



DISCOVERY LIMITED

(incorporated in South Africa with limited liability under registration no.: 1999/007789/06)

ISSUER DISCLOSURE DOCUMENT DATED 24 MAY 2022

ZAR10,000,000,000

Domestic Medium Term Note Programme

Senior Notes may be unconditionally and irrevocably guaranteed, jointly and severally by

DISCOVERY HEALTH PROPRIETARY LIMITED

(incorporated in South Africa with limited liability under registration no.: 1997/013480/07)

and

DISCOVERY VITALITY PROPRIETARY LIMITED

(incorporated in South Africa with limited liability under registration no.: 1999/007736/07)

Unless otherwise indicated, (i) capitalised terms used but not defined in this Issuer Disclosure Document have the meanings given to them in the section of the amended and restated programme memorandum in respect of the Discovery Limited ZAR10,000,000,000 Domestic Medium Term Note Programme dated 24 May 2022 (the "**Programme Memorandum**") headed "*Definitions*" and (ii) Condition 1.2 applies *mutatis mutandis* to this Issuer Disclosure Document.

This Issuer Disclosure Document is incorporated by reference into, and forms part of, the Programme Memorandum.

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RISK FACTORS

The Issuer believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding any Notes are exhaustive. The information given below is as at the date of this Issuer Disclosure Document.

All of these risks could materially affect the Issuer and/or the Guarantors, their reputation, business, as well as the results of their operations and overall financial condition.

The information set out below is not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.

Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.

RISKS RELATING TO THE NOTES

1. THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

- 1.1. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:
 - 1.1.1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes, and the information contained or incorporated by reference in the Programme Memorandum or any applicable supplement;
 - 1.1.2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
 - 1.1.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies (if applicable), or where the currency for principal or interest payments is different from the potential investor's currency;
 - 1.1.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

1.1.5. be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

1.2. The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

2. THERE IS NO TRADING MARKET FOR THE NOTES

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the condition of the financial sector, the financial condition of the Issuer, the Issuer's financial performance and future prospects.

3. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY

3.1. In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all Outstanding Notes in accordance with the Terms and Conditions.

3.2. In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

4. RISKS RELATING TO THE CSD

4.1. Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and

settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

- 4.2. Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD shall look solely to the CSD for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.
- 4.3. Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

5. UNLISTED NOTES

The Issuer may issue unlisted Notes under the Programme. Unlisted Notes will not be regulated by the JSE or any other Financial Exchange. The holders of unlisted Notes will have no recourse against the JSE Debt Guarantee Fund Trust (or any successor fund) in respect of unlisted Notes.

6. RISKS RELATING TO THE NOTES GENERALLY

6.1. Change of law

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the date of the Programme Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the issuance of the Notes.

6.2. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the

appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

6.3. Foreign exchange control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section headed "*South African Exchange Control*". However, unless the prior approval of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

6.4. Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

6.5. Indexed Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). Potential investors should be aware that:

- 6.5.1. the market price of such Notes may be volatile;
- 6.5.2. no interest may be payable on such Notes;
- 6.5.3. payments of principal or interest on such Notes may occur at a different time than expected;
- 6.5.4. the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- 6.5.5. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- 6.5.6. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- 6.5.7. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

6.6. Notes issued at a substantial discount or premium

The market values of Notes issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

6.7. Modification and waivers and substitution

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

6.8. Regulatory approval

In granting approval for the issue of Regulatory Capital Notes, the Regulator may set out certain conditions, including the prior consent of the Regulator to an early redemption of the Regulatory Capital Notes or the repayment of amounts due in respect of the Notes following an Event of Default. There can be no assurance that the approval of the Regulator will be granted upon the occurrence of these events. Further, the Regulator has the ability to require that principal and/or interest is deferred as per Regulatory Capital Note Condition 4 which may result in investors not receiving their monies on a timely basis.

6.9. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

6.10. Regulatory Capital Requirement – Financial Soundness and Governance and Operational Standards

The Insurance Act established the principle of proportionality, which means that the regulatory requirements are to be applied in a manner which is proportionate to the nature, scale and complexity of the risks inherent to the business of an insurer and insurance group. The Insurance Act provides for a number of matters to be addressed in Prudential Standards issued by the Regulator. These Prudential Standards set out the detailed governance, risk management and internal controls as well as the financial soundness requirements for insurers and insurance groups. The Regulator has grouped the Prudential Standards into Financial Soundness Prudential Standards and Governance and Operational Standards:

6.10.1. *Prudential Standards for Financial Soundness*

An insurer must at all times maintain its business in a financially sound condition, by holding eligible own funds (capital) that are at least equal to the minimum capital requirement or solvency capital requirement, as prescribed by the Regulator, whichever is greater. The Financial Soundness Standards sets out the high-level framework for assessing the financial soundness of South African insurers from a regulatory perspective and are designed to ensure that insurers can meet policyholder obligations by holding own funds of sufficient quality and quantity to absorb significant unforeseen losses arising from risks associated with an insurer's activities. The Prudential Standards for Financial Soundness address matters relating to how much eligible own funds an insurer actually holds and how much it is required to hold for regulatory purposes. These Standards also govern the manner in which solo entity eligible own funds can be recognised at an insurance group level to cover the group's regulatory required capital.

6.10.2. *Governance and Operational Standards*

The Governance and Operational Standards contain the minimum requirements for governance, from board structures through to the allocation of roles and responsibilities within an insurer and insurance group. These Standards also establish the Regulator's minimum requirements for an insurer's and insurance group's approach to risk management and control; fitness and propriety of key persons responsible for critical function and activities within the business, and significant owners; oversight of outsourcing arrangements; controls around transfers of business from one insurer to another, and other significant transactions.

7. THE FINANCIAL MARKETS

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the South African secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

RISKS ASSOCIATED WITH THE ISSUER, ITS BUSINESS AND FINANCIAL CONDITIONS

8. Discovery Risks

8.1. Economic Instability and Uncertainty

8.1.1. Discovery Limited's sales, profitability, cash flow and future growth are sensitive to, and may be adversely affected by, general economic conditions, consumer confidence, spending patterns, market disruptions and changes in consumers' purchasing power, and disposable income. The Group's business and results of operations are particularly affected by economic conditions in South Africa.

8.1.2. In South Africa, the unemployment rate is high, further exacerbating pre-existing socioeconomic inequalities and political instability. Constraints to the domestic supply of energy, lower levels of investment and uncertainty surrounding the roll out and take up of vaccines remain a serious downside risk to domestic growth. Furthermore, a slowdown in foreign capital investment could further reduce the value of the rand and lead to higher interest rates. In turn, these factors elevate the risk to Discovery Limited of growing its South African businesses, the potential for higher lapse rates as well as claims rates.

8.1.3. Threats to economic stability in the countries in which Discovery operates similarly impact on our sales volumes, lapse rates and our ability to manage ongoing operational expenses. These factors could affect the ability of Discovery to deliver an acceptable return on capital invested and meet the Group's hurdle rates of return.

8.1.4. Various strategies are in place to manage these risks:

8.1.4.1. Discovery remains diligent in evaluating the impact of the macroeconomic environment on its businesses and identifying the appropriate mitigating actions.

8.1.4.2. Discovery Limited aims to provide best-in-class, innovative insurance solutions, which meet customer needs throughout changing circumstances. A focus on innovation and improving product design,

pricing and services aims to attract and retain clients in low-growth environments.

Despite these challenges, Discovery aims to continue to identify and pursue further growth opportunities and diversify the business model and income sources internationally.

9. Impact of the COVID-19 pandemic

- 9.1. The global pandemic caused by COVID-19 continues to rapidly evolve. The full extent to which the COVID-19 pandemic will impact Discovery Limited's business, results of operations, and financial condition will depend on future developments which are highly uncertain and cannot be predicted or reasonably estimated with confidence at this time. This includes the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the length of travel and quarantine restrictions imposed by governments of affected countries, business closures or business disruptions, and the effectiveness of actions taken in various countries to mitigate and treat the disease. In addition to the economic impact of lockdowns, the longer term health impacts due to Covid-19 remain uncertain.
- 9.2. Discovery Limited has been impacted by the pandemic primarily as a result of changes in mortality and morbidity experience in the insurance businesses. In particular, the COVID-19 pandemic has resulted in unusually high death claims, resulting in additional liability for the life insurance businesses. Secondary impacts include pressure on sales volumes in light of the effect of lockdowns on economic activity.
- 9.3. Several actions and initiatives have been taken to navigate the risks associated with the COVID-19 pandemic:
 - 9.3.1. As at 30 June 2021, Discovery Limited has raised provisions for retail claims and lapses against the potential adverse future experience associated with COVID-19. These provisions are expected to support the business through the third wave, the expected impact of a potential 4th wave in South Africa, and the future impact of COVID-19 on life and health claims in the UK.
 - 9.3.2. Discovery remains committed to support and strengthen the healthcare systems and communities in the countries where it operates and support the effective rollout of vaccines in South Africa. In particular, measures have been put in place to proactively encourage and facilitate vaccinations amongst the Group's clients to help reduce risk.
 - 9.3.3. Ongoing monitoring of COVID-19 statistics is critical to predict the impact and extent of the pandemic on claims experience and to ensure that appropriate reserves,

liquidity and reinsurance programmes are in place to protect the Group's business and clients.

- 9.3.4. Where appropriate and possible, products have been redesigned or premiums rerated to ameliorate the impact of higher claims due to the impact of COVID-19.

10. Insurance risks, including lapse rates, mortality, morbidity, expenses and interest rates

10.1. The Discovery Group has multiple licensed insurance entities across the Group and participates in the experience of the Group's global partners' insurance activities through our strategic partners and Vitality Group. Discovery is exposed to material insurance risks, both in the life insurance and non-life insurance sectors, locally and internationally. This includes claims, lapses and expense risks, and reinvestment risk, particularly in VitalityLife, the Group's life insurance business in the UK.

10.2. To manage these risks, the Group:

- 10.2.1. uses skilled actuarial resources to understand the risks and implement mitigating actions;
- 10.2.2. monitors experience and draw on that in the design and pricing of products and the approach to reserving and managing capital;
- 10.2.3. develops products that contain risk mitigating features;
- 10.2.4. makes use of appropriate reinsurance solutions with financially sound reinsurers;
- 10.2.5. ensures that underwriting practices follow robust risk policies and are embedded in the business; and;
- 10.2.6. aims to grow each business to a scale to enable effective diversification of the insurance risks.

11. Financial resilience

11.1. Uncertainty in the global economy, adversely impacted by COVID-19 and further influenced by political and social tensions, could lead to future financial disruptions. These, in turn, could impact our solvency and liquidity buffers and affect our ability to access funding for growth. Earnings remain exposed to interest rate fluctuations and inflation expectations – in South Africa, an increase in long-term nominal and real interest rates negatively impacts our life insurance earnings. In the UK, the Group's life insurance business is mainly exposed to the level of long-term reinvestment rates of interest and lower interest rate expectations negatively affect earnings.

With regard to solvency, the life insurance businesses are negatively impacted by lower interest rates.

11.2. To ensure financial resilience in the face of these challenges:

11.2.1. Discovery Limited maintains significant solvency and liquidity buffers in each of our regulated businesses, as well as overarching buffers at a Discovery Limited level.

11.2.2. In addition to monitoring and modelling capital requirements the Group monitors interest rate fluctuations and implements mitigating actions where feasible. Where appropriate, use of derivative structures and hedging programmes are made to improve resilience to changes in interest rates, particularly in respect of earnings protection against lower interest rates for the UK life business.

11.2.3. Furthermore, the Group has secured access to capital solutions in pursuit of our growth agenda.

11.3. Delivery risk

11.3.1. A core element of Discovery Limited's organic growth model is building adjacent shared-value businesses locally and globally, with a material proportion of earnings invested in new initiatives. There is a risk that these business plans will not be achieved due to ineffective strategies, products or services, or due to insufficient management availability and implementation capabilities. Notwithstanding the normal risks associated with building new businesses, the current global and local economic conditions, as well as the impact of the COVID-19 pandemic, present headwinds to building, launching and growing new initiatives.

11.3.2. The following measures are in place to ensure a consistent and quality-driven realisation of the Group's growth strategy:

11.3.2.1. Governance structures across the Group oversee the development of strategies and implementation of key initiatives.

11.3.2.2. Discovery employs competent management with a proven track record of delivering innovative businesses. A formal capital management framework ensures decisions are made to optimise the deployment of resources. A structured project management programme ensures that delivery against business plans is well executed and risks are managed. Big data capabilities and access to a unique source of financial and wellness behavioural data enable Discovery Limited to construct unique shared-value solutions which are scalable globally.

11.4. Technological resilience

11.4.1. Discovery Limited's businesses are supported by the extensive use of technology and face risks associated with the:

11.4.1.1. stability and continuity of critical systems and applications, which may negatively impact the client experience and business performance;

11.4.1.2. integrity of data which, if not properly maintained, could lead to inappropriate decisions and losses due to poor product design and incorrect claims, payments and collections;

11.4.1.3. protection of data, including the risk of cyber-attacks, internal or external theft or misuse, and fraud;

11.4.1.4. interconnectivity of multiple systems and dependency on integrated products and services across the Group; and

11.4.1.5. accumulation of technical debt related to the pace of change and innovation, and the need to replace ageing systems.

11.4.2. Specific actions to manage these risks include:

11.4.2.1. implementing business-continuity and systems performance management processes;

11.4.2.2. having a strong technical and risk focus to all aspects of systems and technology;

11.4.2.3. implementing projects to monitor and manage technical debt and replace legacy technology;

11.4.2.4. continually updating and upgrading data and systems security measures, using detection and monitoring tools to identify data and access breaches;

11.4.2.5. monitoring data breaches to ensure they are reported and addressed; and

11.4.2.6. ensuring a range of data and process quality assurance measures are in place to monitor the integrity of data and systems.

11.5. Cyber risk

- 11.5.1. The uncertainty caused by the pandemic, along with changes to the work environment and financial turmoil, increased the activity of cyber-criminals. Cyber risk remains high due to the increased sophistication of cyberattacks.
- 11.5.2. A cyber-attack aimed at Discovery could lead to significant business interruption, substantial operational costs, increased regulatory scrutiny and reputational damage.
- 11.5.3. To mitigate these risk, specific actions have been taken:
 - 11.5.3.1. Enhance our security capabilities;
 - 11.5.3.2. Embed framework to enhance and secure access of internal and external users;
 - 11.5.3.3. Further mature the Group's cyber resilience capability to the National Institute of Standards and Technology Framework.
 - 11.5.3.4. Perform regular penetration testing to identify potential vulnerabilities;
 - 11.5.3.5. Assess our security posture from an external attack perspective and identify potential threats
 - 11.5.3.6. Host regular mandatory employee awareness and training programmes;
 - 11.5.3.7. Bolster our cybersecurity team and;
 - 11.5.3.8. Implement appropriate levels of cyber insurance cover.

11.6. Relevance and complexity of the shared-value insurance model

- 11.6.1. The integrated nature of Discovery Limited's businesses relies on behavioural change that produces savings, which are shared with clients. The alignment of Vitality statuses with healthy behaviour and improved clinical outcomes is fundamental to the success of this business model. There is a risk that the achievement of a particular Vitality status is not aligned with the underlying behaviours required to produce the savings assumed in the benefit designs, resulting in a loss for the business.
- 11.6.2. To mitigate this risk, regular monitoring of the experience and related behaviour change is conducted. Adjustments to the Vitality operating model and status

achievement criteria ensure wellness behaviour and health outcomes are aligned with status criteria and the value of integrated benefits.

11.6.3. Furthermore, products that are not relevant to our clients may result in a loss in market share. While products and services must meet complex needs, they should be easy to integrate and simple to use to retain or increase market share.

11.6.4. To mitigate this risk, Discovery strives to create both standalone and integrated products that demonstrate measurable shared-value creation. It is also critical to prioritise the principles of treating clients fairly during product design and delivery.

11.7. The impact of the pace of regulatory change and increased regulatory complexity

11.7.1. The regulatory environment, both locally and internationally, continues to develop and may present challenges and risks to the current and future operating model. Amongst other current and future regulatory developments Discovery Limited is impacted by:

11.7.1.1. The requirements of the Protection of Personal Information Act, the Conduct of Financial Institutions Bill, the NHI Bill, the Cybercrimes Bill, and Anti-Money Laundering regulations.

11.7.1.2. Financial Sector Codes on transformation and employment equity, specifically the New Employment Equity Amendment Bill.

11.7.1.3. The impact of IFRS17 and the effect it will have on reporting on profits and other financial metrics and potentially tax.

11.7.2. Discovery Limited's business leaders, supported by the respective compliance functions and other technical specialists, are engaged with regulators, lawmakers and thought leaders, both directly and through our participation in industry and professional bodies. Discovery does so to influence and stay apprised of key regulatory developments. Significant developments that affect our business model, people, processes, products, distribution and systems, are addressed proactively through dedicated multi-disciplinary project teams. These teams ensure that Discovery complies with regulatory requirements and can adapt business accordingly. Discovery Limited has a zero tolerance for regulatory noncompliance.

11.8. Human capital capabilities

11.8.1. Discovery Limited faces the risk of skill shortages – especially in critical talent segments like technology, data science and actuarial science. It remains a challenge to retain and grow our talent pool.

- 11.8.2. In South Africa, from a transformation perspective, Discovery faces the risk that levels of diversity and transformation at senior management levels are not occurring at a satisfactory pace, and of not attracting developing and retaining black South African candidates at all levels. This could lead to damage of reputation and impact Discovery's rating on the Financial Sector Codes scorecard.
- 11.8.3. To mitigate these risks, Discovery Limited strives to create a work experience that positions the Group as an employer of choice. Discovery offers competitive total rewards; prioritises the appointment of candidates who progress our transformation objectives, and provides support, development, counselling, and wellbeing initiatives to staff.

DESCRIPTION OF THE ISSUER AND GUARANTORS

1. INTRODUCTION

Discovery Limited is a company incorporated in South Africa in terms of the Companies Act under registration number 1999/007789/06 and was registered on 19 April 1999. It is the licenced controlling company of the designated Discovery Group that includes all South African and International domiciled subsidiaries. As such, Discovery Limited is subject to prudential supervision by the Prudential Authority (the “PA”). The Issuer complies with the provisions of the Companies Act, and at all times complies in all material aspects with, and is acting in conformity with, its constitutional documents. It is a global, integrated financial services organisation listed on the JSE, whose purpose and ambition is achieved through a pioneering business model that incentivises people to be healthier, and enhances and protects their lives. Discovery Limited’s shared value insurance model delivers better health and value for clients, superior dynamics for the insurer and a healthier society. Since its inception more than two decades ago, the Issuer’s unique approach has underpinned its success globally, with substantial new business growth and an impressive increase in normalised operating profit and headline earnings. Today, the Group impacts over 41.3 million lives across 28 countries globally. With a market capitalisation of R91.1bn at 30 September 2021, the company is one of the Top 40 JSE listed companies. For further information, refer to the Discovery Integrated Annual Report.

A brief overview of the Guarantors is provided below:

1.1. Discovery Health (Guarantor)

Discovery Health is a company incorporated in South Africa on 14 August 1997 in terms of the Companies Act under registration number 1997/013480/07, with its registered address at 1 Discovery Place, Sandton, Gauteng, 2196. Discovery Health is the leading medical scheme administrator and managed care provider in South Africa, providing access to high-quality and affordable care to over 3.73 million lives. The business manages circa 39% of the total membership of South African medical schemes, including Discovery Health Medical Scheme, the country’s largest open medical scheme, which on its own represents circa 56% of open medical scheme membership. In addition, the business manages 19 restricted medical schemes on behalf of leading corporate clients. The Discovery Health Medical Scheme is a registered medical scheme for the benefit of its members. As such it is not part of Discovery Limited and separate to Discovery Health. The Discovery Medical Scheme has a Credit Rating of AAA for its claims paying ability from international rating agency Global Credit Ratings, reported a Solvency ratio of 36.9% and reserves of ZAR27.5 billion for the year ended 31 December 2020. Gross inflows under management for Discovery Health were ZAR90.7 billion, of which ZAR81.8 billion related to collections of behalf of third parties for the year ended 30 June 2021. On a segmental basis, normalised profit from operations, before tax, totalled ZAR3.4 billion for the year ended

30 June 2021, with profit for the year ended 30 June 2021 of ZAR2.3 billion accounting for circa 71% of Group Profit for the year.

1.2. Board of Directors of Discovery Health

1.2.1. Hermanus Lambertus Bosman

1.2.2. Richard Farber

1.2.3. Adrian Gore

1.2.4. Neville Stanley Koopowitz

1.2.5. Thabane Vincent Maphai

1.2.6. Faith Nondumiso Khanyile

1.2.7. Ayanda Ntsaluba

1.2.8. Alan Pollard

1.2.9. Barry Swartzberg

1.2.10. Deon Marius Viljoen

1.2.11. Sindiswa Victoria Zilwa

1.2.12. Jonathan Broomberg

1.3. Discovery Vitality (Guarantor)

Discovery Vitality is a company incorporated in South Africa on 16 April 1999 in terms of the Companies Act under registration number 1999/007736/07, with its registered address at 1 Discovery Place, Sandton, Gauteng, 2196. Discovery Vitality, launched in 1997, offers health and lifestyle benefits with selected partners to the Group's South African clients, strategically underpins all of Discovery's businesses and 'further supports the broader business by increasing product integration and cross-selling opportunities across the Group's portfolio of products. It is the largest scientifically-based wellness programme globally, and forms the foundation of the global Vitality Shared-Value insurance model. This model, developed through Discovery Limited's experience in wellness and insurance over more than two decades, acts as a catalyst for change in the financial services industry. It simultaneously provides material benefits to members, insurers, and society; and is being scaled through the Vitality behaviour-change platform. This platform, used as the foundation of the South African composite, also enables Discovery to leverage our intellectual property in our other primary market, the United Kingdom, and to enter

into new partnerships and new markets, with limited capital expenditure. Discovery Vitality had a generated fee income of ZAR2.3 billion for the year ended 30 June 2021, almost all of which was utilised to fund rewards benefits paid to its members. Discovery Vitality, by design, typically delivers a relatively small contribution to the operating profit.

1.4. Board of Directors of Discovery Vitality

- 1.4.1. Hermanus Lambertus Bosman
- 1.4.2. Richard Farber
- 1.4.3. Adrian Gore
- 1.4.4. Hylton David Kallner
- 1.4.5. Neville Stanley Koopowitz
- 1.4.6. Thabane Vincent Maphai
- 1.4.7. Faith Nondumiso Khanyile
- 1.4.8. Ayanda Ntsaluba
- 1.4.9. Alan Pollard
- 1.4.10. Barry Swartzberg
- 1.4.11. Deon Marius Viljoen
- 1.4.12. Sindiswa Victoria Zilwa

2. **BACKGROUND AND HISTORY**

- 2.1. Discovery Limited was founded in 1992 through the raising of ZAR4 million in ordinary shares by Adrian Gore, Founder and Group Chief Executive Officer. In the same year, RMB Holdings Limited (“**RMBH**”) acquired a stake in the business via the Momentum Group (now part of MMI Holdings Limited).
- 2.2. In 1998, the Momentum Group became part of FirstRand Corporate Centre, after the merger of the financial services interests of Anglo American Corporation of South Africa Limited (now Anglo American plc) and RMBH, to achieve the objective of a unified financial services grouping. The FirstRand group owned 75% of Discovery Limited.
- 2.3. Discovery Limited was listed on the JSE in October 1999 through a successful initial public offering. During that year, the FirstRand group reduced its stake in Discovery Limited to 64%.

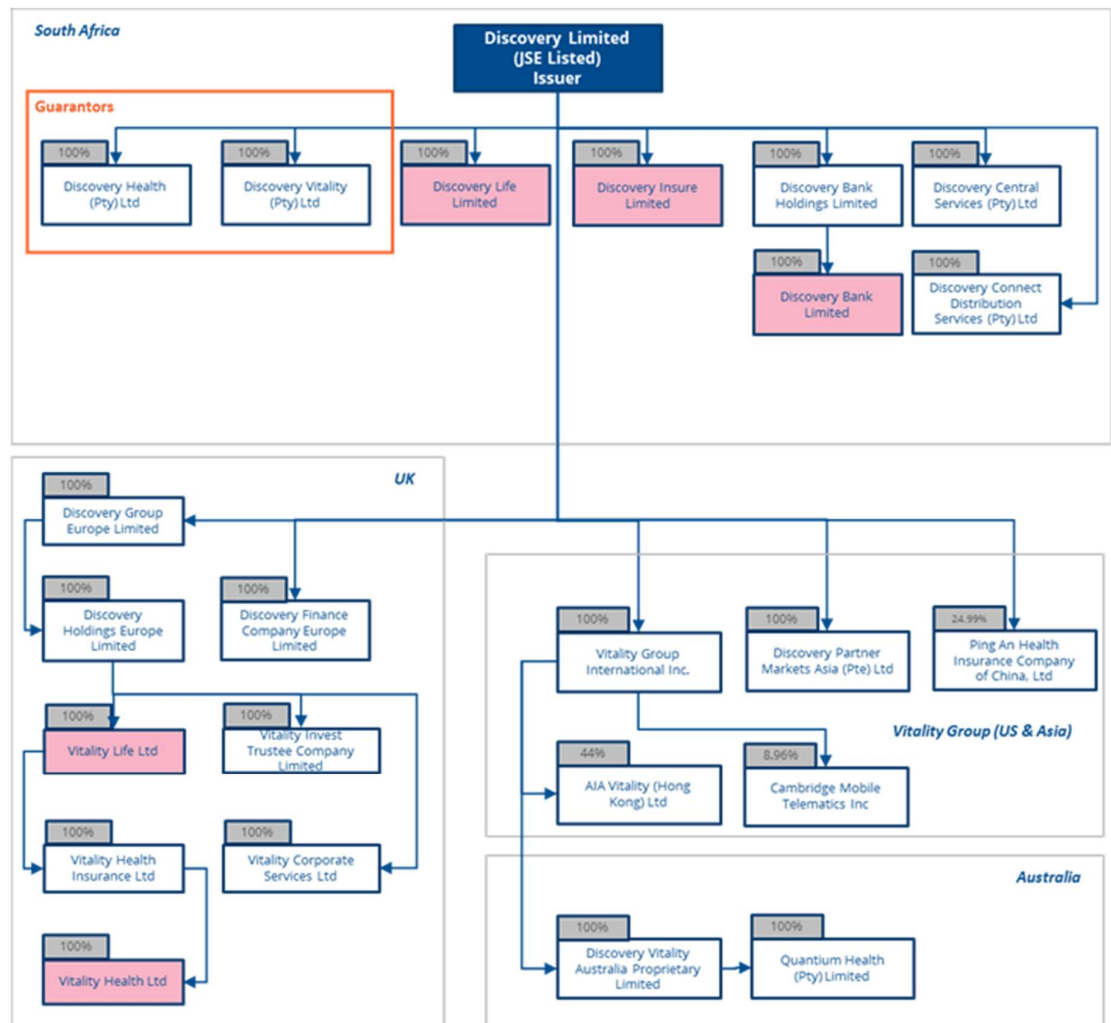
In 2003, Discovery Limited raised a further ZAR875 million through a rights issue utilising the funds to expand its SA Life and US operations.

- 2.4. In November 2007, FirstRand unbundled its entire shareholding of 57.1% in Discovery Limited and allotted the shares of Discovery Limited to its shareholders. This led to RMBH receiving a 25.01% direct stake in Discovery Limited, making it the single largest shareholder. On 7 March 2011, RMBH, Remgro, and FirstRand transferred their insurance assets to Rand Merchant Investment Holdings Limited (“**RMI Holdings**”) and separately listed it on the JSE. This restructure led to the transfer of RMBH's entire stake in Discovery Limited to RMI Holdings.
- 2.5. In November 2014, the Group acquired full ownership of its UK joint venture, Prudential Health Holdings, as part of the Group's strategy to expand its footprint in the UK market and to launch “Vitality” as a new brand.
- 2.6. In April 2015, Discovery Limited completed a ZAR5 billion rights issue, the proceeds of which were used to fund growth in the Vitality Life (UK) business and to fund the Group's increased participation in Discovery Card and invest in the development of the Group's financial services platform.
- 2.7. In November 2018, Discovery Limited raised ZAR1,854 billion in an accelerated bookbuild offering to fund the acquisition by the Group from FirstRand Bank Holdings Limited of: (i) FirstRand's effective 25.01% interest in Discovery Bank Limited, (ii) the remaining 25.01% economic interest that FirstRand Bank Limited held in the Discovery card joint venture business, and (iii) all rights to the Discovery card book and related assets which would be migrated to Discovery over time.

3. OWNERSHIP AND CONTROL

- 3.1. Beneficial ownership in Discovery Limited of 5% or more as at 30 June 2021 were:
- | | | |
|--------|---|--------|
| 3.1.1. | Rand Merchant Investment Holdings Limited | 24.75% |
| 3.1.2. | Government Employees Pension Fund | 10.02% |
| 3.1.3. | Adrian Gore | 7.42% |
| 3.1.4. | Baillie Gifford & Co | 6.33% |
| 3.1.5. | Comgest SA | 5.01% |

3.2. Discovery's key operating structure is outlined below:



4. REVIEW OF OPERATIONS / DESCRIPTION OF BUSINESS

4.1. Shared-value Insurance and Vitality behaviour change program

The Discovery Group's core purpose of making people healthier and enhancing and protecting their lives manifests through the pioneering and bespoke Shared-value Insurance model across our four strategic business strands of South Africa, the United Kingdom, Ping An Health Insurance and the Vitality Group underpinned by our leading behaviour-change platform, Vitality and supported by our unique foundation and operating model. Discovery builds market-leading businesses from the ground up that grow organically and have the potential to transform the industries in which it operates by leveraging the Shared-value Insurance model— which is scalable, repeatable and globally relevant. Most notably, Discovery can apply the Vitality behavioural platform to many institutional capabilities – banking, savings, health, life or other insurance – be it in a Discovery-owned business or through strategic partnerships, creating a considerable competitive advantage. Discovery's primary markets are in South Africa and the United Kingdom. In both these markets, Discovery owns and operates the financial services

provider or insurer. This excludes Discovery Health Medical Scheme and closed medical schemes, of which Discovery Health is the administrator. Vitality Group manages Discovery's expansion beyond the primary markets.

The Vitality -Shared-value Insurance model is built on the Vitality behaviour-change platform, which guides and incentivizes people towards better health, driving and financial behaviour. Vitality combines insights from behavioural economics with clinical science, driving, as well as personal financial management insights. By understanding the correlations between behaviour, cost, and outcomes, those areas with the biggest potential to change risk outcomes over the long term are addressed. The model provides clients with pathways to reduce personal risk and incentivizes them to improve behaviour. Through the understanding of the correlations between behaviour, cost and outcomes, the model enables the Group to measure engagement in these pathways and activities and enables the dynamic pricing of risk accordingly with value shared between clients, the business and society. As a result, insurance and financial risk are no longer a function of an individual's circumstances at the time of taking up the product, but a correlation of how they manage their behaviour across health, driving and financial management. The Vitality platform also enables product integration and cross-selling opportunities across the Group as multiple businesses can share the economic value of client behaviour change through targeted initiatives.

4.2. South African composite

4.2.1. *Discovery Health*

Discovery Health is South Africa's leading medical scheme administrator and managed care provider, providing access to high-quality and affordable healthcare to over 3.73 million lives as of 30 June 2021. The business has a market share of circa 39% in the overall medical scheme market in South Africa and manages Discovery Health Medical Scheme, which represents 56% of open medical scheme membership, as well as 19 restricted medical schemes on behalf of leading corporate clients.

Discovery Health offers a fully integrated, value-driven healthcare operating system supported by world-class product innovation, sophisticated big data capability and best-in-class service excellence. The business' shared-value approach enables value-based measurement and reimbursement that drives quality while lowering healthcare costs – ultimately resulting in decreased member contributions.

Discovery Health is also securing medium to long-term revenue sources through non-medical scheme-related products, such as Gap Cover for unexpected medical costs, Flexicare, which provides quality, affordable access to primary healthcare for

employees who are unable to access medical scheme benefits, and Healthy Company, Discovery's employee assistance programme.

4.2.2. *Discovery Life*

Discovery Life provides risk protection to individual and business clients through comprehensive life, capital disability, income protection, severe illness and funeral cover. As of 30 June 2021, Discovery Life maintained its leading new business position in the intermediated retail-affluent South African protection market, with a share of 30% - more than double that of the business' nearest competitor. Discovery Life uses data on clients' health, wellness and driving behaviour to dynamically underwrite client risk, which results in clients paying appropriately tailored premiums that reflect the changing nature of their personal risk profiles which they are able to manage over time.

For over two decades, Discovery Life has focused on market-leading innovation and services, building a comprehensive suite of plans aimed at all client segments and designed to meet their full spectrum of needs. Against a volatile and challenging backdrop dominated by the COVID-19 pandemic, Discovery Life continues to focus on driving new business through product initiatives and the ease of doing business (focusing on digitization and technological capabilities), improving new business margins, maintaining positive operational experience variances, and ensuring a robust financial and operational model.

4.2.3. *Discovery Invest*

Discovery Invest offers a comprehensive and flexible range of local and offshore investment plans to help clients achieve their short, medium and long term goals. Under its Umbrella Fund business, it provides substantial incentives for long-term investing at an attractive price point. Discovery Invest does not directly manage assets itself but outsources asset management to specialist asset managers. Its investment opportunities extend across local and offshore investments. Discovery Invest applies the Group's Shared-value Insurance model to reward clients for investing longer and more, living well, and managing and withdrawing their money wisely in retirement. Discovery Invest's shared-value approach to retirement income encourages positive behaviour change and, accordingly, clients receive higher income in retirement, pay lower fees, and are less likely to react negatively to market downturns.

Discovery Invest continues to be the fastest-growing active fund management retail investment provider in South Africa, with assets under administration of ZAR117 billion as of 30 June 2021.

The business looks to continue growing its footprint through enhanced distribution capabilities, continuing digital innovation and market-leading offerings.

4.2.4. *Discovery Insure*

Since its launch a decade ago, Discovery Insure-South Africa's first telematics-based vehicle insurer- has disrupted the short-term insurance market with innovative products across car, home and business insurance, compelling incentives and state-of-the-art technology – all of which are underpinned by the Shared-value Insurance model. At the centre of Discovery Insure's approach is Vitality Drive, an incentive-based behaviour programme that rewards clients for driving well. As of 30 June 2021, Discovery Insure had an estimated 7% personal lines market share and covered over 282 000 cars and over ZAR396 billion in personal insured assets.

Discovery Insure continues to export its technology and IP capabilities internationally, currently to the UK and Saudi Arabia, with further expansion opportunities being pursued.

4.2.5. *Discovery Bank*

Discovery Bank, the Group's latest start-up business, is a retail bank in the South African market offering a range of products that can be managed through the Discovery Bank app. These products include transaction accounts with optional overdraft facility for day-to-day banking, a standalone credit card account with built-in transactional capabilities, a full banking suite, and savings and investment accounts. It combines innovative technology and leading digital capabilities with the Group's understanding of risk and behaviour change to create a new category of banking centred on shared-value banking. This unique approach is driven by Vitality Money, which measures how well clients manage their money-the better they do, the higher their Vitality Money status and the greater the value they receive, all through a shared-value stack of personalised rewards. These rewards include, among others, Discovery Miles, a rewards currency especially valuable when spent within the business' network of online and retail partners.

Discovery Bank's differentiated digital banking platform delivers a streamlined end-to-end customer journey, offering seamless and quick onboarding and immediate transaction capability, the ability to make payments with Apple Pay or Samsung Pay; account management features like SmartVault and SmartSearch;

24/7/365 assistance with Live Assist; our integrated Shared-Value rewards stack; and state-of-the-art security features. Discovery Bank strives to be South Africa's preferred fully digital retail bank. In addition, the Bank aims to be the leader in shared-value banking, providing world-class banking solutions that improve clients' financial health and positively impact society. To achieve this goal, the Bank intends to focus on four strategic areas which will enable it to significantly enhance its value proposition: (i) accelerating growth, (ii) leveraging Discovery's composite model, (iii) offering differentiated, market-leading products, and (iii) providing high-quality service and operational excellence.

4.3. The United Kingdom ("UK") Composite

4.3.1. *VitalityHealth*

VitalityHealth specialises in Private Medical Insurance ("**PMI**"), providing a unique and comprehensive health and wellbeing solution to individuals, corporates and small and medium-sized businesses in the UK either directly or through financial advisers. VitalityHealth has an estimated 12% share of the PMI market in the UK. VitalityHealth, through the Shared-value Insurance model, encourages healthy living and rewards people for doing so. By driving engagement through the Vitality programme, members are empowered to take control of their wellness and develop long-term, sustainable healthy habits. Data science is at the core of VitalityHealth's strategy, and sophisticated machine learning is applied to improve business and personalise interactions with clients.

With the COVID-19 pandemic acting as a catalyst for the rapid adoption of digital healthcare services, VitalityHealth is focused on enhancing products and delivering a fully integrated, digital healthcare experience, with clients also able to access self-service tools and seamlessly engage through both digital and telephonic means.

4.3.2. *VitalityLife*

VitalityLife offers a risk-only life assurance product, providing long-term life, serious illness, and income protection cover for individual clients encouraging healthy living through the Shared-value Insurance model which allows clients to access cover at the best risk rate upfront and maintain this over time by engaging in Vitality.

The business continues to drive sales, manage retention and create operational efficiencies in a challenging environment, while also strategically focusing on the quality of new business.

4.3.3. *VitalityInvest*

A start-up business in the UK, VitalityInvest, provides long-term savings and investment products to clients, offering ready-made solutions backed by world-leading partners through tax efficient individual savings accounts (ISA), junior ISA and pension wrappers. Within these wrappers, the business offers a range of Vitality unit-linked funds, as well as a wide selection of third party funds.

4.3.4. *VitalityCar*

Vitality UK entered the UK car insurance market in June 2021 with VitalityCar. VitalityCar is a capital-light joint venture with Covéa Insurance which will provide the regulatory capital and insurance license for the venture.

4.4. Vitality Group and Ping An Health Insurance (“PAH”)

Vitality Group was formed at the end of 2016 through the merger of The Vitality Group in the United States and Discovery Partner Markets. Vitality Group is responsible for expanding Discovery’s Shared-value Insurance model outside South Africa and the United Kingdom through partnerships and joint ventures with global insurers as well as providing wellness solutions to employer groups and individuals that reward daily engagement and create long-term behaviour change. Vitality Group has deployed Discovery’s Shared-value Insurance model to 28 markets beyond SA and the UK.

Vitality Group has four main areas of focus:

4.4.1. *Insurance Partner Markets:*

Equity or contractual long-term partnerships with leading insurers to integrate tailored Vitality programmes into their insurance and financial products. This integration grows these product lines and improves their value proposition. Incentive structures are customised per partner, with Vitality Group providing continuous innovation and business development support and assisting in ensuring efficient implementation as well as reward partner selection and onboarding. The business also provides data and actuarial capabilities throughout the process, enabled by the Vitality 1 technology infrastructure.

Partner insurers participate in the Global Vitality Network – an ecosystem where the value generated from positive selection, behaviour change, technology collaborations, academic research and access to Global Vitality Partners are shared by all partner markets.

4.4.2. *Vitality USA*

Vitality USA is an employer business, with high levels of client retention, and strong engagement and risk outcomes among members.

Vitality USA is extending its Apple Watch and Active Rewards offering (which applies behavioural science principles that drive engagement) beyond employer groups with the launch of Attain, a wellness and rewards experience designed and run-in partnership with Aetna and Apple. The business has also extended its platform through Gateway – a holistic platform that integrates with other health and wellness providers to connect members in need to the relevant services.

4.4.3. *Vitality Health International (“VHI”)*

VHI focuses on expanding and enhancing Discovery’s global emerging health insurance initiatives and healthcare technology to deliver high quality, cost effective, human-centric solutions. VHI also oversees Discovery’s interests in Ping An Health in China, AIA Health Insurance in Australia, and our US Health Operations, and explores additional opportunities, both in terms of equity investments and licensing of Discovery’s health insurance model.

PAH, in which Discovery has a 25% equity stake, is a specialist health insurance company in China, forming part of the Ping An Group. The business aims to make people healthier by providing a range of comprehensive health insurance solutions to individual and corporate customers, including medical and accident insurance, wellness management and medical services. PAH offers a medical network that gives clients access to expert medical assistance both locally and globally.

4.4.4. *Vitality1 (“V1”)*

The expansion of Vitality Group is enabled by Vitality1, a cloud-based platform built specifically to support the diverse and continuously growing set of global partnerships and programmes. The platform supports multiple market programmes on the same infrastructure, allowing for better performance and decreased costs of shared services. Vitality1 also serves as the central platform for continual product enhancements, allowing new features to be made readily available to all markets at a lower localisation cost.

5. **MANAGEMENT STRATEGY**

Discovery’s medium-term ambition- Ambition 2023-is being a leading financial services organisation globally, utilising an insurtech platform through the pioneering Vitality Shared-value Insurance model,

positively influencing 100 million lives – with more than 10 million directly insured – and being a powerful force for social good. To achieve this bold ambition, Discovery has intensified its focus on three dimensions:

5.1. Building brilliant businesses across four strategic strands with the following long-term objectives:

- South Africa: Perfect composite model, number one in every industry, and Discovery Bank pivoting to growth as the composite-maker
- United Kingdom: Best-in-breed products across businesses, operating as a fully integrated composite business with a seamless one Vitality client journey and a successful entry into motor insurance
- Ping An Health: The leading health insurer in China, with over 50 million clients
- Vitality Group: The world's largest and most sophisticated behavioural platform linked to financial services

5.2. Strengthening Discovery's foundation with the following long-term objectives:

- A powerful, globally recognised brand
- Disruptive Shared-value Insurance model, with the best insurtech platform and capabilities
- Employing the best person for every role, in a diverse and inclusive work environment
- Guided by a strong core purpose and values

5.3. Enhancing Discovery's financial and social impact with the following long-term objectives:

- Achieving quality earnings growth while generating sustainable levels of cash and return on capital, manifesting in enhanced value growth
- Scaling Discovery's social and environmental impact
- Achieving the highest ratings across selected environmental, social and governance (ESG) indexes and rating agencies

6. RISK MANAGEMENT

6.1. Discovery Limited employs a Combined Assurance Model. This coordinates and integrates assurance activities across the three lines of defence in managing significant risks and key

controls that have a material impact on Discovery Limited's strategic objectives. The model works as follows:

- 6.1.1. Discovery Limited's strategy is core and serves as the basis for the identification and formulation of objectives as part of the drive to implement the strategy;
 - 6.1.2. risks that may impact meeting the objectives are assessed from a top-down and a bottom-up perspective;
 - 6.1.3. risk appetites are defined to influence business decision-making
 - 6.1.4. controls associated with the risks are used and modified to manage risks within appetite levels;
 - 6.1.5. combined assurance is based on the risks and controls that have a material impact on the objectives.
- 6.2. The strategy, objectives, high inherent and residual risks, and steer from the risk governance committees inform the priorities for inclusion in the Combined Assurance Model. The Combined Assurance Forum (which includes representation from the three lines of defence, chaired by the Group Chief Risk Officer) has the management role of coordinating and reviewing the effective implementation of the Combined Assurance Model. The Forum reports to the Board of Directors through the Audit Committee and the Risk and Compliance Committee.

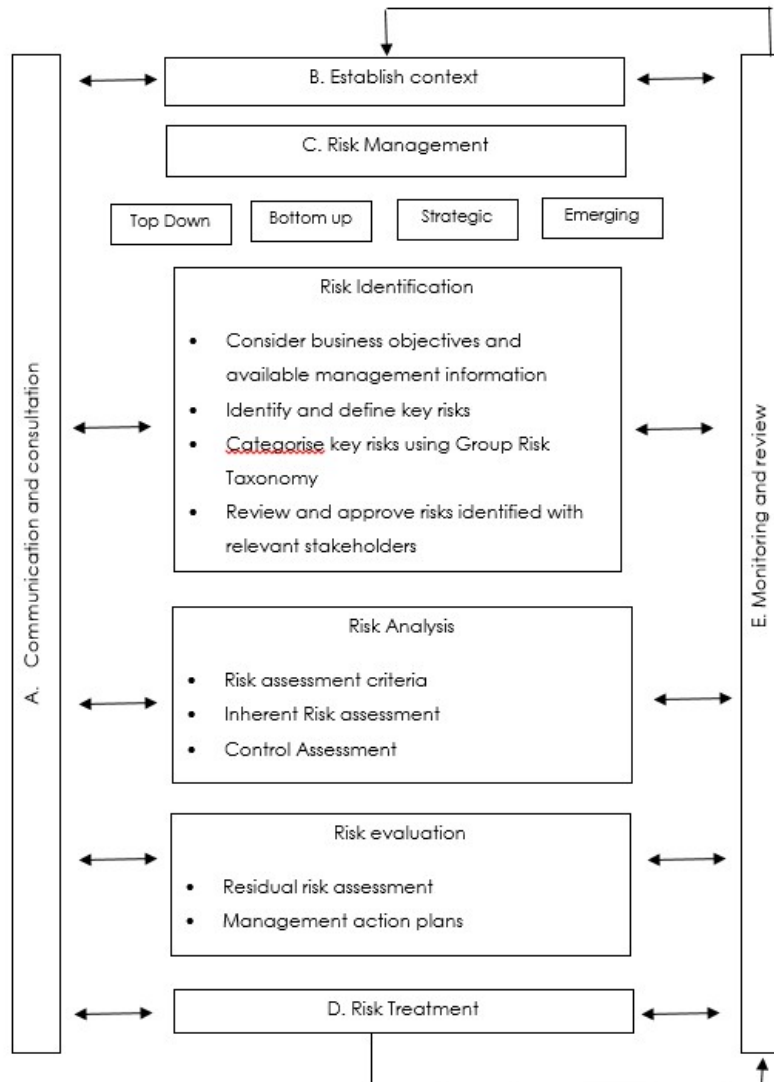
6.3. The role of the Risk Management Function

The Group Risk Management Function is an independent function responsible for designing and ensuring the operational effectiveness of the risk management system. This team consists of skilled resources including actuaries, accountants, project risk specialists, IT specialists, finance specialists, and risk management analysts. This team coordinates and challenges risk information and establishes appropriate risk reporting procedures.

- 6.3.1. The group risk management team:
 - 6.3.1.1. assists the Board, the various Board committees and senior management in carrying out their respective responsibilities by co-coordinating risk management activities;
 - 6.3.1.2. facilitates the risk identification process. This is performed through evaluating the internal and external risk environment on an on-going basis to identify current and emerging risks as early as possible. This may include evaluating risks from different perspectives, such as by territory or by line of business;

- 6.3.1.3. assists the business in managing identified risks effectively. This includes assessing the capacity to absorb risk with regards to the nature, probability, duration, correlation, and potential severity of risks;
- 6.3.1.4. performs independent risk reviews to enable the provision of risk assurance to the Board;
- 6.3.1.5. regularly reports to senior management, key persons in control functions and the Board on the risk profile. This includes details of the risk exposures faced, risk incidents that have occurred and related mitigating actions required;
- 6.3.1.6. recommends the risk appetite and allocation of capital to the Board for approval. This includes the cascading of risk limits to an appropriate level of detail, and monitoring the actual risk exposure against the Board approved appetite;
- 6.3.1.7. maintains an aggregated view of the risk profile and associated capital requirements;
- 6.3.1.8. conducts a review of and reports upon the ORSA process on an annual basis which includes oversight of the integration between risk and capital management across Discovery Limited;
- 6.3.1.9. conducts regular stress testing and scenario analyses, including that of extreme events with low probability but high potential impact;
- 6.3.1.10. conducts regular assessments of the risk management system and ensure that all necessary improvements are implemented; and
- 6.3.1.11. documents and reports material changes affecting the risk management system to the Board to ensure that the framework is maintained and improved.

6.4. Below is a diagram illustrating the risk management process:



7. DISCOVERY OPPORTUNITIES

7.1. The 2023 Ambition has been set in which Discovery seeks to pioneer and lead a global transformation of financial services, impacting 100 million lives, with 10 million directly insured, and being a powerful source for social good. Discovery will achieve this Ambition by focusing on the following three dimensions:

7.1.1. Building Brilliant Businesses

7.1.1.1. Through the South African, UK, and International composite model, Discovery supports established, emerging, and new businesses which are attractive to clients and financial advisors.

7.1.1.2. A continual cycle of innovation and refinement of the underlying integration component across all businesses remains a key strategy to ensure success across all composite markets.

7.1.2. Strengthening our Foundation

7.1.2.1. Brand – Remaining a top insurance brand with Vitality as the leading behaviour-change platform.

7.1.2.2. People - attract and retain the best person for every role.

7.1.2.3. Capabilities (including technology) - harness the power of technology and maintain a capable global technology platform with related applications to support business.

7.1.2.4. Model - using the Shared-Value Insurance model to build composite businesses offers a compelling value proposition and competitive differentiation for Discovery.

7.1.2.5. Purpose - focus on Discovery's core purpose to make people healthier and enhance and protect their lives.

7.1.2.6. Values - guide the way that Discovery delivers on its core purpose.

7.1.3. Enhancing Discovery's Financial and Social Impact

7.1.3.1. Achieve quality earnings growth across the four strategic strands, with a Group profit growth targeted a premium of CPI + GDP;

7.1.3.2. Maintaining the Group's financial strength and resilience;

- 7.1.3.3. Generating sustainable levels of cash and returns on capital;
- 7.1.3.4. Maintaining an acceptable financial leverage ratio and liquidity buffers, all of which remain in range under various claims scenarios and economic stresses;
- 7.1.3.5. Organic growth strategy with methodical investment in new initiatives;
- 7.1.3.6. Meeting Discovery's target of number of lives impacted;
- 7.1.3.7. Geographical expansion across global markets
- 7.1.3.8. Leveraging resources and capabilities within South Africa to support the acquisition and appropriate distribution of vaccines.

8. BOARD OF DIRECTORS

- a) Full names: **Mark Edward Tucker**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Hermanus Lambertus Bosman**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
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- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Richard Farber**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **Discovery Limited, Discovery Life Investment Services Pty Ltd, Discovery Health Pty Ltd, Discovery Life Limited, Discovery Vitality Pty Ltd, Discovery Investment Management Pty Ltd, Discovery Third Party Recovery Services (Pty) Ltd, Discovery Group Europe Ltd, Discovery Partner Markets Asia PTE. LTD, Discovery Partner Markets Services PTE. LTD, Discovery Finance Company Europe Ltd, Discovery Vitality Australia Pty Ltd, AIAV Pty Ltd, MO Health Pty Ltd, Bokhara Road Services Pty Ltd & MO Support Pty Ltd.**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
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- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Adrian Gore**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
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- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report.**

- a) Full names: **Hylton Kallner**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **Discovery Limited, Discovery Vitality (Proprietary) Limited, Discovery Bank Limited and Discovery Bank Holdings Limited.**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Faith Nondumiso Khanyile**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Neville Stanley Koopowitz**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: Discovery Limited, Discovery Life Limited, Discovery Health (Proprietary) Limited, Discovery Holdings Europe Limited, Vitality Health Insurance Limited, Vitality Health Limited, Vitality Corporate Services Limited, Discovery Vitality (Proprietary) Limited and Enertor.
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **See Governance Report**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **David Macready**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **Discovery Limited, Discovery Life Limited, Discovery Life Investment Services (Pty) Ltd, Discovery Life Collective Investments (Pty) Ltd.**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Dr Thabane Vincent Maphai**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Dr Ayanda Ntsaluba**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Alan Pollard**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: Vitality Group International Inc, Vitality Management Company LLC, The Vitality Group Inc and The Vitality Group LLC.
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Marquerithe Schreuder**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which she is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Barry Swartzberg**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Deon Marius Viljoen**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **Demsha Proprietary Limited (family property owning company), Discovery Limited, Discovery Health (Pty) Ltd, Discovery Life Ltd, Discovery Vitality (Pty) Ltd, Discovery Connect Distribution Services (Pty) Ltd, Discovery Central Services (Pty) Ltd, Discovery Bank Ltd.**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Sindiswa Victoria Zilwa**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

- a) Full names: **Monhla Hlahla**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified: **See Governance Report**
- c) Current list of all companies of which he is a director: **See Governance Report**
- d) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- e) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- f) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- g) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- h) Details of whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- i) Details of any offence involving dishonesty committed by such person: **None**
- j) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- k) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- l) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- m) Details of being barred from entry into any profession or occupation: **None**
- n) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- o) Expertise and experience: **See Governance Report**

9. COMPANY SECRETARY

Ms Nomalanga Nobuhle Mbongo is the Group Company Secretary, responsible for the administration of the Board and Board sub-committees by ensuring sound corporate governance procedures are followed and maintained.

10. CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

10.1. Introduction

Discovery Limited is a public company incorporated under the Companies Act.

Discovery Health Proprietary Limited and Discovery Vitality Proprietary Limited are private companies incorporated under the Companies Act.

Each of Discovery Limited, Discovery Health Proprietary Limited and Discovery Vitality Proprietary Limited fully complies with the provisions of the Companies Act and acts in conformity with its memorandum of incorporation.

10.2. The core legislation, in addition to the Companies Act, regulating Discovery Limited, Discovery Health Proprietary Limited and Discovery Vitality Proprietary Limited are detailed below:

10.2.1. Discovery Limited and Discovery Health Proprietary Limited: Financial Sector Regulation Act: Restructured the financial sector regulatory system and aims to increase its robustness, reinforce financial stability and integrity, and improve protection for customers from potential poor conduct by financial institutions. It establishes the PA and Financial Sector Conduct Authority and sets out their objectives, and powers and functions. It provides for regulation of significant owners and financial conglomerates and lays the basis for expanding the key persons regime introduced by the Insurance Act for insurers and insurance groups to all financial services sectors.

10.2.2. Discovery Limited: Insurance Act: Regulates the governance and financial soundness of insurers and insurance groups. Financial Markets Act: Regulates financial markets and insider trading. Discovery Limited is also listed on the JSE and is subject to the listing requirements of the exchange that is made under the Act.

10.2.3. Discovery Health Proprietary Limited: Medical Schemes Act: Regulates the conduct and financial soundness of medical schemes and medical scheme administrators

10.2.4. Competition Act

The Act regulates competition in South Africa. It deals with mergers and anticompetitive conduct. Mergers (the definition of a merger in the Act covers any change in control of all or a significant part of a business) which hit specified turnover and asset value thresholds have to be approved by the Competition authorities before implementation. The Act also prohibits anticompetitive conduct between competitors, firms and their customers or suppliers, and abuses of dominance by firms having a substantial market share. Price fixing, market division, tender collusion, minimum resale price maintenance, excessive pricing, exclusion from an essential facility and specific exclusionary acts are “red card” offences attracting penalties for first contraventions.

10.2.5. Protection of Personal Information Act

The Act aims to ensure that all South African institutions conduct themselves in a responsible manner when collecting, processing, storing, and sharing another entity's personal information by holding them accountable should they abuse or compromise your personal information in any way.

10.2.6. Consumer Protection Act

The Act regulates the provision of goods and services, including financial services, unless exempted. The Act aims to protect consumers from unfair, unreasonable, unjust or otherwise improper trade practices including deceptive, misleading, unfair and fraudulent conduct. Provides for consumer redress and consumer rights; prohibits discriminatory marketing, deals with bait marketing, customer loyalty programmes and promotional competitions and direct marketing.

10.3. King IV Report on Corporate Governance for South Africa

10.3.1. The Report includes a code on corporate governance. The Code addresses leadership, ethics and corporate citizenship strategy; performance and reporting; governing structures and delegation; governance functional areas and stakeholder relationships. Together, the Companies Act and King IV are set to promote more stringent standards of corporate governance and greater director accountability.

10.3.2. King IV provide the standard for the Discovery Group's corporate governance framework and practices. Given the importance to the Discovery Group of having a sound corporate governance framework in place, it fully complies with King IV in all respects.

10.3.3. Discovery Limited is a listed public listed company and as such, Discovery Health Proprietary Limited and Discovery Vitality Proprietary Limited fall within the ambit of the corporate governance framework of Discovery Limited. The corporate governance framework adopted by Discovery Limited enables the company's board of directors (the "**Board**") to fulfil their role of providing oversight and strategic counsel to the business, based on the King IV corporate governance principles, in balance with their responsibility to ensure adherence to regulatory requirements and acceptable risk tolerance parameters.

11. BOARD COMMITTEES

The board of directors has delegated specific responsibilities to board committees. The Audit Committee, Risk and Compliance Committee, Actuarial Committee, Nominations Committee, Remunerations Committee, and Social and Ethics Committee have their own terms of reference that define their powers and duties. The board committees meet independently and report back to the board through their chairpersons.

11.1. Frequency of meetings

Below is a table illustrating the individual board members:

	Board Meeting	Audit Committee	Risk and Compliance Committee	Actuarial Committee	Social and Ethics Committee	Remunerations Committee	Nominations Committee
Discovery Non-Executive Directors							
Mark Tucker (Chairman)	●						●
HL Bosman	●		●			●	●
F Khanyile	●				●	●	●
TV Maphai	●						●
MW Hlahla	●	●			●	●	

M Schreuder	●	●	●	●			
SV Zilwa	●	●	●		●		
D Macready	●	●	●	●			
R Farber	●		●	●			
Discovery Executive Directors							
Adrian Gore	●						●
D Viljoen <i>(Appointed May 2017)</i>	●		●	●	●		
HD Kallner	●		●	●	●		
NS Koopowitz	●						
Dr A Ntsaluba	●						
A Pollard	●						
B Swartzberg	●						
Group Executive and Prescribed Officers							
Dr J Broomberg	●						
KS Rabson	●			●			
F Bhorat							
Dr R Noach							
A Ossip							

J Ferreira			●				
A Rayner	●		●	●			
R van Reenen				●			
Z Saungwem e							
D Wilcocks			●				

11.2. Audit Committee

11.2.1. The audit committee provides independent oversight of the integrity of the Group's Annual Financial Statements and the effectiveness of the Group's internal audit, external audit and Finance Function, it is tasked with assisting the Board in ensuring the financial reporting throughout the Group is accurate and reliable, including:

11.2.1.1. to oversee the appointment, performance assessment, remuneration, disciplinary action against or dismissal of the Chief Audit Executive;

11.2.1.2. to review the approve the Internal Audit Charter, to monitor the performance of the Group Internal Audit Function, to approval the annual internal audit plan;

11.2.1.3. to review any significant matters raised by the internal and external auditors;

11.2.1.4. to examine and review draft interim and annual financial results, announcements and any financial information to be made public and recommend this to the board for approval;

11.2.1.5. review the basis on which the Group has been determined to be a going concern;

11.2.1.6. to review the effectiveness and appropriateness of the Group's system of internal financial controls; and

11.2.1.7. oversee the appointment of external auditors and recommend, with board approval, the appointment of the external auditors to the Annual General Meeting for appointment.

- 11.2.2. The scope of the Audit Committee covers all activities of subsidiaries, joint ventures, partnerships and other business ventures within the Discovery Group, both locally and internationally where the Discovery Group has management control. The Committee has the discretion to rely on the work undertaken by any existing governance structure within the international operations where such separate governance structures are in place to fulfil the governance and oversight responsibilities.
- 11.2.3. The Committee consists of four highly skilled and experienced independent non-executive directors who are elected at the Annual General Meeting on recommendation of the Board. The committee meets at least six times a year. The head of finance, senior management, and the internal and external audit attend the meetings.
- 11.2.4. Notwithstanding its duties, the audit committee:
- 11.2.4.1. shall consider and satisfy itself, on an annual basis, of the appropriateness of the expertise and experience of the financial director;
 - 11.2.4.2. ensure that the Issuer has established appropriate financial reporting procedures and that those procedures are operating;
 - 11.2.4.3. shall request from the audit firm (and if necessary, consult with the audit firm on) the information detailed in paragraph 22.15(h) of section 22 of the JSE Listings Requirements in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every reappointment as well as, in the instance of a new issuer, prior to registration of the programme; and
 - 11.2.4.4. notwithstanding the provisions of section 90(6) of the Companies Act, shall ensure that the appointment of the auditor is tabled as a resolution at the annual general meeting of the Issuer pursuant to section 61(8) of the Companies Act.

The Issuer shall confirm, by reporting to the Noteholders in its annual financial statements, that the audit committee has executed the responsibilities.

11.3. Risks and Compliance Committee

The Risk and Compliance Committee ensures the overall systems of risk and compliance management and internal control systems are adequate and effective, as set out in the Governance Report.

11.4. Actuarial Committee

The actuarial committee is responsible for providing assurance to the board regarding the accuracy of the calculations and the appropriateness of the assumptions underlying the liabilities and the capital of the Group, as set out in the Governance Report.

11.5. Social and Ethics Committee

The social and ethics committee actively assists the board in monitoring social and economic development, ethics and transformation within the Group, as set out in the Governance Report.

11.6. Remuneration Committee

The remuneration committee guides advise the Board on the Groups remuneration strategies, principles and employment policies, as set out in the Governance Report.

11.7. Nominations Committee

The Nominations Committee assists the Board in ensuring the following responsibilities in respect of the operations of Discovery Limited and its subsidiaries are adequately discharged, as set out in the Governance Report.

12. ETHICS

The Group Social and Ethics Committee assists the Board in monitoring social and economic development, including the ethics management framework and transformation within the Group. Discovery uses the King IV framework to guide ethical behaviour within the organisation. Requirements with regards to the King Code disclosure are set out in the Governance Report.

SOUTH AFRICAN EXCHANGE CONTROL

The information below is intended as a general guide to the current position under the Exchange Control Regulations as at the date of this Issuer Disclosure Document. The contents of this section do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.

In this section “**Common Monetary Area**” means South Africa, Lesotho, Namibia, and Eswatini.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Emigrant Capital Accounts

Funds in an Emigrant Capital Account may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with funds from an Emigrant Capital Account may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “non-resident”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s remaining South African assets to which Financial Surveillance Department restrictions have been applied.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD and its relevant Participants, the securities account maintained for such emigrant will be credited and designated as an “Emigrant Capital Account”.

Payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be dealt with in terms of the Exchange Control Regulations and may not be freely transferrable from the Common Monetary Area.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD and its relevant Participants, the securities account for such Noteholder will be credited and designated as a “non-resident” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted outside of the Common Monetary Area only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "non-resident" or the relevant securities account has been designated as a "non-resident" account, as the case may be.

Exchange Control – Issuer

As at the date of this Issuer Disclosure Document, the Issuer does not require exchange control approval for the Programme.

SOUTH AFRICAN TAXATION

The comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of this Issuer Disclosure Document. South African tax legislation is subject to frequent change and accordingly the comments as set out below may be subject to change, possibly with retrospective effect.

The contents of this section do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.

Income Tax

Under current taxation law effective in South Africa, a “resident” (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her worldwide income. Accordingly, all holders of Notes who are “residents” of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of an applicable double taxation treaty). Interest income is from a South African source if it is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside South Africa; or is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of “interest bearing arrangement”.

Accordingly, if the interest payments in respect of the Notes are from a South African source as set out above, the interest earned by a Noteholder will be subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (*see below*).

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Tranche of Notes is treated as part of the interest income on the Notes. Interest income which accrues (or is deemed to accrue) to the Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day to day basis until that Noteholder disposes of the Notes or until maturity. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. The interest may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

In terms of section 24JB of the Income Tax Act, specific provisions dealing with the taxation of financial assets and liabilities of “covered persons” apply in respect of years of assessment ending on or after 1 January 2014. Noteholders should seek advice as to whether these provisions may apply to them.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which is not a resident of South Africa during any year of assessment, is exempt from income tax, unless:

- (i) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received or accrues by or to that person; or
- (ii) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Section 8F of the Income Tax Act applies to "hybrid debt instruments", and section 8FA of the Income Tax Act applies to "hybrid interest". Section 8F and 8FA provides that interest incurred on a hybrid debt instrument and hybrid interest are, for purposes of the Income Tax Act, deemed to be a dividend in specie. If either of these provisions apply the tax treatment of the interest will differ from what is set out above and such payments may be subject to dividends tax as a result of the deemed classification as dividends in specie. These provisions apply from 1 April 2014 in respect of amounts incurred on or after this date.

Noteholders should seek advice as to whether these provisions may apply to them.

Certain entities may be exempt from income tax. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors as to whether the interest income earned on the Notes will be exempt from South African income tax.

Capital Gains Tax

The disposal of Notes by residents of South Africa may be subject to capital gains tax, the provisions of which are contained in the Eighth Schedule to the Income Tax Act. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in income (as interest), be allowed as a deduction from the income of the holder when it is incurred and accordingly will not give rise to a capital loss.

The capital gains tax provisions contained in the Eighth Schedule to the Income Tax Act will not be applied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person in South Africa.

The capital gains tax provisions would not apply to the extent that the Noteholder were to constitute a "covered person" and section 24JB of the Income Tax Act (refer above) applied to the Note.

Purchasers are advised to consult their own professional advisors as to whether a disposal of Notes will result in a liability to capital gains tax.

Securities Transfer Tax

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 because the Notes do not constitute "securities" as defined in that Act.

Value-Added Tax

No value-added tax ("**VAT**") is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute "financial services" as defined in section 2 of the Value-Added Tax Act, 1991 (the "**VAT Act**"). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

Commission, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute "debt securities" as defined in section 2(2)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 15%), except where the recipient is a non-resident.

Withholding tax

The withholding tax on interest is imposed at the rate of 15% and applies to any amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that such amount of interest is from a South African source in terms of the Income Tax Act. The interest withholding tax applies to interest that is paid or that becomes due and payable on or after 1 March 2015. For the purposes of the withholding tax, a "foreign person" is defined as any person that is not a South African tax resident. Accordingly, to the extent that any interest is paid to Noteholders who are South African tax residents, the withholding tax will not apply.

An exemption from the withholding tax on interest applies to any amount of interest which is paid to any foreign person in respect of any debt listed on a recognised exchange (as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act), including any debt listed on the Interest Rate Market of the JSE.

Definition of Interest

The references to "interest" above mean "interest" as understood in South African tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

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