



DISCOVERY
GOVERNANCE REPORT
2019

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ABOUT THIS REPORT

Our reporting comprises the following, all of which can be found on our website



www.discovery.co.za

In navigating our reporting suite, we use the following icons:



Refers the reader to other sections in this report



Refers the reader to another report in our online reporting suite



Our **2019 INTEGRATED ANNUAL REPORT**, which is aimed at our stakeholders. Presents Discovery's financial, economic and social performance in relation to our business strategy.



Our **2019 ANNUAL FINANCIAL RESULTS PRESENTATION** provides an overview of Discovery's results to investors.



Our full **2019 ANNUAL FINANCIAL STATEMENTS** covers the company and consolidated financial results of Discovery Limited and its subsidiaries, and presents the Embedded Value Statement and Five-year review.



Our **2019 SUSTAINABLE DEVELOPMENT REPORT**, along with our detailed website, charts our relationship with broader society. It describes how we work with partners to achieve common sustainable development goals, our progress against global and local sustainable development objectives, and how we create value.



Our **2019 GOVERNANCE REPORT** includes information on our risks, compliance and King IV™ compliance.

In the preparation of this Governance Report, we were guided by the following:



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OUR GOVERNANCE PHILOSOPHY AND FRAMEWORK

We see governance as a critical component of value creation, promoting strategic decision-making that balances short-, medium- and long-term outcomes to reconcile the interests of the Group, stakeholders and society.

Our approach to governance extends beyond compliance. We believe that good governance creates and protects value by ensuring responsible and ethical behaviour as well as enhancing accountability, leadership, risk management, performance management and transparency.

Our Board of Directors (the Board) is the highest governing body of the Discovery Group and is committed to the principles of good corporate governance as set out in King IV™. The core purpose of Discovery is to make people healthier and to enhance and protect their lives. To enable the delivery of our purpose, the Board is committed to preserving the Group's unique entrepreneurial spirit with a strong emphasis on innovation, while entrenching the principles of good governance and ethical leadership throughout the organisation.

The Group is committed to a values-based and ethical culture, built on the principles of non-discrimination, fairness, integrity and transparency. Compliance with Discovery's values is monitored throughout the organisation.



The Board is committed to the principles of good corporate governance as set out in King IV™, and our application register is available on **page 38**

Achieving our governance outcomes

King IV™ forms the cornerstone of our approach to governance and, as such, we support the overarching goals of King IV™, being the creation of:



ETHICAL CULTURE



GOOD PERFORMANCE



EFFECTIVE CONTROL



LEGITIMACY




OUR LEADERSHIP

Composition of the Board

The Discovery Board is committed to leading the Group responsibly, ethically and with integrity – ensuring the Group operates in the best interest of the business and all its stakeholders. The Group’s key stakeholders include shareholders, clients, financial advisers, employees, our business partners, healthcare providers, government and regulators, and the civil societies and communities in which it operates.

The Board currently comprises nine Non-executive Directors and eight Executive Directors, and the newly appointed Chairperson of the Board is an Independent Non-executive Director. The non-executives bring diverse perspectives to Board deliberations and constructively challenge management.

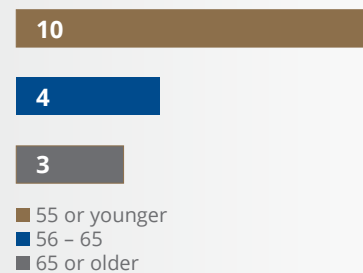
The Board recognises that diversity encourages constructive debate and ensures it considers all of its stakeholders. The Directors have diverse industry knowledge, technical and academic qualifications, skills and experience, all of which are essential and necessary given the complexity of the Group’s businesses, both locally and abroad. The Board currently has eight Executive Directors, many of whom act as representatives from our subsidiaries. Given the Group’s diverse operations, we believe this representation allows for enhanced discussion and ultimately more informed decision-making.

 Refer to **page 20** for more information on assessing the Board’s effectiveness



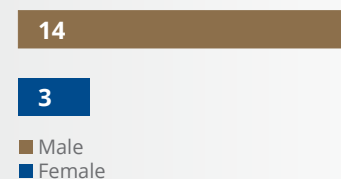
AGE

Number of Directors



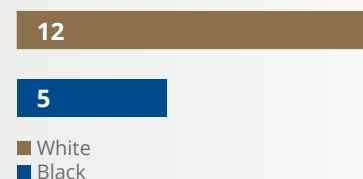
GENDER DIVERSITY

Number of Directors



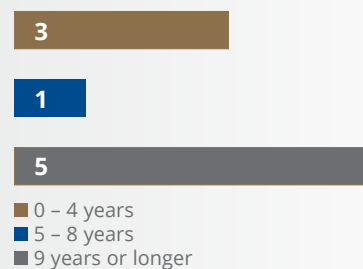
RACIAL DIVERSITY

Number of Directors



TENURE

Number of Non-executive Directors





The Board periodically considers its composition in terms of its mix of knowledge, skills, experience, diversity and independence to discharge its roles and responsibilities objectively and effectively.

Determining independence

The categorisation of each non-executive member as independent, or not, is assessed against the criteria outlined in the King Code. An Independent Director is defined as a Board member who exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence them unduly or cause bias in decision-making.

Each year, the Board conducts an assessment to ensure Directors' independence, in fact and perception. The process includes an assessment of each Director's circumstances and performance to ensure that the Directors remain independent. We believe that the Independent Directors that serve on our Board are invaluable in facilitating robust debate, and as such this assessment is viewed as critical.

For all Directors, the Board is satisfied that there are no relationships or conflicts of interest that could affect them acting in the best interest of the Group and with due care in discharging their duties. Furthermore, for Directors who have served for more than nine years, the Board

assesses each Director and is satisfied that the length of service does not adversely affect their independence or decision-making capabilities. The Board is comfortable that these Directors continue to be independent in character, behaviour, judgement and contribution toward Board decision-making, notwithstanding tenure.

While the Board is comfortable with the independence of the Directors, the Board is also aware that stakeholders require a focus on increasing independence through the review of and potential addition of new members. The Board continues to review its composition and is committed to appointing new Directors in a mindful and considered manner, in order to protect stakeholder value through continuity to deliver robust governance and leadership.



Refer to **page 22** for more information on succession planning as well as the appointment and rotation of Directors

Our Board of Directors

MARK TUCKER (61)
Discovery Limited Independent
Non-executive Chairperson



QUALIFICATIONS: BA (Hons), University of Leeds, ACA, ICAEW

APPOINTED: 1 March 2019

EXPERIENCE: Mark is currently the Non-executive Group Chairman of HSBC Holdings and was most recently Group Chief Executive and President of AIA Group Limited where he spearheaded its world-record-breaking initial public offering in Hong Kong in 2010. AIA is today the largest life insurance company in the world. Prior to AIA, he held various senior executive roles with Prudential, including Group Chief Executive of Prudential plc, and was the founding Chief Executive of Prudential Corporation Asia Limited. Mark was also an independent Non-executive Director of the Goldman Sachs Group and served on the Court of the Bank of England as a Non-executive Director from 2009 to 2012.

AREAS OF EXPERTISE: Mark is a qualified Chartered Accountant with over 30 years' experience in the financial services industry (insurance, asset management and banking) in the UK, the US and in Asia, including 25 years based in Hong Kong.

OTHER DIRECTORSHIPS: Mark serves as the Non-executive Group Chairman of HSBC Holdings plc as well as being the Chairman of TheCityUK and a Director of the Peterson Institute for International Economics. He serves on the Asia Business Council and the Advisory Board of the Asia Global Institute, and is an Associate Professor at the Chinese University of Hong Kong and a member of the International Council of Advisers of the Hong Kong Academy of Finance.

PROFESSIONAL BODY MEMBERSHIPS: Member of Asia Business Council and is an Associate of Institute of the Chartered Accountants in England and Wales.

DR BRIAN BRINK (67)
Independent Non-executive
Director



QUALIFICATIONS: BSc (Med), MBBCh, DMed (Hon)

APPOINTED: 19 February 2004

COMMITTEE MEMBERSHIPS: Risk and Compliance Committee, Social and Ethics Committee, Treating Customers Fairly Subcommittee.

EXPERIENCE: Brian retired as Chief Medical Officer of Anglo American plc at the end of 2014. He was awarded an honorary doctorate in medicine by the University of the Witwatersrand in recognition of his contribution to the private sector response to HIV and AIDS in South Africa. He served the board of The Global Fund to Fight AIDS, Tuberculosis and Malaria in various capacities from its inception in 2002 until 2019. Brian has extensive experience in the funding and delivery of healthcare and remains actively engaged in discussions around universal health coverage, health systems strengthening and public-private partnerships in health.

AREAS OF EXPERTISE: Health insurance, health services delivery, workplace health, health and human rights, and strengthening of health systems in resource-poor settings. Thought leader on the role of the private sector in improving health in developing countries.

OTHER DIRECTORSHIPS: Brian serves on the boards of several non-governmental organisations (NGOs) in the field of health and human rights, including Section 27, Right to Care, the International Women's Health Coalition, and GrassrootSoccer.

PROFESSIONAL BODY MEMBERSHIPS: Health Professions Council (SA), General Medical Council (UK), and South African Medical Association.

Our leadership / Our Board of Directors *continued*

HERMAN BOSMAN (50)
Non-executive Director



QUALIFICATIONS: BCom LLB, LLM (cum laude), CFA

APPOINTED: 14 April 2014

COMMITTEE MEMBERSHIPS: Risk and Compliance Committee (Chairperson), Remuneration Committee.

EXPERIENCE: Herman is the CEO of RMB Holdings and Rand Merchant Insurance Holdings, having joined the companies in April 2014. Prior to this, he served as CEO of Deutsche Bank South Africa (2006 – 2013) and Head of Corporate Finance at Rand Merchant Bank (2000 – 2006). In these capacities, Herman has acted as professional advisor to the Discovery Executive on numerous occasions since 1999.

AREAS OF EXPERTISE: Professional strategy adviser and financial analyst.

OTHER DIRECTORSHIPS: Herman serves on the boards of FirstRand, Hastings Group plc, and OUTsurance. He is also the Chairperson of Endeavor South Africa, a member of University of Johannesburg Advancement Advisory board, and serves on the St Katharines School board.

SONJA DE BRUYN (47)
Independent Non-executive Director



QUALIFICATIONS: LLB (Hons), MA, SFA, Harvard Executive Programme

APPOINTED: 8 December 2005

COMMITTEE MEMBERSHIPS: Audit Committee, Remuneration Committee (Chairperson).

EXPERIENCE: Sonja is the Founder and Principal Partner of Identity Partners, an investment firm that makes equity investments, carries out advisory work and is growing into the Private Equity space through the Identity Managers Fund. Until August 2007, she was an Executive Director of WDB Investment Holdings where she led the structuring of several of WDB's investment transactions. Before this, she was a Vice President in the investment banking division of Deutsche Bank, where she worked in mergers and acquisitions and Corporate Finance in South Africa and the UK.

AREAS OF EXPERTISE: Law, business and economics.

OTHER DIRECTORSHIPS: Serves on the boards of RMB Holdings Ltd, RMI Holdings Ltd, Dimension Data SA and Remgro Ltd.

PROFESSIONAL BODY MEMBERSHIP: Association of Black Securities and Investment Professionals (ABSIP).

RICHARD FARBER (48)
Non-executive Director



QUALIFICATIONS: BCom (Hons), CA(SA), FCMA, CA ANZ, MAICD

APPOINTED: 1 July 2009

COMMITTEE MEMBERSHIPS: Risk and Compliance Committee, Actuarial Committee.

EXPERIENCE: Richard was a partner at Fisher Hoffman Sithole (PKF) from 1998 until 2001 before joining Investec Bank, where he was the Group Accountant from 2002 to 2003. He joined Discovery as CFO in 2003 and was appointed as Financial Director on 1 July 2009. Richard relinquished these roles on 30 April 2017 and has remained a member of the Discovery Board since then.

AREAS OF EXPERTISE: Strategy and policy development, and financial management.

PROFESSIONAL BODY MEMBERSHIP: Richard was a member of the Financial Reporting Investigation Panel (FRIP) – previously known as the GAAP Monitoring Panel – from 2005 until 2014. He is a Fellow of the Chartered Institute of Management Accountants.

ADRIAN GORE (55)
Founder, Executive Director and Group Chief Executive



QUALIFICATIONS: BSc (Hons), FFA, ASA, MAAA, FASSA, Honorary Doctorate Faculty of Commerce 2017 (Wits)

APPOINTED: Founder

EXPERIENCE: Adrian is the founder and Group Chief Executive of the Discovery Group. In 1998, he was recognised as South Africa's Best Entrepreneur by Ernst & Young, and in 2004 was chosen as South Africa's leading CEO in the annual Moneyweb CEO of the Year Awards. In 2008, he received the Investec Award for Considerable Contribution in a Career/Profession and in 2010, he was named as the Sunday Times Business Leader of the Year. Alongside his commitments, he works with other leaders to stimulate entrepreneurship in South Africa. In 2017, Adrian received the Frost and Sullivan Visionary Innovation Leadership Award for Africa, and the Ernst & Young Global Life Time Achiever (Entrepreneurship) Award.

AREAS OF EXPERTISE: Strategy development and execution in leading change and building excellent financial services businesses. Strong innovation, entrepreneurship and leadership skills that make a significant contribution to national thought leadership and creating positive social change.

OTHER DIRECTORSHIPS: Past Chairperson of the Endeavor South Africa chapter, WEF Industry Council Agenda on Future Health, Columbia University Mailman School of Public Health, WHO Commission to end Childhood Obesity, Chairperson: SA SME Fund, Chairperson: King David School Foundation.

PROFESSIONAL BODY MEMBERSHIP: Fellow of the Actuarial Society of South Africa and of the Faculty of Actuaries (Edinburgh), an Associate of the Society of Actuaries (Chicago), and a member of the American Academy of Actuaries.

HYLTON KALLNER (44)
Executive Director



QUALIFICATIONS: BEconSc, FFA, FASSA

APPOINTED: 3 June 2010

COMMITTEE MEMBERSHIPS: Actuarial Committee, and Social and Ethics Committee.

EXPERIENCE: Hylton graduated from the University of the Witwatersrand with a BEconSc in Actuarial Science in 1995. In 1996, he started his career at Liberty Life in the actuarial division. He joined Discovery in October 1996, and held various positions across the Group covering marketing, research and development, actuarial and strategic projects. He served as the Group's Chief Marketing Officer (CMO) from 2006 to 2015 and is currently the CEO of Discovery Life, overseeing the South African Marketing, Distribution, Research and Development and Vitality operations. Hylton was also appointed to the boards of Discovery Health and Discovery Life in April 2010 and currently chairs the Discovery South Africa Executive Committee.

AREAS OF EXPERTISE: Marketing, actuarial and strategic projects.

PROFESSIONAL BODY MEMBERSHIP: Fellow of the Faculty of Actuaries and a Fellow of the Actuarial Society of South Africa.

FAITH KHANYILE (52)
Independent Non-executive Director



QUALIFICATIONS: BA Econ, MBA (Finance), HDIP Tax, Executive Leadership Programme

APPOINTED: 1 October 2015

COMMITTEE MEMBERSHIPS: Social and Ethics Committee.

EXPERIENCE: Faith is a founding member and the CEO of WDB Investment Holdings. She held various senior and executive roles with Standard Bank, Corporate and Investment Bank (2001 to 2013). In her last role, she was the Head of Corporate Banking, where she was responsible for strategy development and execution, people leadership, key client relationship management and business development. She also served on their Executive and Credit Committees. Before joining Standard Bank, Faith was with Brait Private Equity and seconded to start and manage WDB Investment Holdings (1995 to 2000). She completed a BA Economics degree with honours at Wheaton College, USA, has an MBA (Finance) from Bentley Graduate School of Business, and completed an HDIP Tax. She also participated in the Columbia University Executive Leadership Programme in 2007 and was named Doctor of Law by Wheaton College in May 2016. She is also a recipient of the 2017 Business Woman of the Year Award (Corporate Category) from the Business Women Association of South Africa (BWASA).

AREAS OF EXPERTISE: Financial services, corporate and investment banking, and strategy development.

OTHER DIRECTORSHIPS: Safari RSA Limited, Transcend Residential Ltd, JSE Limited, Tsebo Solutions Group, Seed Academy (Pty) Ltd and Primestars (Pty) Ltd

PROFESSIONAL BODY MEMBERSHIP: International Women's Forum (IWF) South Africa.

NEVILLE KOOPOWITZ (55)
Executive Director



QUALIFICATIONS: BCom

APPOINTED: 19 September 1999

EXPERIENCE: Neville joined Discovery as Marketing Director in 1996 and has played a key role in defining and building the Discovery identity as well as the development of Discovery's sales and distribution network. A particular area of focus of his has been the development of Vitality where he served as CEO from its inception in 1997. In this role, Neville oversaw the launch of Discovery Card. In 2005 he took up the role of CEO of Discovery Health, which he held until his move to the UK in 2010. He is currently the CEO of VitalityHealth in the UK.

AREAS OF EXPERTISE: Corporate identity building, establishing new business and distribution channels, and business operations, strategy and management.

PROFESSIONAL BODY MEMBERSHIP: Association of British Health Insurers (member of the Health Committee).

DR VINCENT MAPHAI (67)
Independent Non-executive Director



QUALIFICATIONS: BA, BA (Hons), MPhil, DPhil, Advanced Management Programme (Harvard)

APPOINTED: 8 December 2005

EXPERIENCE: Vincent is the Non-executive Chairperson of Sibanye-Stillwater. Previously, he was the Director of Corporate Affairs and Transformation at SAB and prior to that, he was the Southern African Chairperson of BHP Billiton. He has accumulated 20 years of experience in the academic profession, and 15 years' experience as a senior executive in the private sector. Vincent has served on the boards of various companies as Non-executive Chairperson, including the SABC and the Presidential Review Commission into the restructuring of the public sector. His two-year academic position at Williams College in Massachusetts has just ended.

AREAS OF EXPERTISE: Transformation and restructuring, and political analysis.

OTHER DIRECTORSHIPS: Discovery Foundation (Chairperson), Taquanta Holdings Company, and Batiki Game.

PROFESSIONAL BODY MEMBERSHIP: Academy of Science of South Africa and Institute of Directors in Southern Africa.

HERSCHEL MAYERS (59)
Executive Director



QUALIFICATIONS: BSc (Hons), FIA, FASSA

APPOINTED: 11 March 2000

COMMITTEE MEMBERSHIPS: Actuarial Committee.

EXPERIENCE: Herschel qualified as an actuary in 1986. He joined Liberty Life after qualifying, and as a member of their Executive Committee, served as the Head of Individual and Group Business, Underwriting, Systems, Technology, Product Development, and Finance. Herschel joined Discovery in 2000 as the Managing Director of Discovery Life. In January 2006, Herschel was appointed as CEO of Discovery Life and Discovery Invest. He held this position until December 2015. He is now the CEO of VitalityLife and VitalityInvest in the UK.

AREAS OF EXPERTISE: Product development, finance, and strategy development.

OTHER DIRECTORSHIPS: Serves on the board of the Association for Savings and Investment South Africa (ASISA).

PROFESSIONAL BODY MEMBERSHIP: Fellow of the Institute of Actuaries.

DR AYANDA NTSALUBA (59)
Executive Director



QUALIFICATIONS: MBChB, MSc (London), FCOG (SA), Executive MBA (SA)

APPOINTED: 1 July 2011

EXPERIENCE: Before joining Discovery in 2011, Ayanda served as Director-General of the Department of International Relations and Cooperation. Before this, he was Director-General of the Department of Health and has also chaired the Steering Committee of the South African AIDS Vaccine Initiative. A qualified obstetrician and gynaecologist, Ayanda completed further tertiary education in the fields of health policy planning, international relations, and business at eminent universities including the University of London, Moscow Institute of Social Sciences and UCT Graduate School of Business. Ayanda plays an instrumental role in Discovery's overall strategic planning, particularly within the healthcare system, and in Discovery's international expansion strategy.

AREAS OF EXPERTISE: Health policy planning, international relations, stakeholder management and business.

OTHER DIRECTORSHIPS: Clinix Health Group, University of KwaZulu-Natal Council, Business Leadership South Africa, BRICS Business Council (SA Chapter)

PROFESSIONAL BODY MEMBERSHIP: He has served on a number of statutory bodies, including the Medical Research Council (SA) and the Health Professions Council of South Africa.

Our leadership / Our Board of Directors *continued*

LES OWEN (70)
Independent Non-executive
Director



QUALIFICATIONS: BSc (Hons), FPMI, FIA

APPOINTED: 6 December 2007

COMMITTEE MEMBERSHIPS: Audit Committee (Chairperson), Risk and Compliance Committee, Actuarial Committee.

EXPERIENCE: Les has over 40 years of experience in the UK and Asia Pacific insurance markets. He was the Group Chief Executive of AXA Asia Pacific Holdings Limited (2000 to 2006) and Chief Executive of AXA Sun Life in the UK (1995 to 1999). Les joined the Board of Discovery in 2007 and is Chairperson of the Discovery Audit Committee.

AREAS OF EXPERTISE: International insurance markets.

PROFESSIONAL BODY MEMBERSHIP: Fellow of the Pensions Management Institute (UK) and Fellow of the Institute of Actuaries.

ALAN POLLARD (50)
Executive Director



QUALIFICATIONS: BSc (Hons), FASSA

APPOINTED: 30 August 2007

EXPERIENCE: Alan obtained a BSc (Hons) from the University of Witwatersrand and qualified as an actuary while working at Liberty Life. In 1994 he joined Discovery as Head of Research and Development where he was responsible for the design and development of Discovery Health products. From 2005, he served as CEO of Discovery Vitality until relocating to the USA in 2012 to grow Vitality's presence in North America. Alan serves as President of Global Product and Innovation of Vitality Group, and continues to be based in the USA.

AREAS OF EXPERTISE: Product design, behavioural economics.

PROFESSIONAL BODY MEMBERSHIP: Actuarial Society of South Africa.

BARRY SWARTZBERG (54)
Executive Director



QUALIFICATIONS: BSc, FFA, ASA, FASSA, CFP

APPOINTED: 3 August 1999

EXPERIENCE: Barry is the co-founder of Discovery. He was instrumental in establishing Discovery Health's marketing, distribution, and operational functions, first as Chief Marketing Officer (CMO) (1992 to 1996) and then as Chief Operations Officer (COO) (1997 to 1999). He then served as CEO from 2000 to 2005, launching the first low-income medical scheme plans and Discovery Health's administration services business for closed medical schemes. From 2005 to 2014, he served as Group Executive Director responsible for Discovery's strategy and new business development. In this role he initiated Discovery's strategy to launch a retail bank, helped start Discovery Insure, secured the shareholding in Ping An Health, established the first insurance partnership with AIA, and established Vitality USA. Barry now serves as the CEO of Vitality Group, which is responsible for the expansion of Discovery's Shared-Value Business Model outside of South Africa and the UK. He also serves on the boards of Discovery Insure, Vitality Group in the USA, and Ping An Health in China.

AREAS OF EXPERTISE: Infrastructure development, business diversification, strategy development and execution.

OTHER DIRECTORSHIPS: Director of Endeavor – a non-profit entity that assists scale up entrepreneurs and Discovery Fund.

PROFESSIONAL BODY MEMBERSHIP: Fellow of the Faculty of Actuaries (Edinburgh), Fellow of the Society of South African Actuaries, Associate of the Society of Actuaries (Chicago).

DEON VILJOEN (54)
Group CFO and Executive Director



QUALIFICATIONS: BCom Accountancy (cum laude), BCom (Hons), CA(SA)

APPOINTED: 1 May 2017

COMMITTEE MEMBERSHIPS: Risk and Compliance Committee, Social and Ethics Committee, Actuarial Committee.

EXPERIENCE: Deon joined the Discovery Group in May 2017 as Group Chief Financial Officer (CFO). Before joining Discovery, he was with the Alexander Forbes Group. Deon originally joined them in 2003 as Finance Director of Investment Solutions. He later became Finance Director of the Group's African operations. In 2007, when the Group was the subject of a private equity transaction, Deon took the role of Group CFO. In this role, Deon served as Executive Director on the Board of Alexander Forbes Group Holdings Limited, and the listed special purpose vehicle Alexander Forbes Preference Share Investments Limited, as well as on subsidiary boards and committees. Deon was instrumental in the strategic repositioning during the private equity holding and the relisting in 2014. He also served as interim Chief Executive during 2016. Deon was named CFO of the Year 2015 by CFO SA. Earlier in his career, he was a partner and director of PricewaterhouseCoopers Johannesburg. As part of his specialisation in banking and financial services, he advised clients and presented on topics such as financial risk management.

AREAS OF EXPERTISE: Financial services including banking, and expertise in specialist topics such as financial risk management.

PROFESSIONAL BODY MEMBERSHIP: While in the accountancy profession, Deon was a member of the SAICA Banking Industry Group. He also chaired the Investment Management and the Collective Investment Schemes Industry Groups.

SINDI ZILWA (52)
Independent Non-executive Director



QUALIFICATIONS: BCompt (Hons), CTA, CA (SA), Advanced Taxation Certificate (SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)

APPOINTED: 20 February 2003

COMMITTEE MEMBERSHIPS: Social and Ethics Committee (Chairperson), Audit Committee, Risk and Compliance Committee.

EXPERIENCE: Sindi is a retired Chartered Accountant, previously an entrepreneur and CEO of Nkonki, a firm she co-founded in 1993 and managed until she retired through a management buyout 23 years later on 31 October 2016. She received the Businesswoman of the Year Award from the Executive Women's Club in 1998 and, in 2008, the Woman of Substance Award by the African Women Chartered Accountants Forum. In 2014, she received an Overall Professional Woman of the Year from SA Professional Services Awards (SAPSA) and, in 2016, she was acknowledged as the Outstanding CEO of the Black Audit Firm's Award. In 2013, she authored her first book, **The ACE Model: Winning Formula for Audit Committees** and also published **Creating Effective Boards and Committees** in 2016.

AREAS OF EXPERTISE: Accounting, auditing, compliance, governance, risk management and transformation.

OTHER DIRECTORSHIPS: Aspen, Metrofile, Mercedes Benz of South Africa Limited, Tourvest Limited, and Gijima.

PROFESSIONAL BODY MEMBERSHIP: South African Institute of Chartered Accountants (SAICA), and Institute of Directors Southern African (IoDSA).

Prescribed Officers of the Board

KENNY RABSON (51)
**CEO Discovery Invest and
 Employee Benefits**



QUALIFICATIONS: BSc, FIA, FASSA

EXPERIENCE: Kenny joined Discovery in 2000 as a founding member of Discovery Life. He was responsible for all actuarial functions in Discovery Life and Discovery Invest, with particular focus on product development and the strategy of these companies. Kenny was appointed as CEO of Discovery Invest in January 2016. In May 2018, he spearheaded the launch of Discovery into Umbrella Funds. He qualified as an actuary through the Institute of Actuaries in the UK in 1994 and moved to Liberty, where he established his skills in product development. This culminated in Kenny establishing Liberty's linked investment product company in 1997. Before joining Discovery, he worked at Liberty Life in their corporate valuations area, performing the annual valuations and analysis of surplus work.

**DR JONATHAN
 BROOMBERG (58)**
CEO Discovery Health



QUALIFICATIONS: MBBCh, BA (Hons), MSc, PhD

EXPERIENCE: Jonathan studied medicine at the University of the Witwatersrand and then read Philosophy, Politics and Economics at Balliol College in the United Kingdom. He completed MSc and PhD degrees in Health Economics at the London School of Hygiene and Tropical Medicine. Jonathan joined Discovery Health in 2005 as Head of Strategy and was appointed CEO of Discovery Health in 2010. Prior to joining Discovery Health, he managed private equity and venture capital investments in the healthcare and education sectors. Jonathan also spent several years in academic research and consultancy in health economics and policy, and served as a special advisor to Dr Nkosozana Dlamini-Zuma, South Africa's Minister of Health between 1994 and 1999. Alongside his private sector interests, he maintains active engagement in South African and global public health affairs. He is also a Director of Soul City Institute, a member of the Council of the University of the Witwatersrand, and a Trustee of the Discovery Foundation.

During the year, the following resignations and retirements were noted:

- Monty Hilkwitz retired as Chairman with effect from 28 February 2019.
- John Robertson retired with effect from 31 August 2018.
- Tito Mboweni resigned with effect from 1 October 2018.
- Robert Enslin resigned with effect from 19 June 2019.

Board meetings

The Board formally meets six times a year to discuss and review a formal schedule of matters. At these meetings, the Directors discuss the development and implementation of the short-, medium- and long-term strategies of the Group, and engage with executive management on the implementation thereof.

The table below reflects the Board attendance at meetings during 2019:

Board member	Board meetings
NON-EXECUTIVE DIRECTORS	
M Hilkowitz*	4/4
M Tucker**	2/2
HL Bosman	5/6
Dr B Brink	6/6
SE De Bruyn	5/6
R Enslin (resigned with effect from 19 June 2019)	4/6
R Farber	6/6
F Khanyile	6/6
Dr TV Maphai	6/6
TT Mboweni (resigned with effect from 1 October 2018)	1/1
AL Owen	5/6
SV Zilwa	6/6
EXECUTIVE DIRECTORS	
A Gore	6/6
HD Kallner	6/6
NS Koopowitz	6/6
HP Mayers	6/6
Dr A Ntsaluba	6/6
A Pollard	5/6
JM Robertson (retired with effect from 31 August 2018)	1/1
B Swartzberg	6/6
D Viljoen	6/6
PRESCRIBED OFFICERS	
Dr J Broomberg	4/6
KS Rabson	6/6

* Chairperson of the Board until 28 February 2019, when he retired.


** Chairperson of the Board with effect from 1 March 2019.

Non-executive Directors may serve on the Board of other organisations. The Chairperson of the Discovery Board must be satisfied that the nature of the other organisation, its location and the expected time commitment will not affect the role and responsibility of the Non-executive Director to prioritise the affairs of the Discovery Group.

Our governance structures

The governance structure of the Group is strengthened by the Board and management committees that support the Board in the performance of its responsibilities. The Board has oversight of the Board Committees, Group Executive Committee, Management Board Committees and Constituted Boards. Vitality UK, Vitality Group, Discovery Insure, Discovery Invest and Discovery Bank have a Board and governance structure that operate independently from the Group.

Strong focus is also given to ensuring the strength of our Management and Constituted Boards to entrench a focus on strong governance throughout the Group. The Board is satisfied with the composition of these structures.

 Refer to **pages 29 to 37** for more information on our Board Committees



¹ The Constituted Board for Discovery Life, Vitality SA and Discovery Health is the same as that of the Group. To further support this structure, Management Board Committees were formed, on which more information can be found on page 17.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is mandated to and responsible for implementing the strategies approved by the Discovery Board and for managing the affairs of the Group. It meets every week and is chaired by Adrian Gore, our Group Chief Executive. All the business units within the Group, including the offshore operations, have established Executive Committees that meet regularly. Feedback on the activities of each business unit is provided during the weekly meetings of the Group Executive Committee.

MANAGEMENT BOARD COMMITTEES

The Management Board Committees meet at least four times a year and were established to assist the Board in overseeing the strategic outlook and objectives of the business, considering developments and proposals, as well as risks and product and actuarial issues.

Governance structure	Independent Non-executive Director	Non-executive Director	Executive Director	Prescribed Officer	Members of Management
Life Management Board	3	1	4	1	4
Health Management Board	2	-	6	1	6
Vitality SA Management Board	1	-	8	1	7

CONSTITUTED BOARDS

The Discovery Invest, Discovery Insure, Discovery Bank, Vitality UK and Vitality Group businesses all have Constituted Boards who operate autonomously and independently from the Group Board, and include Independent Non-executive Directors. Minutes of these Constituted Board meetings are tabled at Group Board meetings. While Adrian Gore, our Group Chief Executive, is also the Chairperson of Discovery Bank's Constituted Board, this arrangement constitutes a special dispensation from the Prudential Authority during the start-up period of the business.

Our Group Board also serves as the Constituted Board for Discovery Life, Vitality SA and Discovery Health.




MAINTAINING AN ETHICAL CULTURE

In order to remain a sustainable and ethical company, the business of the Group must be conducted in accordance with the principles and practices contained in King IV™.

To this end, King IV™ principles and recommendations are entrenched in our governance and risk-management structures, policies and procedures, and therefore form the foundation on which we build an ethical culture throughout the Group.

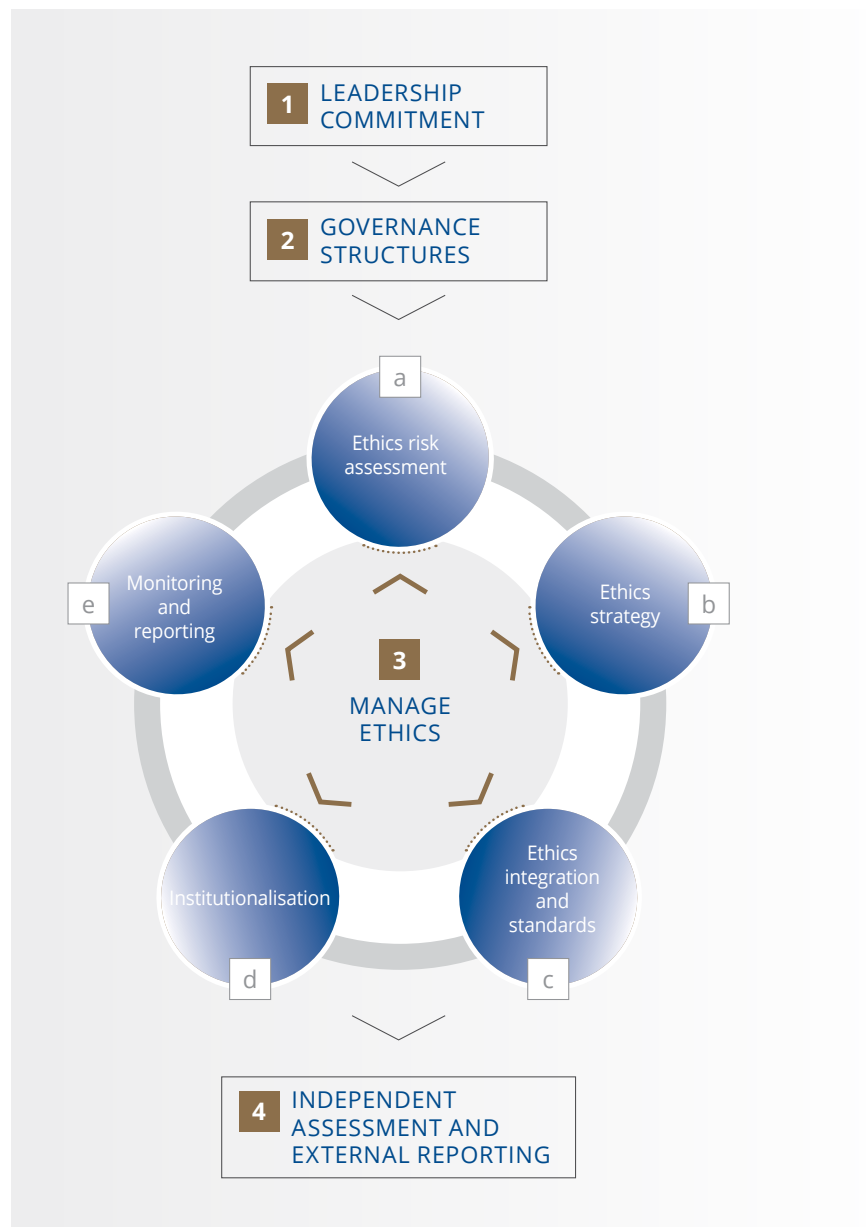
The Group has established a dedicated ethics function. The Board, assisted by the Social and Ethics Committee, has oversight of this function through the Ethics Office, a Group function aimed at supporting the Board, executives, management, and employees in cultivating an ethical culture in the organisation. The Ethics Office is also mandated by the Board, through the Social and Ethics Committee, to implement the Ethics Strategy throughout the Group.

 Refer to **pages 36 to 37** for more information on our Social and Ethics Committee

During the year, the Ethics Office focused on the following key activities:

- Conducting ongoing and compulsory company-wide training, focusing on ethical conduct, which was implemented through an online training programme and, for new employees, through training sessions during monthly core inductions.
- Through consultative engagement, prioritising mechanisms to proactively advise executive management of new and future potential ethics risks.
- Amending its Terms of Reference to have oversight of investigations into ethics-related complaints to ensure fairness and consistency across the Group.
- Partnering with PwC on a company-wide ethics risk assessment to determine ethics risks and opportunities. This included a forward-looking perspective on global macro trends that could impact the Group.

The Group has implemented an ethics and integrity framework to promote an ethical culture and assist the Board in leading ethically and effectively. Ethics standards and ethics-related policies, such as conflicts of interest, gifts and entertainment, and whistle-blowing, are reviewed by the Board on an annual basis.



Maintaining an ethical culture *continued*

a ETHICS RISK ASSESSMENT

The Ethics Office, in partnership with Group Risk Management, ensures that all key risks to the Discovery Group are appropriately identified, assessed, and managed. Group Risk Management also supports risk owners in reporting on these risks and ensuring that adequate frameworks and processes are in place to manage and mitigate ethical risks.

The ethics strategy, informed by the outcomes of the ethics risk assessment, prioritises high ethics risks and opportunities. The promotion of an ethical culture across all areas, and among all employees, is done by focusing on:

- Ensuring Discovery's leadership sets an example through ethical leadership
- Reinforcing the organisation's core values
- Promoting "ethics talk" at all levels of the company
- Promoting ongoing communication, training and awareness on these matters

b ETHICS STRATEGY

Ethics standards promote a common understanding of acceptable conduct across all operations, in every region where Discovery operates. Discovery's core values and Leadership Charter set standards for appropriate conduct in the organisation.

At an operational level, the Ethics Office provides input on the development and maintenance of ethics-related policies such as the conflict of interest, whistle-blowing, and corporate gifts and entertainment policies, as well as on anti-corruption aspects in the procurement, fraud management and fraud risk management policy.

c ETHICS INTEGRATION AND STANDARDS

Employees are required to confirm their understanding of the Group's ethical standards on an internal learning platform, thereby ensuring that a values-based culture is maintained throughout the Group. Employees are also encouraged to report any unethical behaviour directly to the Ethics Office or to make use of the anonymous whistle-blowing hotline. The Ethics Office oversees investigations that relate to reported unethical conduct. The Ethics Office reports material breaches and trends to the Social and Ethics Committee.

An ethics helpline is available for employees who need advice on ethics-related matters. Dedicated and qualified ethics officers provide guidance and support to all employees. Furthermore, employees can anonymously report matters of concern to a hotline, which is independently managed by Deloitte.

d INSTITUTIONALISATION

The Ethics Office maintains a comprehensive training and awareness programme for all employees, which consists of induction, face-to-face, and ongoing online training modules. An annual Group-wide campaign supports these efforts and includes posters, desk drops, and electronic media aimed at ethics awareness. A dedicated website is available internally to keep employees informed of, and educated on, matters relating to ethics.

e MONITORING AND REPORTING

The Ethics Office, together with Group Internal Audit, developed a risk-based monitoring plan to ensure independent assessment and assurance of the efficiency of the ethics management framework.

DELIVERING GOOD PERFORMANCE

The Board appreciates that Discovery's core purpose, strategy, Shared-Value Business Model, performance, sustainable development, and risks and opportunities are inextricably linked. These elements are crucial to creating value for our stakeholders.

The Board has a clear strategy and meets at least annually with the executive team and the heads of control functions to review the strategy and proposals in any acquisitions, investments, disposals, products or services, taking the associated risks into account. The Board approves the strategy, key performance measures and targets of all executives, and oversees the implementation of the strategy plans. The Risk and Compliance Committee assists the Board with the governance of the operational and legislative risks and monitors the effect of the implementation.



Refer to **page 33** for more information on our Risk and Compliance Committee

The Board and executive management also perform an annual assessment of the Group's strategy, business model, performance and sustainable development as it applies to the core purpose. Regular reports are provided to the Board concerning the sustainability of Discovery's business and its impact on the environment, communities and other stakeholders through the implementation of Board-approved policies.

Ongoing training

On appointment, all Directors participate in a formal and comprehensive induction programme. Director training, touching on financial, actuarial, economic and industry-related matters, is held to refresh the Directors' skills and knowledge. Furthermore, Directors are required to attend professional development training and briefings to keep abreast of legal and regulatory risks, developments and changes that could impact the environment in which the Group and its subsidiaries operate.

Assessing our effectiveness

We recognise that an effective Board safeguards the Group's sustainable success. Regular assessments of the Board's effectiveness are therefore; crucial in ensuring that the Board fulfils its role and meets responsibilities and to support continued improvement in its performance and effectiveness.

During the year, subsequent to a rigorous review process, a new Chairperson was appointed with effect from 1 March 2019. Ordinarily, the Board assesses and evaluates

its own performance on an annual basis, as well as that of its Chairperson, the Board Committees and individual Committee members. However, given the recent appointment of a new Chairperson, no Board effectiveness assessments were conducted in 2019. In the year ahead, regular assessments will resume, led by the Chairperson.

The performance of Non-executive Directors will be assessed annually by the Chairperson, and will be based on each individual Director's contribution to the matters before the Board. The performance of Executive Directors will be assessed annually by the Group Chief Executive, and will be based on agreed performance targets. During the year, the Chairperson met with individual Directors on a one-on-one basis to discuss matters relevant to their directorship. Furthermore, an assessment of the Chairperson will be conducted early in the 2020 calendar year.

ENSURING EFFECTIVE CONTROL

The Board of Directors is the focal point and custodian of corporate governance within Discovery. To this end, the Board ensures that corporate governance and good practice are inherent in the fulfilment of its responsibilities.

The Board Charter sets out the role and responsibilities of the Board. The Board holds its Directors accountable for their integrity, competence, responsibility, fairness and transparency. A comprehensive review of the Charter was undertaken in 2018 to ensure it is aligned with the principles and practices as recommended by King IV™ in addition to other regulatory and legislative requirements.

The Board has oversight of the application of corporate governance principles, supported by specific statutory and other Board Committees. The provisions set out in the Companies Act, King IV™ and regulatory requirements have been applied to the delegation of authority of the Board Committees in assisting the Board with specific duties and functions.

Separation of roles and responsibilities

The role of the Chairperson of the Board and the Group Chief Executive are not held by the same person and operate independently. These roles are clearly defined in the Board Charter to ensure no individual has unrestricted decision-making power. Our Chairperson, Mark Tucker, is responsible for leading the Board, while Adrian Gore, our Group Chief Executive, is responsible for the executive management of the Group.

OUR CHAIRPERSON IS RESPONSIBLE FOR:

- Providing overall leadership to the Board in respect of the proper and effective functioning of the Board as a collective.
- Presiding over Board meetings to ensure that material matters and issues are tabled and that adequate time is allocated for the thorough interrogation of matters.
- Representing the Board to the shareholders and ensuring that good relations are maintained.
- Monitoring the Board dynamic and ensuring that roles and responsibilities of the Directors, the Board and its Committees are clearly outlined, as well as ensuring Board and Committee effectiveness, and that individual members act with the utmost integrity at all times.
- Formulating, together with the Group Chief Executive and Company Secretary, the annual work plan for the Board and setting the agenda for Board meetings.
- Ensuring and monitoring that the performance evaluations of the Board, Board Committees and individual directors are conducted annually.
- Promoting a culture of openness and debate among Directors, senior management and heads of control functions, and acting as a link between the Board and management.
- Maintaining regular dialogue with, and being accessible to provide advice to the Group Chief Executive and Executive Directors in respect of all material matters affecting the Group.
- Assisting the Remuneration Committee in determining the performance objectives of the Group Chief Executive and Executive Directors and their performance against these objectives.

OUR GROUP CHIEF EXECUTIVE IS RESPONSIBLE FOR:

- Overall day-to-day management of the Group.
- Recommending the appointment of Executive Directors and CEOs of each business and ensuring proper succession planning and performance appraisals of members of the Group Executive Committee.
- Developing and recommending to the Board the long-term strategy and vision of Discovery and its quantified expression.
- Developing and recommending to the Board, Discovery's capital expenditure programme, the annual business plans and budgets that support our long-term strategy and approach to sustainability.
- Ensuring that effective management teams and management structures are in place throughout the Group.
- Ensuring that appropriate policies are formulated and implemented.
- Ensuring that an effective risk management framework, compliance framework and internal audit strategy is implemented.
- Monitoring performance against agreed performance and sustainability targets and reporting to the Board accordingly.
- Establishing an organisational structure and operating model to ensure effective execution, monitoring and review of the strategy, sustainability, governance and control imperatives.
- Setting the tone in providing ethical leadership and creating an ethical environment.
- Ensuring adherence to relevant industry best practices standards.
- Serving as the chief spokesman of the Discovery Group.

Ensuring effective control *continued*

Succession planning

The composition and succession planning of the Board is reviewed regularly, and where necessary, recommendations are made.

All Executive Directors are employed on employment contracts that can be cancelled with between one month and three months' notice by either the Executive or the company.

Appointment and rotation of Directors

The Board is ultimately responsible for the appointment of new Directors, and the Board Charter provides a formal, transparent process in the evaluation, nomination, election and appointment of Board members. When the Board identifies a need to appoint a Director, such appointments are made with the assistance of a Nominations Committee, an ad hoc subcommittee that is set up to assist with the search for and vetting of potential Directors. Going forward, our intention is to establish a permanent Nominations Committee.

Once suitable candidates are identified, the Nominations Committee shares the details and skills of these individuals with the Board. The duties of the Nominations Committee end here. Board members collectively deliberate on these recommendations before putting names forward. Thereafter, Directors are appointed through a formal, transparent processes by ordinary resolution at any Shareholder Meeting or the Annual General Meeting (AGM).

Non-executive Directors are appointed for a period not exceeding three years and are subject to re-election on a rotational basis. The re-appointment of Directors is not automatic, and depends on the knowledge and skills required by the Board, the Director's fit, and the diversity targets determined by the Board.

In support of our commitment to refreshing the Board, a new Non-executive Chairperson was appointed during the year. Furthermore, a suitable replacement for Robert Enslin, who resigned from the Board with effect from 19 June 2019, is being sought.

Company Secretary

Our Company Secretary, Thys Botha, is responsible for ensuring that sound governance procedures are followed and maintained. There is an independent relationship between the Board and the Company Secretary, and the objectivity of the Company Secretary is not prejudiced. In accordance with the JSE Listings Requirements, the Board periodically evaluates the Company Secretary's competence, qualifications, skills, knowledge and experience. The Board is satisfied that the Company Secretary has fulfilled his responsibilities and is suitably qualified to continue fulfilling these responsibilities.

Delegation of authority

Delegation of authority to management are clearly defined to ensure effective exercise of authority and responsibilities. The Board has approved and implemented an

appropriate delegation-of-authority framework, which details the powers delegated to each Board Committee and clearly indicates the matters reserved for the consideration of the Board and the Group Chief Executive. The Board determined the level of materiality over which matters are for their sole decision. Other matters are delegated to the Group Chief Executive, Board Committees and the Executive Committee. These delegations are reviewed on an annual basis. The Board is satisfied that the delegation-of-authority framework allows for the effective discharge of its responsibilities.

Conflicts of interest

In line with best practice and regulatory provisions, policies and procedures have been implemented to manage the trading of shares and conflicts of interest. Directors are prohibited from dealing directly or indirectly in shares during closed periods. In addition, Directors are required to disclose if they have a direct or indirect interest in any matter for consideration by the Board. The disclosure is recorded in a register by the Company Secretary. Moreover, the Board is required to declare any conflicts of interest and recuse themselves from any such Committee meeting discussions.

Remuneration

The Group reviews its remuneration philosophy annually to ensure that its employees and the Board are remunerated fairly, responsibly and transparently. Furthermore, the Board, assisted by the internal and

external Remuneration Committees, ensure that all Directors, Executives and employees are remunerated fairly and responsibly in line with industry standards. The remuneration philosophy is aligned with Discovery's strategy and linked to individual performance through the setting of appropriate objectives that are reviewed by the Remuneration Committee. Bi-annual assessments are done and reviewed against the strategy and business plan.



Refer to our online **Integrated Annual Report** for our Remuneration Report

Governance of technology and information

The governance of technology and information has been delegated to the Group Risk and Compliance Committee (supported by the CIO Forum), who is responsible for ensuring that the Group implement appropriate system security, data integrity and business continuity processes. Furthermore, the Committee is responsible for overseeing the implementation of all structures, processes and mechanisms in relation to the Information Technology (IT) Governance Framework to ensure there is appropriate management of cyber and data risks, as well as an effective implementation of the IT risk management plan. Technology risks are included in the Group's risk management process and are reviewed at regular intervals. All changes are security tested before implementation and this is enforced by regular, comprehensive external testing.

Ensuring effective control / governance of technology *continued*

Technology is governed by our Discovery Information Technology Governance Charter, which guides the structure and mandate of technology within the Company, and is aligned to the requirements of the Board Committees, King IV™, assurance providers and regulators. The Charter specifically focuses on cybersecurity, data governance, business continuity, financial management, technology architecture and operations. We have also introduced executive and Board oversight to monitor our compliance with the standards of the European General Data Protection Regulation (GDPR) and the Protection of Personal Information (POPI) Act in South Africa. Discovery makes use of the NIST Cybersecurity Framework and the ISO27001 Information Security Standard to classify technology risks.

The IT function has processes in place to monitor Discovery's networks for cyberattacks and other data-related incidents, including leaks of information, allowing for rapid response. The threat of cyber risk within Discovery was previously managed as part of information security discipline, consisting of people, processes and procedures, and associated technologies to protect against malicious and non-malicious threats. The increased sophistication of cybercrime, and the increased impact and likelihood of this risk has necessitated a heightened focus.



In response to the increased cyber threat, Discovery has been enhancing the cyber capability programme to embed and improve the overall cyber resilience capability. Effort has been focused around three elements including:

- Cyber Capability Assessment – risk assessment of current cyber resilience capabilities.
- Cyber Security Strategy – cyber risk appetite setting and framework development.
- Cyber Risk Programme – ongoing monitoring and oversight of the cyber programme.

During the year, our key focus areas were:

- Launching the new Discovery Data Science platform, as well as the Discovery Virtual Agent and Robotic Process Automation.
- Investing in technology to improve our operations across the business.
- Appointing external parties to conduct two formal assessments of our privacy and data security environment.
- Instituting compulsory online information security and cyber awareness training for all staff, which includes topics such as data security and privacy-related risks and procedures. We formally track adherence to the required training.
- Reviewing and taking out additional cybersecurity insurance cover, including cover for required remedial work by an insurer-approved team of experts in the event of a subsecurity incident.

Our future focus areas include:

- Leveraging our expertise in data science, which we will integrate into the operations of our business in real-time.
- The performance and management of data privacy and governance, as well as cyber security, through the support of our second-generation data science platform.
- Improving customer experiences through artificial intelligence (AI).



Refer to our online **Integrated Annual Report** for further information on technology as an enabler in our business

Ensuring effective control *continued*

Assurance

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and the organisation's external reports.

Discovery has developed and implemented a Combined Assurance Model throughout the Group, which is designed to address all the significant strategic, sustainability, financial, operational and compliance-related risks. Furthermore, the model ensures that all assurance activities provided by management, internal and external assurance providers adequately address material risks facing Discovery, and that suitable controls exist to mitigate these risks to an acceptable level.

In line with the Combined Assurance Model, Internal Audit, together with other assurance providers and functions, provide assurance over the organisation's significant risks and material matters. There are appropriate policies and processes in place to ensure the independence of the internal auditors.

As such, the Combined Assurance Model:

- Links risk management activities with assurance activities.
- Provides the basis for identifying any areas of potential assurance gaps and duplication of resources.
- Informs the Board, the Audit Committee, and Risk and Compliance Committee, and assists to provide a view regarding the Combined Assurance status.
- Provides an integrated assurance service and enhances accountability.
- Ensures an adequate and effective risk-control environment enhancing decision-taking aligned with the risk appetite and the integrity of the risk-related reports for better decision-making.

The Combined Assurance Model is reviewed and approved annually, and oversight has been delegated to the Audit Committee. The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision-making.

Managing risk to achieve our strategic objectives

The Board has ultimate responsibility for the governance of risk, and approves the risk appetite on a regular basis. The Board acknowledges the importance of risk management as it is linked to the strategy, performance and sustainability of the Group. The Board is assisted by the Risk and Compliance Committee, who is delegated to manage the implementation processes to ensure business risks are identified and managed within acceptable parameters.

Discovery has a clearly defined risk management framework, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of impact. Regular assessments are conducted on the business risks and risk tolerance levels for each category of risk. The risk management framework is designed to address all the significant strategic, sustainability, financial, operational and compliance-related risks that could undermine the ability to achieve business objectives into the future. Discovery prepares an Own Risk and Solvency Assessment (ORSA), which provides a holistic view of the risk exposures in the Group and how these risks affect capital, solvency and business strategy.

Group Risk Management is a function independent of day-to-day management. Its primary responsibilities include:

- Assisting Discovery to identify, assess, monitor, and mitigate its material risks, and promote a sound risk culture.
- Assisting the Discovery Board and senior management to develop and maintain Discovery's risk management system, including promptly informing the Discovery Board of any circumstances that may have an adverse material effect on the risk management system of Discovery.
- Integrating the view of risk and capital, and ensuring that sufficient capital is in place to operate sustainably within the risk appetite and in light of the prevailing risk profile.

Our future focus areas include:

- Further enhancing our risk management capabilities across the Group aligned to our core purpose and strategy, including enhancing our data analytics capabilities, stress testing and incorporating risk management as a performance enabler.
- Implementing a robust operating model aligned to a Risk Management Centre of Excellence ethos while being business led.
- Initiatives to equip risk practitioners across the Group with optimal risk intelligence to integrate risk management into company culture. This is especially relevant in the Discovery context where change is exponential.

Refer to **page 33** for more information on our Risk and Compliance Committee

Refer to our online **Integrated Annual Report** for more detailed information on our key risks during 2019

MAINTAINING LEGITIMACY

Our stakeholders

Balancing the best interest of the company and interests and expectations of stakeholders is paramount to the Board. Stakeholder relationships are an important element of Discovery's business and we recognise the significance of regular engagement with stakeholders through our various platforms. Our Social and Ethics Committee is tasked with ensuring an inclusive approach to stakeholder engagement, and assists the Board with monitoring our relationships with our stakeholders as a standing agenda item.

Reports issued by Discovery are aimed at enabling stakeholders to make informed decisions about the Group's performance, as well as its short-, medium- and long-term prospects. Discovery's interim and annual results, as well as its reports, are reviewed and approved by the Board with the assistance of the Audit Committee, as well as Internal and External Auditors. The Board Committees oversee that reports are compliant with regulatory obligations and meet the legitimate needs of stakeholders.



For more information on stakeholders, refer to our **Sustainable Development Report**

Responsible corporate citizenship

Discovery prides itself on measurable corporate programmes that reflect the importance of stakeholders' interests and the Group's core purpose to make people healthier and enhance and protect their lives. The Social and Ethics Committee has been delegated the responsibility by the Board of ensuring the Group is a responsible corporate citizen. Discovery is an active corporate citizen in communities where it operates by contributing to the economy, society and environment.



Refer to our **Sustainable Development Report** for more information on our relationships with broader society

In ensuring Discovery is a responsible corporate citizen, the Social and Ethics Committee will, among other things:

- Review and approve the strategy adopted by the Group to promote equality, prevent unfair discrimination and corruption, as well as the Group's Corporate Social Investment Strategy, and recommend this to the Board for approval.
- Review and approve the strategy proposed by the Group for corporate sponsorships and donations, as well as the processes in place to identify initiatives that would receive sponsorships and donations from the Group.
- Review and approve any flagship projects and initiatives aimed at contributing to the development of communities identified by the Group from time to time.
- Monitor, on an ongoing basis, the progress with the implementation of community development initiatives and material sponsorships.
- Evaluate whether the objectives of community development initiatives are being met.

For Discovery, being an active corporate citizen aligns with our values. During the year, we focused on:

- Operating an ethical and compliant business, with an inclusive culture.
- Expanding the roll of ethics management in the Group.
- Ethical use of data and data protection.
- Cooperating with regulators and ensuring we have strong internal processes in place.



For more information on our future focus areas with regards to corporate citizenship, refer to **pages 36 to 37** for more information on our Social and Ethics Committee

Maintaining legitimacy *continued*

Group compliance

Discovery considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies as an integral part of doing business. This feeds into our commitment to being a good corporate citizen.

The Board is committed to developing and maintaining strong compliance-management capabilities and culture, while providing appropriate protection to policyholders, clients and stakeholders. This is achieved by:

Fostering an environment where regulatory compliance is embedded in the Group's culture, business planning, decision-making and business activities.

Actively communicating the effectiveness and business benefits of compliance management to all stakeholders.

Considering the impact of the regulatory requirements in all strategic and operational business decisions as well as the processes and control environments within the Group.

Continually developing and enhancing the Group's compliance-management capability.

Providing independent assurance to the Group's senior management and Board.

THE ROLE OF THE GROUP'S COMPLIANCE FUNCTION

The Group's level of compliance with the applicable legislation, rules, standards and codes is monitored by an independent Group compliance function, established to support the Board, executives, management and employees to embed compliance into the culture, business principles, operational and management processes of the Group. It extends to any agreements with clients, service providers and other third parties. The function is responsible for designing an effective compliance-management and control system and for monitoring and reporting on the operational effectiveness of the system.

The Group's compliance function is independent, operating as part of the second line of defence, and reports directly to the Board.



Discovery has invested in skilled and experienced compliance resources to:

- Maintain all legislative, regulatory, industry and best-practice requirements and standards impacting the operations within the Group.
- Support management with the implementation of the regulatory frameworks impacting the activities and operations in the Group.
- Develop a risk-based compliance plan to monitor and assess the effectiveness of the controls implemented to manage and mitigate the regulatory risks to the business.

OUR APPROACH TO COMPLIANCE

Given our broad geographic footprint and the requirement to adhere to various local and international laws, rules, codes and standards, compliance is built into our corporate governance structures and frameworks. Discovery's South African business operations are supported by experienced compliance officers within a centralised compliance team with the exception of Discovery Bank, which has its own compliance team.

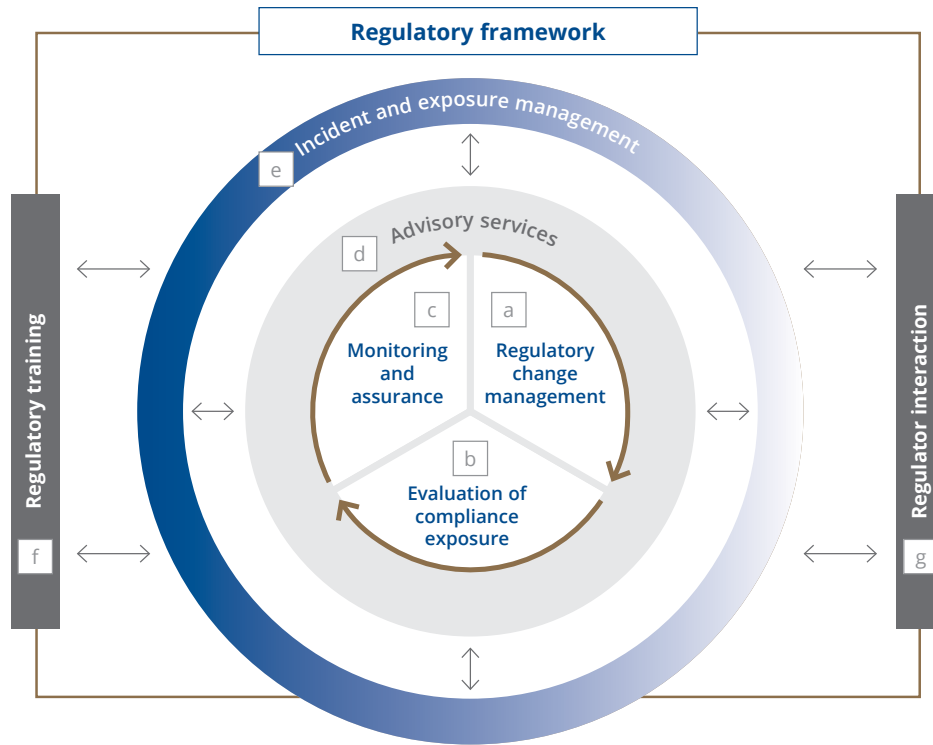
Overarching Board-level policies ensure compliance across the Group with all applicable laws, codes, best practice and standards, and encourage ethical behaviour. The internal audit function incorporates applicable legislation in their reviews. The Board regularly reviews compliance matters, including the procedures and policies, giving a holistic view of compliance management across the Group.

Our international business areas are supported by dedicated compliance teams in their respective jurisdictions.

The work of these teams is closely aligned to the standards and guidelines within the Group Compliance Function in South Africa.

Maintaining legitimacy / Group compliance *continued*

Below is a high-level overview of the compliance processes across the Group:



a REGULATORY CHANGE MANAGEMENT

Our regulatory change management activities are aimed at:

- Identifying and analysing legislative, regulatory and supervisory developments that impact the Group.
- Facilitating participation in legislative consultation processes.
- Assisting and advising management, once the enactment of legislation is imminent, with implementing appropriate controls to address the requirements.

b EVALUATION OF COMPLIANCE EXPOSURE

We have implemented a risk-based evaluation process across the Group to assess the level of compliance exposure. We also assist the Group Risk Management function with the evaluation of the regulatory risk within the Group.

c MONITORING AND ASSURANCE

We develop an annual risk-based monitoring plan for the independent assessment of the appropriateness and efficiency of the control framework. We do so by ensuring compliance to regulatory requirements and the evaluation of progress towards implementation of corrective actions.

d ADVISORY SERVICES

Our experienced compliance officers provide general guidance and support to the business to assist with the effective implementation of the control framework and regulatory requirements. They also support the Group with all campaigns, external communication, marketing material and general client communication.

e INCIDENT AND EXPOSURE MANAGEMENT

We assist the Group with the identification of regulatory incidents and exposures, advising them on the necessary corrective actions and monitoring of progress towards implementation.

f REGULATORY TRAINING

Our regulatory training team provides a robust training programme for all employees to embed a culture of compliance across the Group. The programme provides for three levels of training, namely; training for new employees joining the Group aimed at ensuring knowledge of regulations affecting their particular role; continuous annual training to assist in embedding compliance awareness and practices; and project-based training which is specific, proactive training aimed at preparing the Group for impending regulatory changes.

g ENGAGING WITH REGULATORS AND INDUSTRY ASSOCIATIONS

Discovery works with various regulators and authorities in each of the jurisdictions in which we operate. We maintain open and active dialogue with all our regulators to respond proactively and pragmatically to emerging issues and questions. We also participate in industry discussions on matters of mutual interest.

Maintaining legitimacy / Group compliance *continued*
OUR FOCUS AREAS
Refining the implementation of the financial crime regulatory universe

We continue to ensure that we adhere to the financial crime universe by implementing technology solutions that facilitate the monitoring and identification of financial crime risks in the Group. We are also enhancing operational management of these risks through the implementation of well-defined processes and procedures across the Group in respect of customer due diligence and sanctions screening.

Input to the draft Conduct of Financial Institutions Bill

The release of the draft Conduct of Financial Institutions Bill by the National Treasury in December 2018 ushered in a new approach to conduct regulation in South Africa. The bill, as well as any standards that may be issued in terms thereof, will have significant implications for the financial product and financial services providers of the Discovery Group that are domiciled in South Africa. Discovery Group has and will continue to engage on the Bill with the Association for

Savings and Investment South Africa (ASISA), the South African Insurance Association (SAIA) and the Banking Association of South Africa (BASA).

Our values and culture, together with our proactive approach to entrenching Treating Customers Fairly (TCF) in our business operations, will facilitate a smooth transition to this new approach to conduct regulation.

Enhancing local and international data privacy

We will continue our efforts to align both local and international businesses with emerging data protection requirements. We are actively pursuing compliance with pending legislation under our jurisdictions.

Enhancement to our governance structure

The governance requirements imposed by the Prudential Standards became effective on 1 July 2018, bringing enhanced governance requirements. We are closely monitoring implementation of these requirements together with King IV™ to ensure that our governance structure remains fully aligned to industry developments.



OUR BOARD COMMITTEES

Discovery's Board of Directors acknowledges its responsibility to effectively discharge its duties, ensuring that the delegation of powers within our structures promote independent judgement. The Board is ultimately responsible and accountable for the governance, performance and strategy of the Group.

To this end, the Board has delegated some of its responsibilities to appropriately constituted Board Committees. Five Board Committees have been established in line with the requirements of the Companies Act and King IV™ to assist the Board in the fulfilment of its responsibilities. There is a clear balance of power to ensure that no individual, directly or indirectly, has undue decision-making powers.

Board Committees act within the bounds of approved Terms of Reference, which clearly define the responsibilities and duties delegated by the Board. These Terms of References are reviewed annually and submitted to the Board for approval.

The Terms of References prescribe the minimum number of members for each committee, as well as the proportion of independent directors to ensure independence is exercised. Each Board Committee is

required to have at least three members with sufficient capability and capacity to function effectively, and members are evaluated to ensure an appropriate balance of skills, qualifications and experience to perform their duties. Members of the Board of Directors may attend any Board Committee meeting as an invitee or observer, but may not take part in any decisions of the Committee.



Refer to **pages 6 to 13** for the curricula vitae of the Directors of our Board Committees, which details their qualifications and relevant experience

The Chairperson of each Board Committee, who is appointed by the Board, reports directly to the Group Board after each meeting, allowing the Board to monitor the performance and ensure that the committees are acting in line with the delegations provided.



Our Board Committees *continued*

AUDIT COMMITTEE

PURPOSE

The Audit Committee provides independent oversight of the integrity of the Annual Financial Statements and the effectiveness of the Group's internal audit, external audit and finance function.

The Audit Committee is chaired by an Independent Non-executive Director and comprises of at least three highly skilled and experienced independent Non-executive Directors who are appointed annually by the Board and subsequently approved by the shareholders at the AGM. During 2019, External Audit and Group Internal Audit, as well as the Group Chief Financial Officer (CFO), Chief Information Officer (CIO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and other relevant invitees attended the meeting by invitation, to provide pertinent information and insight into their areas of responsibilities.

The Audit Committee met seven times during the year and comprised the following members as at 30 June 2019:

Name	Board status	Appointment to committee	Number of meetings attended
SE De Bruyn	Discovery Independent Non-executive Director	November 2005	6/7
AL Owen (Chairperson)	Discovery Independent Non-executive Director	August 2008	7/7
SV Zilwa	Discovery Independent Non-executive Director	August 2003	6/7

THE ROLES, RESPONSIBILITIES AND FUNCTIONS OF THE AUDIT COMMITTEE INCLUDE THE FOLLOWING:

- Provide oversight to the Group's financial results, financial result announcements and any other public financial reports and their related procedures.
- Consider the impact of any financial, fraud, IT, and other risks on the integrity of the financial results of the Discovery Group.
- In conjunction with the interim and full-year financial results and, if necessary at other times, review the basis on which the Discovery Group has been determined to be a going concern.
- Prior to considering a dividend, the Committee must review the results of the Solvency and Liquidity Test conducted.
- Review of capital adequacy having regard to the work of the Actuarial Committee, periodically review compliance with the financial conditions of loan covenants, and consider material litigation matters involving uncertainty and the impact this may have on the financial results.
- Assist the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information system and auditing and actuarial valuation processes applied in the day-to-day management of business.
- Recommend at the AGM, with the approval of the Board, the appointment of the External Auditors of the Group, ensure their suitability and, at least every five years, formally consider whether to tender the external audit contract.
- Consider, approve and oversee the development of both the internal and external audit plan, ensuring that no restrictions or limitations have been placed on the scope of their work.
- Setting the direction for Group Internal Audit to ensure it provides objective and relevant independent assurance which contributes to the effectiveness of Discovery's governance framework, systems, risk management, processes and internal controls.
- Review the expertise, resources and experience of the Internal Audit and Finance functions.
- Annually review the qualifications and performance of the Group CFO.
- Provide oversight of the Group's Tax function including the tax strategy and policy, material tax decisions, tax affairs, tax-reform proposals, qualified resources and skills, and all material issues raised by the tax authority.
- With regard to the Group's Integrated Annual Report:
 - Review the report and consider the accuracy and completeness thereof, ensuring that the company's position, performance and sustainability is not misleading.
 - Review the disclosure of sustainability matters to the extent that it has an impact on the financial results, and ensure that it does not conflict with the information contained in the financial statements.
 - Ensure all the disclosures prescribed by legislation have been included and are accurate.
 - Ensure that the Group's Integrated Annual Report is published annually on the website, together with audited financial statements and sustainable development report.

Our board committees / Audit Committee *continued*

KEY FOCUS AREAS FOR 2019 INCLUDED:

- Reviewed and approved the Internal Audit Charter and the Annual Internal Audit Plan, which were prepared on a risk-based approach.
- Performance review of the Chief Audit Executive (CAE) and was satisfied with his performance and independence.
- Reviewed the results of the annual internal effectiveness evaluation of the internal audit function and found it to be both independent and effective in its responsibilities.
- Assessed the skills of the internal audit team and found them satisfactory.
- Confirmed the appointment of the external audit firm and is satisfied that the external auditor is independent, while ensuring the rotation of the individual registered audit partner every five years.
- The committee is satisfied that the external auditor has, at all times, acted with unimpaired independence. In reaching this conclusion, the committee considered the following:
 - Representations made by the external auditors to the Audit Committee;
 - Independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria for internal governance processes within audit firms;
 - Auditor suitability assessment in terms of paragraph 3.84(g) (iii) and section 22.15(h) of the JSE Listings Requirements; and
 - The extent of other work undertaken by the auditors for the Group.
- Self-assessment to evaluate the effectiveness of the Committee, which was found to be satisfactory.
- Oversaw the performance of the Group CFO and the CAE and provided feedback to the Board accordingly.
- For all international businesses, where Discovery has management control, reviewed the effectiveness of the governance structures and assessment of the appropriateness of reliance thereon.
- Reviewed the results of the Solvency and Liquidity Test and recommended the declaration of dividends to the Board for approval.
- Reviewed and recommended to the Board the approval of the Interim and Annual Financial Statements and related disclosures, including the draft announcement of the financial results.
- Evaluated the effectiveness of the Group Finance function (including the Group Tax function).
- Monitored the implementation by management of recommendations made by internal and external audit.
- Reviewed the Integrated Annual Report and considered the accuracy and completeness thereof.
- Performance review of the Group CFO and confirmed that they are satisfied with his performance.
- With input from independent accounting and actuarial advisers, reviewed certain aspects of Discovery's accounting policies relating to the life assurance entities in the Group. The Committee is satisfied that the policies comply with relevant standards and guidance including IFRS and local actuarial guidance. Two members of the Committee are members of Discovery Group Actuarial Committee. The Committee is satisfied that the judgements made in setting and reviewing the long-term actuarial assumptions used in the establishment of reserves and margins are reasonable.



The Audit Committee has performed an internally managed effectiveness review during the reporting period and is satisfied that the Committee operates effectively.



A detailed Report of the Audit Committee can be found in our **Annual Financial Statements** available online

Our board committees *continued*

REMUNERATION COMMITTEE

PURPOSE

The Remuneration Committee assists the Board in ensuring the organisation remunerates fairly, responsibly and transparently. Furthermore, it oversees the implementation of the remuneration philosophy for Directors and makes recommendations to the Board regarding the remuneration structure and base fees for Non-executive Directors.

The Remuneration Committee is chaired by an Independent Non-executive Director and comprises at least three Non-executive Directors. In executing its functions, the Committee is supported by an Internal Remuneration Committee (IRC), which includes Executive Directors, Heads of Control Functions of the Group and external remuneration experts.

The Remuneration Committee met five times during the year and comprised the following members:

Name	Board status	Appointment to committee	Number of meetings attended
HL Bosman	Discovery Non-executive Director	July 2014	4/5
SE De Bruyn (Chairperson)	Discovery Independent Non-executive Director	August 2016	5/5
MI Hilkwitz*	Discovery Independent Non-executive Director	June 2009	3/3

* Resigned as Board member with effect from 28 February 2019. A suitable replacement has been identified and is in the process of being ratified by the Board.

THE ROLES, RESPONSIBILITIES AND FUNCTIONS OF THE REMUNERATION COMMITTEE INCLUDE THE FOLLOWING:

- Review and approve the remuneration philosophy, ensuring that it facilitates remuneration which is fair and equitable taking into account Discovery's performance and external market trends, while overseeing its implementation.
- Recommend to the Board the remuneration structure and base fees for Non-executive Directors for approval by the Company's shareholders.
- Assess remuneration packages and annual increases of executive management, ensuring that they are fair and responsible in relation to organisation-wide remuneration and are sufficient to attract, retain and motivate performance in accordance with the business strategy.
- Review and approve the framework, performance targets and measures used to assess the achievement of agreed objectives and performance targets of Executive Directors and their related remuneration awarded.
- Approve any share-based incentive scheme structures, and changes thereto, including corporate vesting terms and conditions if applicable.
- Approve the on-target percentage payout per level and the target profit pool.
- Approve the three components of the Annual Remuneration Report and ensure that the report complies with the provisions of the Companies Act and King IV™.
- Ensure the remuneration philosophy and report are tabled for discussion at the AGM for the shareholders' non-binding advisory vote and monitor the process, steps and measures to be employed in the event that these are voted against at the AGM.

KEY FOCUS AREAS FOR 2019 INCLUDED:

- Tabled the remuneration philosophy and report at the AGM for the shareholders' non-binding advisory vote, thereafter monitoring the process, steps and measures employed where these were voted against at the AGM, including engagement with shareholders.
- Considered the introduction of a policy and process for forfeiture of unvested awards or unpaid short-term incentives (*malus*), and the clawback of vested awards or paid short-term incentives as a part of managing conduct and risk through remuneration.
- Considered the introduction of a policy on minimum shareholding requirements for senior executives.
- Considered the vesting profile of the phantom share awards.
- Considered the replacement of the current phantom share scheme with an equity-settled long-term incentive scheme and will continue to review this in FY2020.
- Considered advice and input from external advisors on improved remuneration policies, salary and incentive benchmarking, and good remuneration governance practices.
- Relevant training and information sessions for the Committee members, to inform compliance with legislation and best practice.
- Considered bonus payments for Directors' and management incentive schemes, including individual and profit pool portions.
- Approved the three components of the FY2018 Annual Remuneration Report and considered that the report complied with the provisions of the Companies Act and King IV™.



Refer to our Remuneration Report in our online **Integrated Annual Report** for more information on the Remuneration Committee's detailed activities

Our board committees *continued*

RISK AND COMPLIANCE COMMITTEE

PURPOSE

The Risk and Compliance Committee is tasked with and responsible for ensuring that the material risks that could affect the Group are identified, evaluated and effectively managed and reported. In addition, the Committee is tasked with ensuring the Group's policies and processes are adequate to ensure compliance with the required legislative and regulatory requirements.

The Risk and Compliance Committee must comprise of at least eight members, and must include Executive and Non-executive Directors. Of these members, the majority must be Non-executive Directors. Of the five Non-executive Directors, two are non-Independent and three are Independent.

The Risk and Compliance Committee has performed an internally managed effectiveness review during the reporting period, and is satisfied that the Committee operates effectively.

The Risk and Compliance Committee met six times during the year and comprised the following members as at 30 June 2019:

Name	Board status	Appointment to committee	Number of meetings attended
HL Bosman (Chairperson)	Discovery Non-executive Director	April 2015	6/6
Dr Brian Brink	Discovery Independent Non-executive Director	April 2015	6/6
R Farber	Discovery Non-executive Director	April 2015	5/6
HD Kallner	Discovery Executive Director	December 2015	6/6*
AL Owen	Discovery Independent Non-executive Director	April 2015	5/6
A Rayner	Group Executive	April 2015	6/6
D Viljoen	Discovery Executive Director	May 2017	6/6
SV Zilwa	Discovery Independent Non-executive Director	April 2015	6/6

* Attended in person or by proxy.

THE ROLES, RESPONSIBILITIES AND FUNCTIONS OF THE RISK AND COMPLIANCE COMMITTEE INCLUDE THE FOLLOWING:

- Appointment, remuneration, disciplinary action against or the dismissal of the CRO and CCO as Heads of Control Functions within the Discovery Group.
- Assisting the Board by ensuring that an independent, effective and sufficiently staffed Risk Management function is established and operates effectively as part of the second line of defence and is responsible for assessing the adequacy and effectiveness of the risk management system.
- Compliance, legal and regulatory matters, ensuring governance of compliance with applicable laws, non-binding rules, codes and standards through establishment of an independent, effective and sufficiently staffed Compliance function.
- Oversee the review and the adoption of appropriate Fraud and Fraud Risk Management policies within the Discovery Group which are to be approved by the Group Board.
- Technology and information governance providing oversight on IT strategy, policies and frameworks supporting confidentiality, integrity, privacy and availability of information.
- Assist the Board in ensuring that Discovery complies with applicable laws and adopts relevant regulatory rules, codes and standards.
- Monitoring the compliance landscape, assessing the impact of new laws and regulations on the Group, and keeping the Board updated on material developments.

KEY FOCUS AREAS FOR 2019 INCLUDED:

In discharging its roles and responsibilities, the Committee reviewed and considered:

- The Group's risk management plans, risk-related policies and frameworks, and confirmed that they are appropriate and have been implemented satisfactorily.
- The annual refresh to the risk appetite statements and metrics.
- Detailed risk reports from the CRO and the residual risk profile of the Group.
- The Group Own Risk and Solvency Assessment (ORSA) report and the Discovery Life ORSA report, and challenging findings where required.
- The risk- and compliance-related content of the Integrated Annual Report.
- The effectiveness of the Group Risk function to its satisfaction.
- The Group compliance plans, policies and frameworks and related approvals.
- Detailed reports from the CCO detailing regulatory changes, regulatory exposures and breaches, and any material findings in monitoring reviews.
- Feedback from the Group TCF Committee.
- The anti-fraud programmes and controls, and fraud-related policies and reports from the Forensics team on the fraud risk profile.
- The adequacy and effectiveness of the control framework and governance structures within the IT environment.
- The cybersecurity posture and associated risks and controls.
- The Committee's terms of reference and annual work plan.

Our board committees *continued*

ACTUARIAL COMMITTEE

PURPOSE

The Actuarial Committee provides assurance to the Board on all matters of an actuarial nature, including the identification, review and management of actuarial risks and the appropriateness of the assumptions underlying the product terms, liabilities and capital of the Group.

The Actuarial Committee, comprising of at least eight members, is chaired by a non-Board member who is an independent expert actuary. The Committee includes Executive Directors of relevant companies within the Group, statutory actuaries, the Group Chief Financial Officer, Non-executive Directors and members of executive management.

The Actuarial Committee, which is a non-statutory committee of the Board, met nine times during the year and comprised the following members as at 30 June 2019:

Name	Board status	Number of meetings attended
R Farber	Discovery Non-executive Director	8/9
HD Kallner	Discovery Executive Director	9/9*
HP Mayers	Discovery Executive Director	6/9
AL Owen	Discovery Independent Non-executive Director	8/9
KS Rabson	Group Executive and Prescribed Officer	7/9
A Rayner	Group Executive	9/9
P Tripe (Chairperson)	Independent expert actuary	9/9
D Viljoen	Discovery Executive Director	7/9

* Attended in person or by proxy.

THE ROLES, RESPONSIBILITIES AND FUNCTIONS OF THE ACTUARIAL COMMITTEE INCLUDE THE FOLLOWING:

- Ensure that all relevant actuarial risks are identified and analysed across all relevant businesses.
- Consider the overall methodology and assumptions used, as well as the overall checks and controls applied by the responsible actuary with regard to:
 - Actuarial reserves impacting the profit reporting results of the Group.
 - The technical provisions and minimum and solvency capital requirement results of the Group and licenced insurance subsidiaries.
 - The embedded value results of the Group.
- Ensure that, from an actuarial perspective, Discovery complies with all applicable legislation, regulatory requirements, notices and codes, as well as adheres to international best practice.
- Review the current and future capital position and adequacy model of the Group, and for each licenced insurance subsidiary, ensure it is an accurate reflection of the Group's risk profile, taking into account the Board-approved risk appetite, related risk limits and business strategy as set out in the Own Risk and Solvency Assessment (ORSA) process.
- Review the appropriateness and adequacy of all reinsurance arrangements across the Group.
- Review reports produced by management and its external advisers in respect of all actuarial risks and consider any other reports to the Board of Directors that are of a technical actuarial nature.
- Act as a sounding board for the Head of Actuarial function of Discovery Life and Insure by providing advice and recommendations in the performance of their professional and statutory duties.
- Consider the financial soundness and actuarial risks associated with new products, as well as revisions of existing products and the actuarial risks associated with new business initiatives.
- Review the external disclosures of the financial soundness valuation results and the embedded value results of Discovery to ensure that the disclosure is meaningful and understandable.
- Annually approve the disclosure of the Actuarial Committee in the Integrated Annual Report.
- Promote an ethical culture in delivering its mandate.

Our board committees / Actuarial Committee *continued*

KEY FOCUS AREAS FOR 2019 INCLUDED:

- Review of the actuarial aspects of the various entity ORSA.
- Review of the basis, methodology and results of the solvency calculations for the solo entities and Group, including the appropriateness of the iterative method of calculating the risk margin for Discovery Life.
- Review of results, analysis and disclosures for Embedded Value reporting for the Group, and IFRS reporting for Discovery Life.
- Monitoring of progress towards the implementation of IFRS 17: Insurance Contracts which will come into effect in 2022.
- Identification and analysis of actuarial risks and ensuring that strategies are in place to manage risks.
- Review of product profitability for the existing business and new business product terms.
- Consideration of the Head of Actuarial function's review of reinsurance arrangements for all regulated entities.
- Consideration of the asset liability matching profile of the Group.
- Review of the minutes of the other subsidiary actuarial committees: Discovery Insure, Vitality Group, VitalityLife and VitalityHealth.
- Review of the Actuarial Control function including the charter, plan and skills.
- Conducting an effectiveness review of the Actuarial Committee, including its composition.



The Actuarial Committee has performed an internally managed effectiveness review during the reporting period, and is satisfied that the Committee operates effectively.

Our board committees *continued*

SOCIAL AND ETHICS COMMITTEE

PURPOSE

The Social and Ethics Committee is tasked with assisting the Board with the implementation and monitoring of strategies that facilitate social and economic development, as well as the integration of ethics and transformation within the Group.

The Social and Ethics Committee was re-constituted in May 2018 and is chaired by an Independent Non-executive Director and comprises at least five members, of which three are Independent Non-executive Directors and two are Executive Directors.

The Social and Ethics Committee met five times during the year and comprised the following members as at 30 June 2019:

Name	Board status	Appointment to committee	Number of meetings attended
Dr B Brink	Discovery Independent Non-executive Director	May 2018	5/5
HD Kallner	Discovery Executive Director	May 2018	4/5
F Khanyile	Discovery Independent Non-executive Director	May 2018	5/5
D Viljoen	Discovery Executive Director	May 2018	5/5
SV Zilwa (Chairperson)	Discovery Independent Non-executive Director	May 2018	5/5

THE ROLES, RESPONSIBILITIES AND FUNCTIONS OF THE SOCIAL AND ETHICS COMMITTEE INCLUDE THE FOLLOWING:

- Ensure compliance to the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption, and applicable legislative and regulatory requirements impacting social and economic development.
- On transformation, annually review the Group's target level of compliance to the Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice, monitor progress against B-BBEE scorecards, ensure appropriate verification and review and approve any policies dealing with the transformation objectives of the Group.
- Oversight of the Group's sustainable development strategy, including the target level of compliance with the United Nations Sustainable Development Goals, consideration and approval of the key sustainable development performance indicators, and monitoring of progress against agreed targets on a regular basis.
- Review of the Group's enterprise development and preferential procurement policies and implementation thereof while ensuring alignment with the transformation objectives of the Group.
- Monitor the corporate citizenship strategy and objectives of the Group that promote equality, prevent unfair discrimination and corruption in addition to corporate social investment (CSI), corporate sponsorships and donations.
- Oversight of the Group's environmental and health and safety strategy and objectives, including analysis of its carbon footprint and remediation-related steps to improve its status.
- Monitor the implementation of the Group's stakeholder engagement, advertising and public relations strategies and objectives.
- Oversight of consumer protection legislation in terms of compliance, exposure and material developments.
- Oversight of the Group's labour-related policies and frameworks in addition to its employment equity plan and skills development strategy.
- Oversee that the ethical standards and values are entrenched, implemented and monitored within the organisation to ensure an ethical culture is deeply rooted within the Discovery Group.
- Ensure that appropriate frameworks and methodologies are in place to monitor conflicts of interest.
- Annually, review the Sustainable Development Report and recommend this to the Board for approval.

Our board committees / Social and Ethics Committee *continued*

KEY FOCUS AREAS FOR 2019 INCLUDED:

- Execution of the Committee's roles, responsibilities and functions during the year.
- The Committee assisted the Board in discharging its duties and made recommendations to the Board on social and economic development, transformation, sustainable development, enterprise development, corporate citizenship, environmental health and safety, stakeholder relations, consumer relations, labour and employment, ethics and conflicts of interest.
- Discovery has been a signatory to the United Nations Global Compact since 2015, and we continue to uphold these principles as part of being a responsible corporate citizen by monitoring the integration of these principles into Group policies and processes dealing with human rights, labour, anti-corruption and environmental responsibility.
- Monitored the Group's transformation targets against actual metrics, specifically with regard to our B-BBEE scorecard, employment equity plan, skills development and CSI dashboards. We are currently level 3 as measured against the B-BBEE scorecard, and have a strategic intent to improve our score.
- Driving preferential procurement to support emerging businesses and supplier development. Through our procurement team, a strategic decision was made to increase procurement spend with designated groups, with a focus on black youth-owned businesses. Engagement with existing suppliers was also enhanced to improve their B-BBEE ratings.
- An enterprise-wide talent review was conducted across 16 business units to ensure a pipeline of talent, in addition to programmes launched to attract scarce skills.
- Reviewed the 2019 Sustainability Report, as well as the assurance processes supporting key data included therein.



The Social and Ethics Committee has performed an internally managed effectiveness review during the reporting period, and is satisfied that the Committee operates effectively.



For more information on how we maintain an ethical culture, refer to **pages 18 to 19**



Refer to our **Sustainable Development Report** for more information on the Social and Ethics Committee's detailed activities

DISCOVERY LIMITED

KING IV™ APPLICATION REGISTER 2019

The Board of Directors of Discovery Group recognises the importance of being a responsible corporate citizen and is committed to ethical and effective leadership towards achieving the King IV™ outcomes. The Board has primary accountability for the governance and performance of Discovery. The application of the King IV™ principles is referenced to below.

Leadership

Principle 1: The governing body should lead ethically and effectively.



Please refer to **page 3 and 20** of our **Governance Report**

Organisational ethics

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.



Please refer to **page 18** of our **Governance Report**

Responsible corporate citizenship

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.



Please refer to **page 25** of our **Governance Report**

Strategy and performance

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.



Please refer to **page 20** of our **Governance Report** and **page 21** of our online **Integrated Annual Report**

Reporting

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.



Please refer to **page 25 and 30** of our **Governance Report**

Primary role and responsibilities

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.



Please refer to **page 21** of our **Governance Report**

Composition

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.



Please refer to **page 4 and 22** of our **Governance Report**

Discovery Limited King IV™ application register 2019 *continued*

Committees

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.



Please refer to **page 29** of our **Governance Report**

Evaluation of performance

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.



Please refer to **page 20 and 22** of our **Governance Report**

Appointment and delegation to management

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.



Please refer to **page 22** of our **Governance Report**

Risk governance

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.



Please refer to **page 24** of our **Governance Report**,



and **page 34** of our online **Integrated Annual Report**

Technology and information governance

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.



Please refer to **page 22** of our **Governance Report**,



and **page 61** of our online **Integrated Annual Report**

Compliance governance

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.



Please refer to **page 26** of our **Governance Report**

Remuneration governance

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.



Please refer to **page 22 and 32** of our **Governance Report**

Assurance

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.



Please refer to **page 24** of our **Governance Report**

Stakeholders

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.



Please refer to **page 25** of our **Governance Report**,



and **page 38** of our online **Integrated Annual Report**