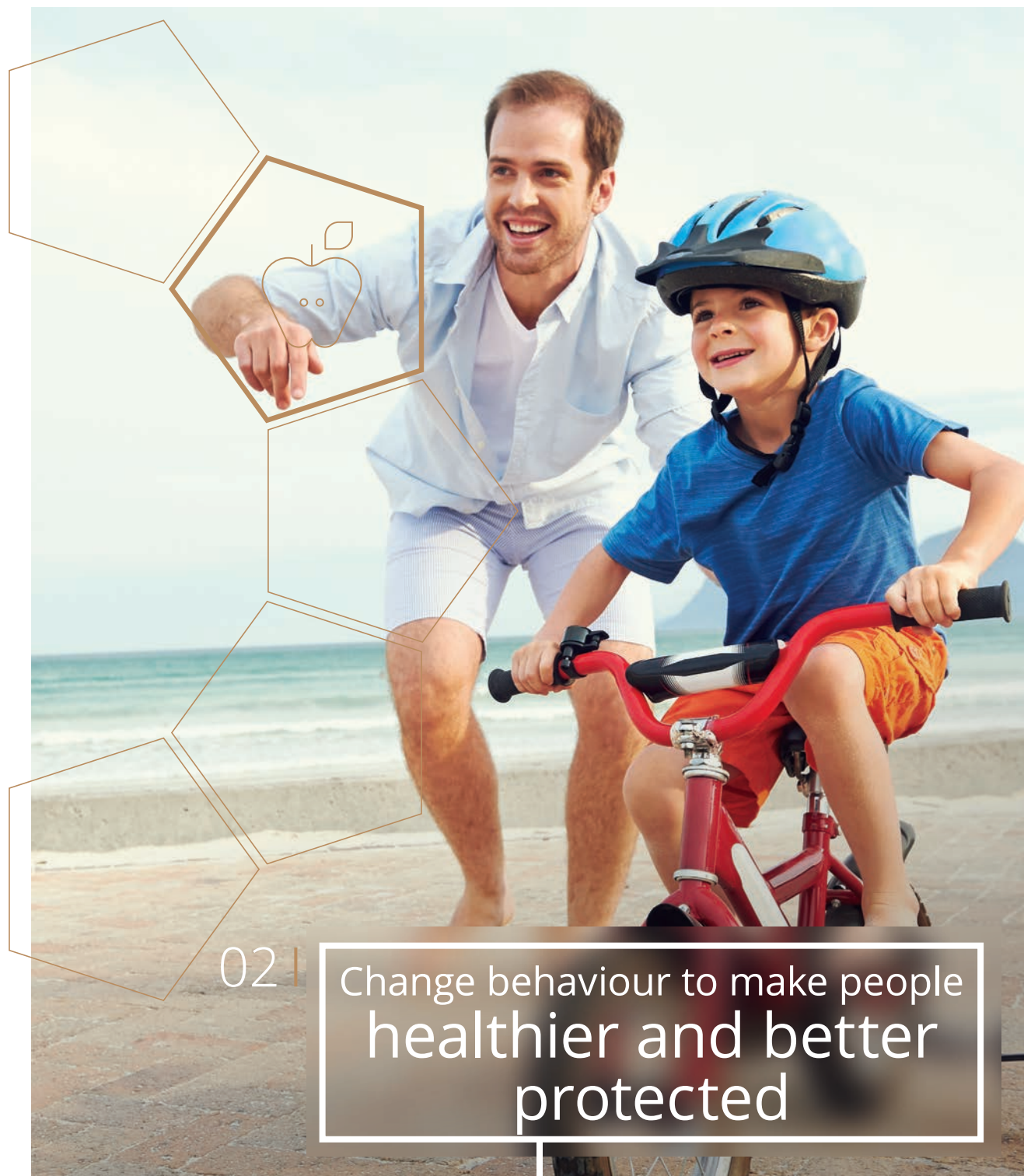
additional minutes of exercise each week, with the average number of minutes of exercise improving from 20 minutes at enrolment, to over two hours

535.8cm

waist circumference lost in total, an average of 4.6% per employee

68

fewer cigarettes smoked each day. 50% of smokers on the programme stopped smoking altogether



02 |

Change behaviour to make people healthier and better protected

OBJECTIVES

1

Reduce the burden of non-communicable diseases (NCDs) by encouraging physical activity and improving nutrition

2

Improve road safety by rewarding safe driving behaviour

3

Increase member engagement in our behaviour programmes

1

Reduce the burden of non-communicable diseases (NCDs) by encouraging physical activity and improving nutrition

Research shows that regular exercise and a healthy diet can contribute to improved health.

Through engagement with the Vitality programme, Discovery clients are incentivised to regularly exercise and eat more healthily. Our strategies to encourage physical activity, smoking cessation and mental wellbeing are aligned to our long-term business goals and inform our approach to new product development. Product and benefit enhancements introduced during the year have created the scope to further increase member engagement and underpin ongoing improvements in member health, wellness, levels of physical activity and nutritional intake.

- Gym usage among Discovery customers participating in the Vitality programme increased by 22% over a five-year period

- The proportion of HealthyFood being purchased increased by 3% in the first year of engagement with the programme

- Hospital admission rates were 10% lower

During the year, Vitality also introduced the **HealthyFood Switch** app, which enables members to review the nutritional content of potential food purchases by swiping barcode labels. The app is also designed to strengthen the engagement of members in decisions to purchase healthier food.

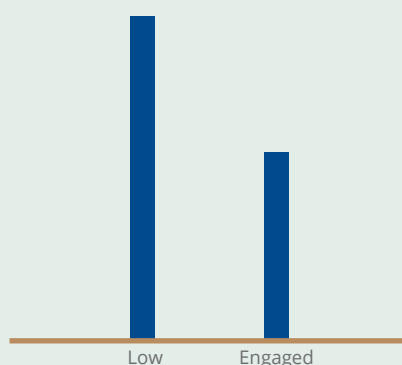
Our **Healthy Cities** initiatives seek to enable an urban environment which is more supportive of healthy living. During the Ecomobility World Festival in October 2015, in particular, we have supported a duathlon event in Johannesburg and other

events designed to encourage movement and a more positive attitude to taking up an active lifestyle in an urban environment.

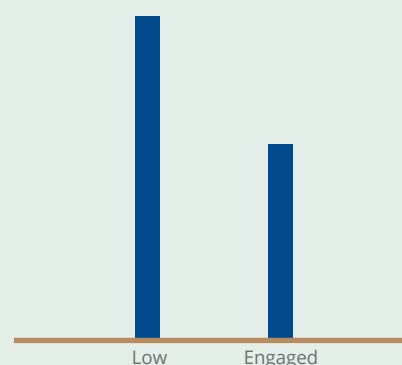
Through the **Discovery Fund**, we have also partnered with the **Chronic Disease Initiative for Africa (CDIA)**, committing R6 million to their programme over three years. CDIA is one of 11 centres of excellence that have been created to address the improvement and integration of care for non-communicable diseases in developing countries, in alignment with the World Health Organization (WHO) strategy to combat non-communicable diseases. The CDIA strives to connect a wide range of experts in non-communicable diseases, public health, clinical medicine, epidemiology, lifestyle modification, health economics, health behaviour and implementation research, in an expanding collaborative network.

The impact of Vitality on how people maintain their policies and how their improved health impacts medical and life assurance claims.

Trend in policy lapse rate of engaged and non-engaged members



Trend in mortality and morbidity claims of engaged and non-engaged members



Change behaviour to make people healthier and better protected continued

2

Improve road safety by rewarding safe driving behaviour

Discovery Insure's Vitalitydrive programme encourages safer driving by rewarding clients for driving well. Clients receive fuel rebates of up to 50% of their monthly fuel spend, as well as numerous other benefits aligned with our behavioural economics model.

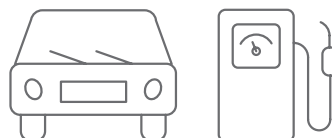
The mobile app and tag solution, the latest evolution of telematics technology and its application for Vitalitydrive, continues to be rolled out and accounts for approximately 40% of new business. Clients opting for the mobile solution have 13% higher driving scores than clients using traditional telematics technology, (a telematics device installed in the car) indicating higher levels of engagement with improvements in driving behaviour.

In many areas, we have led action on high-risk behaviours, for example the practice of texting while driving. We participate on the South African Road Traffic Management Corporation's Road Safety Advisory Council, at the invitation of the Minister of Transport and are the only short-term insurer to have been included in this panel.



Drivers using their cellphones while driving have on average **52 seconds** of distracted driving per trip

This is equivalent to **one kilometre** of "blind driving" at 60km/h




During Easter 2015, a campaign was conducted where clients were given additional fuel rewards for stopping every two hours on long distance journeys.

The Discovery Insure Driving Challenge, which took place in August 2014, extends the reach of safe driving programmes beyond Vitalitydrive clients, and enables all drivers to access data on their driving performance through a mobile phone application.

Drivers are awarded a score against a simple five-star system for their driving performance in six key areas of risk:

- Night driving
- Harsh braking
- Speeding
- Harsh acceleration
- Harsh cornering
- Phone usage

Data from the driving challenge shows that it supports significant improvements in driver safety. Users scoring less than 50 points at the start of the challenge, for example, typically improved driving by up to 20% over the next two days. These improvements are sustained over time, with continuous improvement in the first month of taking part.

 For additional detail, see the **Discovery Insure business review** on pages 54 to 61 of our **Integrated Report**.

3

Increase member engagement in our behaviour-change programmes

During the year, Vitality has innovated in many areas to incentivise and increase member engagement in behavioural programmes. Our objective is to further increase the number of clients on Vitality, as well as how they engage with the programme.

One of the key success factors of the Vitality programme is the ability to engage clients continuously in their health through useful and valuable rewards. Our research has shown that the more individuals engage in the programme through the various preventive health screenings and physical activity partners, the better their health (as measured through lower hospital admission rates, shorter hospital stays and fewer chronic illnesses).

Product and benefit announcements are therefore introduced every year to encourage higher engagement levels. Vitality Active Rewards was developed during 2015 and introduced in September 2015 to enable members to benefit from incentives more quickly through instantaneous, small-value rewards for achieving weekly fitness goals. The programme is enabled by a smartphone app that identifies and tracks personalised goals for members. The physical activity offering has been expanded through **Vitality Fit**, which broadens the scope of physical activity opportunities for members. A review is underway to align activity offerings further with current popular activity trends.

Sponsorship activities continue to support new membership drives. **Team Vitality** currently has over 6 500 members and has become South Africa's largest running and cycling club. There has been a positive response to the financial benefit offered through Team Vitality, as well as to the camaraderie that goes along with club membership.

Parkruns have proven to be a highly successful means of engaging members and non-members alike in physical activity. They have provided benefits on a number of levels, including the security benefits resulting from the increase of foot traffic through park areas and the engagement of family members in regular physical activity.



See the Vitality business review on pages 62 to 65 of our Integrated Report for more detail.



Change behaviour to make people healthier and better protected continued

The Safe Travel to School programme

Children are vulnerable on the roads, particularly when long distances are travelled to and from school. In a partnership between the Discovery Fund, Discovery Insure and Childsafe, we are addressing the need to create a safe means for all children to travel to school.

The Safe Travel
to School
programme
pilot targeted
75 learner
transporters
in the Western
Cape Province

The Safe Travel to School programme pilot targeted 75 learner transporters in the Western Cape Province with the aim of improving knowledge and awareness of their driving behaviour and ensuring safer commuting to school. The study found that drivers on the programme improved their driving behaviour significantly compared with the general driving population of Cape Town.

In the pilot, Discovery Insure used its incentive programme, Vitalitydrive, as an intervention to help the drivers drive children more safely. The programme uses the DQ-Track device (our telematics device) to monitor driving behaviour, provide feedback, and reward drivers for improving their driving behaviour.

Drivers who were engaged improved their driving behaviour, and had fewer harsh acceleration events (87%), fewer harsh cornering events (92%), fewer harsh braking incidents (25%), and fewer speeding occurrences (25%). These improvements translated into measurable safety benefits to the target community of learners.

The pilot has shown that public-private collaborations continue to make a significant difference in our society, and in this case, in tackling South Africa's high road accident rate. In more than 1.5 million kilometres of data collected during the past year, key findings further revealed that the programme had success in impacting driving behaviour positively from the onset, as 27% of drivers scored perfectly from the first day of participation.

In contrast, high-risk drivers on the pilot had nine times more harsh acceleration events, five times more harsh braking events, 28 times more harsh cornering events, and exceeded the speed limit three times more often.

The pilot was the first phase of implementation of a growing project and collaboration between the Discovery Fund and Childsafe South Africa to keep children safe despite

the high death toll on the roads. It was launched in January 2014 with the study conducted by a team from the Medical Research Council (MRC) and was led by an expert on the issue, Professor Ashley van Niekerk, Senior Specialist Scientist and Manager at the Unisa-MRC Violence, Injury and Peace Research Unit. Due to the success of the pilot study in Cape Town, the project is planned for expansion in 2015 to the greater Western Cape Province and the City of Johannesburg, with the aim of rolling it out nationally.

Through the project, it has been possible to monitor that all participating drivers have the necessary permits and licences and that all vehicles are roadworthy. The project has made it possible to provide first aid and defensive driving training, conduct eye tests, and supply eye glasses, polarised sunglasses, tyres, lap belts, fire extinguishers, jacks and warning triangles.





Mr Linda Mpani was the winner in the Best Driver Category in the Discovery Childsafe Safe Travel to School programme.

The project has seen
27%
of drivers scoring perfectly
from their first day
of participation

Overall,
87.7%
scored above average
in driving safety

In recent months, the
scores have improved to
an average
37%



Strengthen and expand access to quality healthcare

OBJECTIVES

1

Increase access to
quality care through
Discovery Health's innovative
and affordable products

2

Improve and enhance the
healthcare system by building
the necessary capacity to
service the healthcare needs
of South Africans

3

Decrease costs and
improve quality of care
for members of the
medical schemes under
our management

Increase access to quality care through Discovery Health's innovative and affordable products

Discovery Health offers seamless access to the healthcare system, catering for the needs of a broad spectrum of medical scheme members. The complex nature of healthcare systems requires a collaborative approach by all stakeholders to address the growing challenges of rising costs and the variable quality of care.

Several Discovery Health product innovations during the year were designed to improve access to quality healthcare:

- The Discovery Health Medical Scheme income band for the KeyCare plan has been widened, making products more competitive in the middle-income bands.
- The Council for Medical Schemes (CMS) has confirmed its intention to allow medical schemes to develop low-cost benefit options which would be exempt from the current Prescribed Minimum Benefits requirements. Discovery Health is currently working on developing such a product for Discovery Health Medical Scheme, with an anticipated launch date in early 2016. The development of this category of products will enable a greater proportion of the population to benefit from quality care.
- Discovery Health PrimaryCare has been launched. PrimaryCare is a new product that offers access to primary healthcare services for low-income employees among companies who belong to Discovery Health Medical Scheme. The product has 750 confirmed lives and a potential pipeline of 6 600 members.
- The Discovery Corporate Integrator was launched in March 2015, and offers affordable access to healthcare schemes for small- and medium-sized enterprise owners and employees.

Discovery HomeCare, a home nursing service, enables members who can be better supported in their home environment, to obtain treatment at home.

The Discovery Fund, an independent trust aimed at supporting public healthcare organisations, has continued to provide support for various organisations that work in the areas of primary healthcare.

The Fund's support focuses in particular on:

- **Maternal and child health** – support for organisations with a history of success in the field of maternal and infant care, either through direct service delivery or by supporting the recruitment, training, and placement of appropriate healthcare professionals.
- **Community health** – support of organisations with a history of success in the field of mobilising and training community health workers, with a focus on active case finding, screening and referrals to health facilities.
- **Human resource strengthening** – support through in-service and pre-service training, including bursary administration and training and capacity building among community health workers, nurses and midwives.

The Discovery Fund's spend has been approximately R25 million per annum. In the 2015 financial year, R30 million was disbursed to 49 organisations in support of projects aligned with the Fund's objectives.

Discovery Health's model for quality and sustainable healthcare



1 Better health

Best wellness platform globally comprising 1.7 million participants in South Africa



2 Better healthcare

Broadest network with 90% of consultations done with network doctors and quality and service in line with global standards



3 Lower cost

17 plan choices at an average 14% cheaper than the market



4 Underpinned by technology

Over 1 000 doctors using HealthID, and over 600 000 member consents

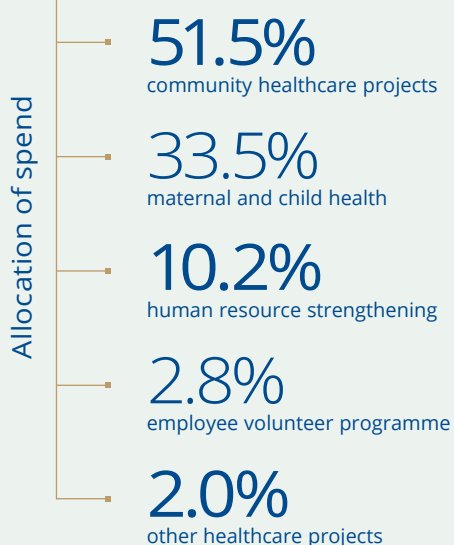
Strengthen and expand access to quality healthcare continued

Key community healthcare projects supported through the Discovery Fund in 2015

- The Catholic Institute for Education, Eastern Cape and KwaZulu-Natal
- The Witkoppen Health and Welfare Centre, Gauteng
- The Hoedspruit Training Trust, Limpopo Province
- The Desmond Tutu HIV Foundation, Western Cape
- Orbis Africa, KwaZulu-Natal
- The Philani Child Health and Nutrition Trust, Western Cape
- Mosamaria, Free State
- The Umthombo Youth Development Foundation, KwaZulu-Natal
- The Thusanani Children's Foundation, Gauteng
- The Chronic Disease Institute of Africa (CDIA), a national body

558 250

beneficiaries in eight provinces
received support from
the Discovery Fund



Results from our Monitoring and Evaluation report for 2015

A key objective for the Discovery Fund is to ensure that we understand the impact of our funding on community healthcare organisations. Over the past two years, we changed our funding approach to a programmatic approach that includes specific monitoring frameworks to ensure our funding efficiently supports key development areas in the country.

Our 2015 report presents the results of 40 supported projects and organisations that were funded during the 2013/2014 financial cycle.

01 | Community health



Our funding in this area aims to provide support to organisations with a history of success in mobilising and training community healthcare workers, with a focus on active case finding, screening and referrals to health facilities.

1 784	community healthcare workers received training
23 700	people received integrated community-based care services
73 000	people received HIV counselling and testing

02 | Maternal and infant health



In this area, our objective is to support organisations with a history of success in the field of maternal and infant care, either through direct service delivery or by supporting the recruitment, training and placement of appropriate healthcare professionals.

1 784	women received antenatal care
23 700	infants received postnatal care
73 000	women received Prevention of Mother to Child Transmission treatment

03 | School health



Our funding for projects working in the area of school health aims to support organisations in the basic education system that deliver quality healthcare services to primary and high schools.

15 887	school children received health screenings
24 000	school children received nutrient supplementation

04 | Education and training



The objective of our funding in this area is to help improve human resources and contribute to strengthening the delivery of quality services. This is achieved by supporting both pre-service and in-service training.

243	health workers received training
9	people received bursaries
1	person graduated as a doctor

Recognising the importance of building capacity in volunteer and civil society organisations (CSOs), the Discovery Fund also runs a leadership programme called the **Organisational Development Capacity Building Programme**. This programme is based on Discovery's in-house Fit-to-Lead programme for managers, and has been modified to suit the needs of managers from CSOs.

The aim of this programme is to continue the Fund's engagement with our partners,

and enhance the value of our ongoing financial support. We aim to empower and equip them with leadership skills which will enable them to strengthen their organisations, and allow them to be sustainable, despite the general decline trend in donor funding.

In addition, all fund partners are invited to attend the Discovery Fund Training Programme in May each year. The goals for this training programme are to enable skills transfer and capacity building for

CSOs and provide opportunities for CSOs to collaborate, share expertise and work together to identify solutions to common challenges.

The theme for each year is based on a common need identified by participating organisations. The themes for 2015 were the monitoring and evaluation of operations, and undertaking behavioural change counselling as a routine practice to prevent and control non-communicable diseases.

Strengthen and expand access to quality healthcare continued

2

Improve and enhance the healthcare system by building the necessary capacity to service the healthcare needs of South Africans

Discovery Health's 2013 publication 'Healthcare 2020' sets out a vision for a healthcare system which focuses on the needs of patients and ensures delivery of the best quality of care at the lowest possible cost.

Our 2020 vision centres on a cohesive system where healthcare professionals work in teams within integrated practice units and delivery systems, and are paid using innovative alternatives to current fee-for-service models. We believe that in a well-functioning system, value should be continually measured and optimised as a basis for improvement.

Over the past number of years, Discovery Health has focused on establishing the framework required to build a value-based healthcare system. This includes programmes and initiatives aimed at encouraging teamwork, specialisation and integrated delivery of care, to the benefit of the patient. An example of a successful care coordination programme is the Discovery Health Care Coordination Programme, designed specifically for patients who require complex rehabilitation, including home-based care.

Another example is HealthID, an app for doctors that provides them with access to their patients' electronic health records,

once they have given consent. Through HealthID, we are pioneering the use of technology to enable a more coordinated approach by healthcare providers. HealthID is a digital system to share electronic patient records among service providers and enables an integrated perspective that can improve coordination between healthcare professionals and quality of care, while reducing wastage and duplication in the healthcare system.

Alongside these innovations, we continue efforts to improve the quality of care in the private medical system. Acknowledging that, within this system, private medical patients typically receive care of a high standard with many islands of excellence, our approach has been to draw attention to those service providers who excel in their fields and to support a more consistent experience across all service providers. Our perception rankings provide feedback on performance and highlight practitioners who achieve extraordinary levels of service.

In addition to these strategies for enhancing healthcare and building capacity, the Discovery Foundation aims to increase capacity in healthcare provision by supporting over 250 doctors in specialist education and training. Grants to the value of R129 million have been awarded through the Foundation since 2006.

The focus is on training specialists for rural areas, developing academic medicine, supporting research centres and increasing the number of sub-specialists (specialists who have an in-depth knowledge in a narrow field of medicine). An extensive independent evaluation of the impact of the Discovery Foundation will be conducted in 2016, the 10th anniversary of its founding. The mid-term review of the Discovery Foundation programme, conducted in 2009, validated its strategy and concluded that the Discovery Foundation is filling a niche gap in the development of human resources for the public health sector.



Recipients of the 2015 Discovery Foundation Awards.

Contributing to a healthier society by investing in developing human resources in South Africa's healthcare industry



Strengthen and expand access to quality healthcare continued

3

Decrease costs and improve quality of care for members of the medical schemes under our management

The cost of healthcare is increasing, not only as a result of increased life expectancy but also because of various other demand- and supply-side factors. People are living longer, but in poorer health, and experience the Baumol effect – where healthcare inflation continues to outstrip wage inflation. Demographic, disease, and cost trends make it even more challenging to fund and provide access to the high-quality healthcare that society understandably requires and demands.

Examples of supply-side factors in the South African healthcare system

- New medicines and technologies that often provide tremendous improvements in survival rates and quality of life, but at a significantly higher cost.
- Severe shortages of healthcare professionals in some areas, and a market concentration of healthcare professionals in other areas.
- Fee-for-service-payment system that naturally encourages healthcare professionals to deliver more services, sometimes more than may be strictly necessary, and to optimise billing behaviour to maximise income.
- A fragmented structure where healthcare professionals work in silos, with very little coordination between them, leading to waste and duplication of services that do not add clinical benefit.
- Demographic trends such as an ageing insured population and a rapidly increasing chronic disease burden drive increased demand for healthcare services. The average scheme member with a chronic condition uses 400% more healthcare resources than a healthy member.

Examples of demand-side factors in the South African healthcare system

- The current medical scheme regulatory environment is based on open enrolment and community rating, which means that medical schemes must accept all applicants regardless of age and health status.
- South Africa is unique in that medical scheme membership is voluntary. This results in adverse selection where people join a medical scheme when they believe they will need it, or join lower-cost options and 'buy up' to more comprehensive options when they get sick.
- Medical schemes rely on surpluses generated by healthy members to fund the cost of treatments for sick members. These cross-subsidies have to be managed and balanced carefully to ensure all members receive cover when they need it most, while ensuring that medical scheme contributions remain affordable. Adverse selection undermines the ability of medical schemes to manage these cross-subsidies effectively.



In response to these pressures, we have:

- Pioneered value-based approaches, such as the Discovery Health Care Coordination Programme. Since the start of the programme, approximately 5 400 members took part in this programme, aimed at patients with specific needs. They benefit from a simpler interface with the healthcare system at a cost based on the value of services provided.
- Used our scale to ensure services are provided at the lowest possible cost to members. Our Vitality programme also

supports lower healthcare costs by incentivising member health and wellness. On a plan-for-plan basis, contributions to Discovery Health schemes in South Africa are some 14% lower than competitors.

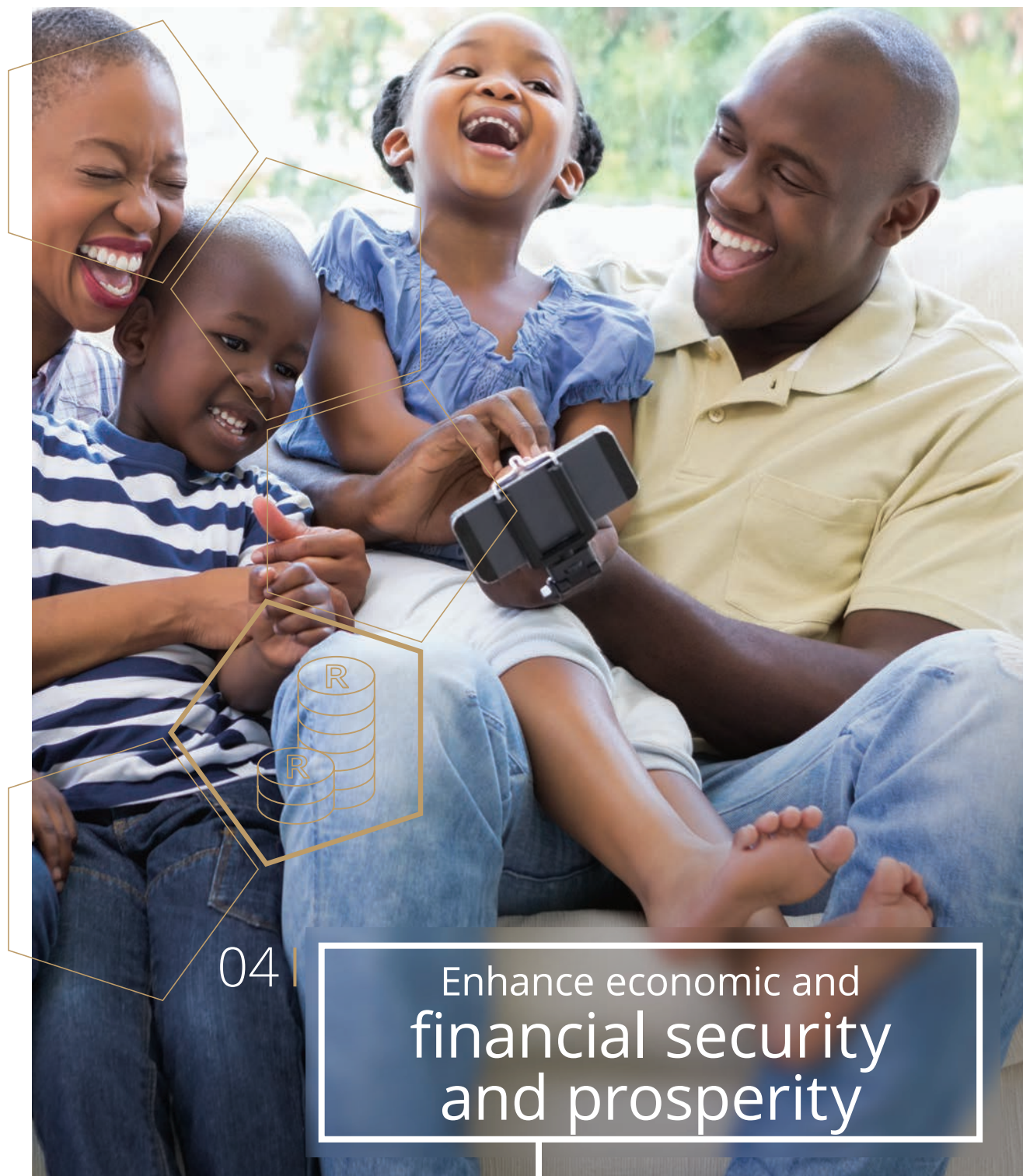
- Actively addressed the issue of fraudulent activities against the Scheme. Savings from fraud recoveries have increased 22% during the year, to R352,3 million.



For additional detail, see the Discovery Health business review on pages 30 to 41 of our Integrated Annual Report.

Savings from fraud recoveries have increased **22%** during the year to **R352,3 million***

** Figures as at December 2014.*



04 |

Enhance economic and financial security and prosperity

OBJECTIVES

1

Develop innovative products that decrease our clients' insurance gap

2

Invest in the inclusion of more people in the economy by supporting small- and medium-sized enterprises (SMEs), entrepreneurs and youth

3

Develop products that foster a culture of saving

1

Develop innovative products that decrease our clients' insurance gap

Our Integrated Annual Report details the many innovative products that we have introduced during the year to protect our clients from life's unexpected risks and to improve their financial wellbeing.



See in particular the business review for **Discovery Life** and **Discovery Invest** on pages 42 to 47 and 48 to 53 of our Integrated Annual Report respectively.

Some examples of products launched during the year include:

- The reopening of the highly-successful **Discovery Invest product Capital 200+**. This product gives a return of double the investor's initial capital invested if the index ends flat or increases over a five-year period. It includes capital protection of up to 50%.
- A **Dollar Discovery Retirement Optimiser** launched in March 2015. This product is attached to the Dollar Life Plan and converts offshore life cover into retirement income offshore in US dollars.
- **Three new profiled offshore funds** built from exchange traded funds (ETFs) were created for offer on the new Dollar Discovery Retirement Optimiser and the current Offshore Endowment Plans.
- We also launched the **Discovery Enhanced Yield Fund**, a structured note that provides a guaranteed return of 15% if the FTSE 100 is flat or positive over one year. If the return is negative, the product adds another 15%, and rolls over to pay out at the end of the second year. Capital protection is also provided at the end of five years, unless the FTSE falls by more than 40%.
- In addition, we introduced a **tax-free flexible investment plan** in line with government's allowance of tax-free savings accounts. Designed around the Core Flexible Investment Plan, it has a low fee structure and a fee reduction for Discovery Funds invested.
- The first stage of the **Invest website relaunch** went live in April, and allows for improved navigation and case tracking for financial advisers.

Enhance economic and financial security and prosperity continued

2

Invest in the inclusion of more people in the economy by supporting small and medium enterprises (SMEs), entrepreneurs and youth

Our Enterprise and Supplier Development strategy aims to reduce poverty and create employment by undertaking and supporting investment in initiatives that create jobs and include more people in the formal economy as well as Discovery's supplier value chain.

Through the extension of financial and business development support to new and established black entrepreneurs, we aim to facilitate the building of commercially viable businesses that are innovative in addressing the needs of the health and insurance sectors, and provide increased access to services in lower-income markets.

We aim to meet in full the requirements for Enterprise and Supplier development for the Discovery Limited and Health Broad Based Black Economic Empowerment (B-BBEE) scorecards to secure the 15 available points. We are in the process of finalising a strategy that aligns with the new Codes, based on putting an internal engagement process in place to ensure that we are well positioned to take advantage of any opportunities in our value chain. This process will both strengthen our sector and assist in bringing previously-excluded people into our economy.

A key part of our Enterprise Development strategy is to partner with various entrepreneurial incubators.

Discovery's partnership with **Raizcorp**, which started in 2014 with a grant of R1.5 million, was extended in 2015 through the provision of a further R1.5 million. Raizcorp targets the

development of entrepreneurial concerns that have the ability to address social issues such as unemployment, youth development, education and healthcare.

Raizcorp is working with five social entrepreneurs whose emerging businesses have collectively created over 20 jobs to date.

A partnership with **Enterpriseroom** was established to support up to 17 Funeral Group Independent Contractors. An incubator was created to assist these contractors with business development support. A grant of R2 million was provided to facilitate the incubator. Currently, 12 contractors are participating in the programme and over 150 jobs have been created.

In addition to supporting incubators, business development support is provided to our existing and potential enterprise development beneficiaries in the form of assistance and mentorship to overcome business-related challenges.

Awethu, an incubator of which Discovery was a founding funder, has set up its own micro finance fund, through which it lends money to emerging micro enterprises that would not otherwise be able to secure finance. Over the last two years, Discovery has provided grants of R1.4 million to Awethu to support micro enterprises, and

continued to play a role in providing mentorship and support to its founders. Approximately 200 jobs have been created as a result of the programme.

In addition to programmes for smaller, emerging enterprises managed by enterprise development incubators, Discovery has supported a number of enterprises in the healthcare sector. This support has primarily been through loans, which were provided to help these businesses overcome the challenges faced in accessing finance. Examples include:

- **Saldosat Investments** – a R20 million loan to enable the owner to develop a new medical facility in Ekurhuleni.
- **The St Stephen Oncology Centre** in Paarl. Discovery has provided a R3 million loan for working capital on preferential repayment terms, to expand the St Stephen Oncology Centre in Paarl. This facility has been operating since October 2014.

Business development support is also provided to organisations that receive funding through our Corporate Social Investment programme. These organisations typically need to create income-generating activities to sustain themselves beyond the term of their funding from Discovery and other donors.





05 |

Understand and improve our environmental performance

OBJECTIVES

1

Reduce our direct
environmental footprint

2

Drive positive
behaviour change

3

Understand climate
change implications

Reduce our direct environmental footprint

We aim to build environmental sustainability into each business function and process, achieving a meaningful decrease in our environmental footprint and enhancing our understanding and responsiveness to climate change and other environmental challenges.

Energy usage and emissions

While we are not intensive consumers of energy, we continue to measure our carbon footprint, with the key focus on being energy efficient.

Electricity remains our largest emissions source, accounting for 61% of total measured emissions. We carefully monitor electricity consumption and have successfully delinked energy usage from our business growth. Electricity use (kWh) for all sites increased by 3.4% from the previous financial year.

Our energy target for 2015 (measured over the calendar year) was to achieve a 2% reduction in energy use, measured in kilowatt hours per employee for the financial year. We achieved a 7.1% intensity reduction per FTE. We anticipate achieving further savings when we move into our new offices in 2018. The new building has been designed in accordance with five-star green building standards.

In addition, we implemented various initiatives to further reduce our Greenhouse Gas Emissions. These include a reduction in emissions achieved through new paper stock which was introduced to the business in December 2014. The paper is a locally-produced green paper, procured from Sappi. This initiative saved an additional 479 kgs CO₂ per tonne used.

We also completed an Energy audit at our Centurion office, which highlighted further opportunities to save on energy through technology changes, and behaviour and control improvements. During the following year we will investigate possible short- and medium-term plans that can be put in place.

Total Greenhouse Gas (GHG) Emissions 2015

Source	Tonnes CO ₂ e					% of total
	Q1	Q2	Q3	Q4	Total	
Company-owned vehicles	229	222	231	243	924	1.6
Stationary fuels	67	21	48	114	250	0.4
Fugitive emissions	151	88	86	30	356	0.6
Total Scope 1	447	331	366	386	1 530	2.6
Electricity	8 637	9 314	9 378	8 397	35 726	61.0
Total Scope 1 and 2	9 085	9 645	9 743	8 783	37 256	63.6
Business travel	432	423	1 580	1 632	4 068	6.9
Subsidised travel	174	186	181	202	742	1.3
Employee commute	3 920	3 920	3 920	3 920	15 678	26.8
Outsourced distribution	21	18	20	23	81	0.1
Waste	12	14	21	26	74	0.1
Paper	98	101	73	60	332	0.6
Water	21	25	19	23	87	0.1
Total Scope 3	4 678	4 686	5 814	5 885	21 062	36.0
Total Scope 1, 2, 3	13 762	14 331	15 557	14 668	58 318	99.6
Outside of Scope fugitive emissions	23	156	36	11	225.83	0.4
Total measured emissions for 2015	13 785	14 487	15 593	14 680	58 544	100

- Total emissions for FY2014/2015 during this assessment were 58 544 tonnes of CO₂ emissions.
- Electricity continues to be the largest contributor of total measured emissions.
- Since the previous reporting period, we experienced an increase in emissions of 6 111 CO₂.

Understand and improve our environmental performance continued

Our commitment to achieving a Zero Waste target by June 2018 has seen us add two more recycling stations in the buildings we occupy during the 2015 financial year.

Waste generation and recycling (2011 – 2015)

	2011/12	2012/13	2013/14	2014/15
Total waste generated (tonnes)	523	531	197	218
Recycled waste (tonnes)	124	99	153	153
Landfill waste (tonnes)	399	432	43	65
% Recycled	24%	19%	78%	70%

As shown in the table above, since 2011 we have significantly reduced the total waste generated and increased the percentage of material recycled. For example, the average monthly recycling rate has grown from 19% to 70% over the past three years.

Some of the measures we put in place to support this included:

- Making use of water coolers and eliminating the use of bottled water in our meeting rooms
- Through our engagement with a waste management specialist, we are now able to account for all of the waste generated on our campuses and are able to access accurate data on all waste streams
- A new recycling station was recently set up at our Sandton campus and we anticipate it will increase the recycling rate going forward



Carbon offsetting of Discovery's leadership conference in November 2014

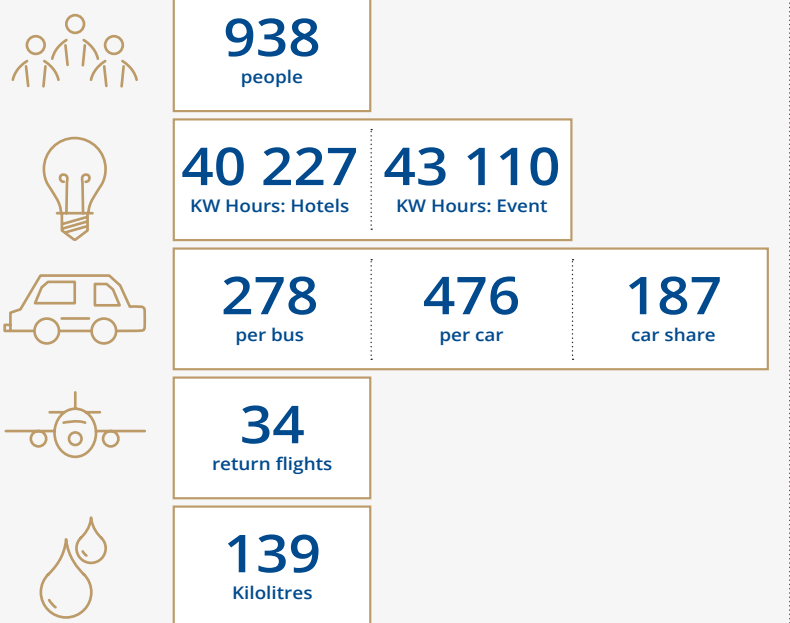
The hosting of conferences and events can have significant carbon emissions implications. Carbon is embedded in the flights and other travel arrangements necessary for people to travel to and from an event, in the electricity used during an event, in the hotel usage as well as in other associated activities such as the waste we generate at these events. The emissions related to these activities can be reduced through the delivery of 'green' and resource-efficient events.

In November last year, we embarked on a pilot project to offset emissions resulting from our leadership conference held in Sun City, North-West Province, South Africa. Our assessment indicated that this conference generated 146.15 tonnes of CO₂ emissions. Understanding this impact encouraged us to reduce it by buying carbon credits from three organisations. The focus of the organisations concerned is tackling issues of poverty alleviation through their value adding projects.

Carbon offsets are typically achieved through financial support of projects that reduce the emission of greenhouse gases in the short- or long-term e.g. renewable energy or energy efficiency.

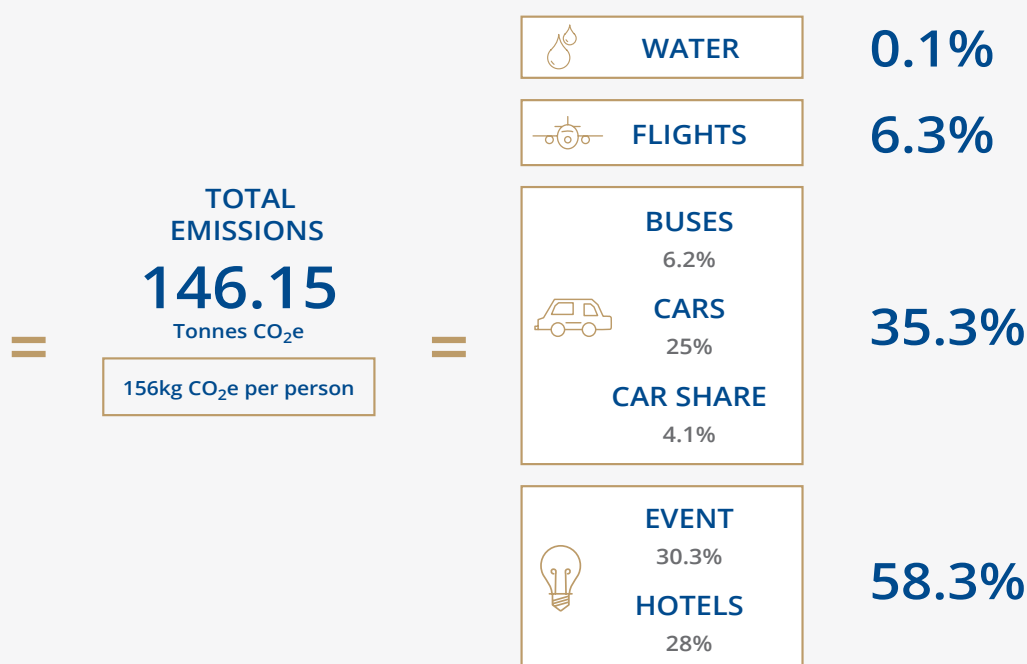
We will work towards making major events in 2015 and 2016, carbon neutral.

Discovery Leadership Conference 2014 – statistics



The 146.15 tonnes of CO₂ emissions were split between these three projects:

Umdoni (KwaZulu-Natal) <p>This project ensures the provision of bio-fuel stoves to over 4 000 households that are not connected to electricity in the Umdoni Municipality. The bioethanol gel-fuel serves to replace other fuel sources such as paraffin, wood and gas that can be harmful to the environment.</p> <p>Number of credits purchased: 31</p>	Kuyasa Housing Development (Western Cape Province) <p>This project saves households money that would have otherwise been spent on coal-fired electricity and supplementary paraffin by installing solar water heaters, ceilings and fluorescent energy-efficient light bulbs.</p> <p>Number of credits purchased: 58</p>	Spier Mob Grazing (Western Cape Province) <p>On this land high-density "mob-grazing" is practiced. This technique involves frequent stock rotations (cattle are moved up to six times a day) aimed at using livestock to mimic nature and restoring carbon and nitrogen contained in livestock and poultry urine to the soil profile. Credits are generated through the sequestration of CO₂ emissions in the soil. The project supplies chicken, beef and eggs to retail outlets and restaurants in the region, displacing the supply of industrially produced animal protein to these markets.</p> <p>Number of credits purchased: 58</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



Understand and improve our environmental performance continued



Our approach to waste management

Discovery has committed to a goal of Zero Waste to Landfill by June 2018, and we have been measuring, managing and identifying initiatives to reduce company-generated waste.

Our aim is that no Discovery-generated waste will end up in a landfill, but rather be recycled, reused, or disposed of responsibly. This includes procuring products which are manufactured from resources which can be re-used, as well as finding alternatives to landfill disposal for non-recyclable waste streams.

We are committed to our policy not only because we see this as responsible corporate citizenship, but also because becoming resource efficient in a resource-constrained world makes business sense.

Through various initiatives and strategic partnerships, we have gained insight into our waste footprint and created and implemented sustainable initiatives. These include:



A partnership with Tedcor Waste Management Company, which provides a range of services including:

- On-site waste management
- Sorting and separation of recyclables from general waste
- Baling of recyclable materials
- Management of collections of recyclables and general waste
- Monthly reporting, which includes a breakdown of our waste streams for each office site.
- Carbon emissions savings calculations for materials diverted from landfill.



We also encourage employees to bring their home recyclables to the office, and have set up Home Recycling Stations throughout our offices, into which our staff can place their recyclable waste. This waste is then sorted into the various categories and sent for recycling through the correct channels.



Through the use of emails, and an awareness campaign on world environmental day, staff are continuously encouraged to be aware of the impacts of waste and how recycling can make a positive difference on the environment.



Together with our current cleaning and paper-shredding suppliers we are investigating new initiatives to recycle more of our company-generated waste.



Employees are also encouraged to visit the waste area, to experience at first hand the work underway to minimise waste disposal to landfill.



Each of our buildings has a dedicated team which sorts and separates the waste into categories. These are then channelled to accredited recyclers.

2

Drive positive behaviour change

One of our objectives is to support positive behaviour change by visible actions to raise awareness of environmental issues, articulate our commitment to reducing our environmental impact and encourage peer group companies and other businesses to take action in this area.

Employee engagement

During the year we undertook initiatives designed to raise and create awareness of environmental issues among employees. For example, we recently celebrated World Environment Day, a UN Environmental Programme (UNEP) endorsed initiative by hosting an exhibition at our Sandton campus in Johannesburg. The exhibition aimed to raise and create awareness of the variety of products available to support good environmental practices, such as solar and other sustainable energy sources, recycling and responsible resource management.



3

Understanding climate change implications

Over the past year we have been working on a climate risk and vulnerability programme which included the following:

- An insurance industry white paper, developed in partnership with Global Carbon Exchange (GCX), which aims to increase understanding and awareness of the impacts of climate change. The process also resulted in the collection of a knowledge base of local and national actions by the insurance industry. As part of this process, we undertook interviews with key people within the various key business units, discussing climate change and what these business units perceive as the risks for Discovery. By conducting this risk and vulnerability analysis, we also gained insight into the potential impacts of climate change on Discovery Insure's assets and the level of exposure faced by each asset class.
- GCX provided a report outlining the main findings of the climate change Risk and Vulnerability Assessment carried out on Discovery Insure's business. Key areas of vulnerability were identified through the assessment, and a number of focus areas were indicated. Potential areas of heightened risks were identified for Discovery Insure, and the business is currently determining if there are any gaps between the areas highlighted and the actual risk registry for Discovery Insure. By incorporating climate change risks into current risk strategies, we hope to increase our resilience against predicted changes and climate shocks, and position ourselves to take advantage of opportunities that may present themselves in a climate constrained world.

Key sustainability data

SUSTAINABILITY METRIC	June 2015	June 2014	June 2013
Total spend on skills development	R82 964 959	R144 567 243	R135 777 302
Contribution towards community healthcare organisations	R30 902 500	R15 044 061	R11 186 634
Total amount committed to the training and research projects of specialists in the South African public healthcare sector	R22 006 950	R21 737 742	R187 29 546
Number of independent entrepreneurs developed	23	105	12
Socio-economic development spend	R68 399 678.89	R61 219 140	R45 257 946
Total preferential procurement spend	R2 054 709 410	R1 598 337 801	R1 482 201 893
Total direct and indirect greenhouse gas emissions by weight (tonnes of CO ₂ emissions)	58 544	52 568	49 062
Total environmental protection expenditures	R833 398	R801 462	R360 000*
Direct energy consumption by primary energy source	4 491.92	3 087.45	2 531.00
Indirect energy consumption by primary source	34 683.13	33 553.13	33 417.00
Total water withdrawal by source	94 398.70	140 164.36	130 887.00
Total number of incidents of discrimination and corrective actions taken	0	0	0
Percentage and total number of business units analysed for risks related to corruption	100% 10 business units analysed	100%	100%
Percentage of employees trained in organisation's anti-corruption policies and procedures	30%	33%	71%
Actions taken in response to incidents of corruption	7	0	1
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	2	0	2
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	R0	0	R50 000
Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	1.30%	1.45%	1.52%
Average hours of training per year per employee	34.01%	34.6%	38.4%
Percentage of employees receiving regular performance and career development reviews	84%	80%	88%
Number of Discovery employee volunteers	2 730	3 389	3 212
Rand value of the total number of volunteer hours	R2 239 107.41	R3 194 222	Not reported

Group Corporate Governance Committees and Secretary

	Board of Directors	Audit and Risk Committee ¹	Audit Committee ¹	Risk and Compliance Committee ¹	Actuarial Committee	Social and Ethics Committee	Remuneration Committee	Group Executive Committee
MI Hilkowitz (Chairperson)	6/6 [^]						2/2	
HL Bosman	6/6			2/2			2/2	
A Gore (Chief Executive Officer)	6/6					1/5		M [^]
BA Brink	6/6			2/2		5/5		
A Ntsaluba	6/6					4/5		M
J Durand	5/6		1/2				2/2 [^]	
SB Epstein	5/6							
HD Kallner	6/6					3/5		M
R Farber	6/6			2/2	8/8	5/5		M
NS Koopowitz	6/6							M
TV Maphai	6/6							
HP Mayers	6/6			2/2	7/8	3/5		M
AL Owen	6/6	5/5 [^]	2/2 [^]	2/2 [^]	6/8			
A Pollard	5/6							M
JM Robertson	6/6			2/2		3/5		M
SE de Bruyn Sebotsa	5/6	5/5	2/2	2/2				
T Slabbert	6/6					4/5		
B Swartzberg	5/6				4/8	3/5		M
S Zilwa	6/6	5/5	2/2	2/2	6/8	3/5 [^]		
J Broomberg ²	6/6					2/5		M
KS Rabson ³	6/6							M
P Tlhabi ²	4/6					4/5		M
TT Mboweni	6/6			2/2				
C van Der Riet					8/8 [^]			
AB Rayner ^{4, 5}				2/2	8/8			M
S Matisonn ^{4, 5}					6/8			M
RW Williams ⁴					8/8			
R Lee ⁴					8/8			
D Govender ^{4, 5}								M
P Harvey ^{4, 5}								M
L Izikowitz ^{4, 5}								M
K Mayet ^{4, 5}								M
R Noach ^{4, 5}								M
G Novick ^{4, 5}								M
A Ossip ^{4, 5}				1/2				M
E Stipp ^{4, 5}								M
B Sundelson ^{4, 5}								M
R van Reenen ^{4, 5}								M
S Vyvyan-Day ^{4, 5}								M
S Viranna ^{4, 5}				1/2				M
B Tromp ⁴				1/2				
S Meintjes ⁴				2/2				
MJ Botha (Company Secretary)								

Key

* Appointed 1 April 2015
 # Resigned during the year
 ^ Chairperson of the Committee

1 The Audit and Risk Committee was replaced by 2 separate committees from 1 April 2015 – The Audit Committee and the Risk and Compliance Committee

2 Directors of Discovery Health (Pty) Ltd only

3 Director of Discovery Life Ltd only

4 Not directors of Discovery

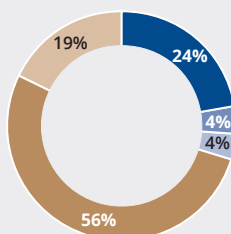
5 Executive Management

M Member of the Discovery Group Executive Committee

Value-added Statement

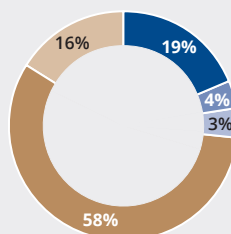
for the year ended 30 June 2015

	2015		2014	
	R million	%	R million	%
Value added				
Net income of Group	34 240		29 263	
Receipt arising from reinsurance contracts	1 250		–	
Acquisition costs	(5 180)		(4 190)	
Payments to suppliers of material and services	(6 349)		(4 856)	
Investment income	2 907		3 699	
Financing costs	(197)		(220)	
Foreign exchange gain	40		18	
Puttable non-controlling interest fair value adjustment	1 661		(201)	
Share of profit/(loss) from associates	26		(14)	
Realised gain from the sale of associate	7		–	
	28 405		23 499	
Value allocated				
To employees				
Salaries, wages and other benefits	4 932	17	4 543	19
To providers of capital	1 036	4	864	4
Dividends paid to ordinary shareholders	964		796	
Dividends paid to preference shareholders	72		68	
To government	1 280	4	813	3
Normal taxation	1 021		568	
Value-added tax	189		179	
Capital gains tax	35		45	
Other	35		21	
To policyholders	15 843	56	13 635	58
Policyholder claims	13 302		9 909	
Transfer from assets/liabilities arising from insurance contracts	2 541		3 726	
Retention for expansion and growth	5 314	19	3 644	16
Retained income	4 516		2 450	
Depreciation and amortisation	640		480	
Deferred taxation	158		714	
	28 405	100	23 499	100



2015

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



2014

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

Independent assurance statement

on selected key performance

We have undertaken a limited assurance engagement on selected key performance indicators, as described below, and presented in the 2015 People and Sustainable Development Report and Integrated Annual Report of Discovery Limited for the year ended 30 June 2015. This engagement was conducted by assurance specialists with experience in sustainability reporting.

Scope and subject matter

The subject matter is the GRI 3 Indicators for the year ended 30 June 2015 and the related Self-Assessment Application Level B+ for Discovery. These indicators are in the 2015 People and Sustainable Development Report and Integrated Annual Report of Discovery Limited.

We are required to provide limited assurance on the following key performance indicators for Discovery Limited, prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines.

- EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments
- EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement
- EC9 Understanding and describing significant indirect economic impacts, including the extent of these impacts.

Environmental

- EN3 Direct energy consumption by primary energy source
- EN4 Indirect energy consumption by primary source
- EN8 Total water withdrawal by source
- EN16 Total direct and indirect greenhouse gas emissions by weight
- EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved
- EN22 Total weight of waste by type and disposal method
- EN30 Total environmental protection expenditures and investments by type.

Labour

- LA1 Total workforce by employment type, employment contract, and region
- LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes
- LA10 Average hours of training per year per employee by employee category and gender
- LA12 Percentage of employees receiving regular performance and career development reviews
- LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.

Human rights

- HR4 Total number of incidents of discrimination and actions taken.

Social

- SO2 Percentage and total number of business units analysed for risks related to corruption
- SO3 Percentage of employees trained in the organisation's anti-corruption policies and procedures
- SO4 Actions taken in response to incidents of corruption.

Product responsibility

- PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes
- PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

Independent assurance statement on selected key performance continued

Responsibilities of the Directors

Discovery's Directors are responsible for the selection, preparation and presentation of the key performance indicators in accordance with the GRI G3.1 Guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The selection and application of the reporting criteria are detailed below:

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

Inherent limitations

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

We have neither carried out any work on data reported for prior reporting periods nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the IRBA Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, Indyebo Incorporated maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected key performance indicators based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected key performance indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Discovery's use of GRI G3.1 Guidelines as the basis of preparation for the selected key performance indicators, assessing the risks of material misstatement of the selected key performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key performance indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process
- Inspected documentation to corroborate the statements of management and senior executives in our interviews
- Reviewed the process that Discovery Limited has in place for determining material selected key performance indicators to be included in the Report
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key performance indicators

- Inspected supporting documentation on a sample basis
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the Directors in the preparation of the key performance indicators
- Evaluated whether the selected key performance indicators presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Discovery Limited.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Discovery's selected key performance indicators have been prepared, in all material respects, in accordance with GRI G3.1 Guidelines.

Limited assurance conclusion

With reference to the Identified Sustainability Information, the following applies:

- Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators as set out in the scope and subject matter paragraph for the year ended 30 June 2015 are not prepared, in all material respects, in accordance with GRI G3.1 Guidelines
- Based on our work performed, nothing has come to our attention causing us to believe that Discovery's self-declaration of a B+ application level, for the year ended 30 June 2015, is not stated, in all material respects, in accordance with the reporting criteria.

Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans or strategies disclosed in the Report.

The maintenance and integrity of Discovery's website is the responsibility of Discovery's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the Discovery website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the Discovery Board of Directors in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Discovery Limited, for our work, for this report, or for the conclusion we have reached.

Yours faithfully

Indyebo Incorporated
Registered Auditor

Ms Nondumiso Medupe
Chartered Accountant (SA)
Director

Date: 15 October 2015

Global Reporting Initiative (GRI) content index

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ORGANISATIONAL PROFILE			
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ECONOMIC			
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EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	16	PSDR
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	12	IAR
ENVIRONMENTAL			
EN3	Direct energy consumption by primary energy source	50	PSDR
EN4	Indirect energy consumption by primary source	50	PSDR
EN8	Total water withdrawal by source	50	PSDR
EN16	Total direct and indirect greenhouse gas emissions by weight	50	PSDR
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	45	PSDR
EN22	Total weight of waste by type and disposal method	46	PSDR
EN30	Total environmental protection expenditures and investments by type	50	PSDR
LABOUR			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	22	PSDR
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	50	PSDR
LA10	Average hours of training per year per employee by gender, and by employee category	50	PSDR
LA12	Percentage of employees receiving regular performance and career development reviews	50	PSDR
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	51	PSDR
HUMAN RIGHTS			
HR4	Total number of incidents of discrimination and corrective actions taken	50	PSDR
Society			
SO2	Percentage and total number of business units analysed for risks related to corruption	50	PSDR
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	50	PSDR
SO4	Actions taken in response to incidents of corruption	50	PSDR
PRODUCT RESPONSIBILITY			
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	50	PSDR
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	50	PSDR

IAR Integrated Annual Report.

PSDR People and Sustainable Development Report.

