



Governance review

OUR LEADERSHIP

The Board of Directors, as the ultimate governing authority, is committed to leading the Group responsibly, ethically and with integrity in the best interest of the Group and all its stakeholders. The Group's key stakeholders include shareholders, clients, partners, employees, regulators and the societies in which it operates.

The Board currently consists of Non-executive and Executive Directors, with diverse, industry knowledge, academic qualifications, skills and experience. This diversity allows for enhanced decision-making and the effective discharge of the Board's governance responsibilities. The recent changes to the Board have added additional knowledge and expertise in strategic business development and research and development priorities. The Board is satisfied its composition has the appropriate mix of knowledge, skills, experience, diversity and independence.

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

Chairperson

Monty Hilkwitz
Chairman of the Board
Non-executive Director

[FIA](#)

Committee membership



Our Board

Herman Bosman
Non-executive Director

[LLM \(Cum Laude\), CFA](#)

Committee membership



Richard Farber
Executive Director
(from May 2017)

Financial Director
(up to April 2017)

[BCom \(Hons\), CA \(SA\), FCMA](#)

Committee membership



Faith Khanyile
Non-executive Director

[BA Econ, MBA \(Finance\), HDIP Tax, Executive Leadership Programme](#)

Committee membership



Dr Vincent Maphai
Non-executive Director

[BA, BA \(Hons\), M Phil, D Phil, Advanced Management Program \(Harvard\)](#)

Adrian Gore

Founder, Group Chief Executive

[BSc \(Hons\), FFA, ASA, MAAA, FASSA](#)

Committee membership



Dr Brian Brink

Independent Non-executive Director

[BSc \(Med\), MBChB, DMed \(Hon\)](#)

Committee membership



Sonja de Bruyn Sebotsa

Independent Non-executive Director

[LLB \(Hons\), MA, SFA, Harvard Exec. Prog.](#)

Committee membership



Robert Enslin

Independent Non-executive Director

(Appointed May 2017)

Vast experience in information technology and strategy across geographies.

Tito Mboweni

Independent Non-executive Director

[BA Economics and Political Science \(NUL\), MA Development Economics \(UEA\), Diploma in International Business Diplomacy \(Georgetown University\)](#)

Committee membership



Les Owen

Independent Non-executive Director

[BSc \(Hons\), FIA, FPMI](#)

Committee membership



Sindi Zilwa

Independent Non-executive Director

[BCompt \(Hons\), CTA, CA \(SA\), Advanced Taxation Certificate \(SA\), Advanced Diploma in Financial Planning \(UOFS\), Advanced Diploma in Banking \(RAU\)](#)

Committee membership



Our Board *(continued)*

Hylton Kallner

Executive Director

B EconSc, FFA, FASSA

Committee membership



Dr Ayanda Ntsaluba

Executive Director

MBChB, MSc (Lond), FCOG (SA)

Committee membership



Barry Swartzberg

Executive Director

BSc, FFA, ASA, FASSA, CFP

Committee membership



Neville Koopowitz

Executive Director

BCom, CFP

Alan Pollard

Executive Director

BSc (Hons), FIA, FASSA

Deon Viljoen

Financial Director

(Appointed May 2017)

BCom Accountancy (Cum Laude),

BCom (Hons), CA(SA)

Committee membership



Herschel Mayers

Executive Director

BSc (Hons), FIA, FASSA

Committee membership



John Robertson

Executive Director

BCom, CTA, CA (SA), HDipTax

Committee membership



Group Executives acting as Executives of subsidiary Boards

Dr Jonathan
Broomberg

**Executive Director and
Chief Executive Officer
Discovery Health (Pty) Ltd**

MBBCh, BA(Hons), MSc, PhD

Committee membership



Kenny Rabson

**Executive Director
Discovery Life Ltd and
Discovery Invest (Pty) Ltd**

BSc, FIA, FASSA

Committee membership



Dr Penny Moumakwa

**Executive Director
Discovery Health (Pty) Ltd**

MbChB

Committee membership



- Social and Ethics Committee
- ▼ Remuneration Committee
- ◆ Actuarial Committee
- ▲ Risk and Compliance Committee
- Audit Committee



You can view detailed CVs of our directors in the Corporate Governance Report we publish on www.discovery.co.za under Investor Relations.



The Board Charter sets out the roles and responsibilities of the Board.

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

An internal evaluation of the performance of the Board was conducted earlier in the year. The results confirmed that the Board continues to operate effectively and demonstrates a high degree of integrity and ethics.

APPOINTMENT AND ROTATION OF DIRECTORS

Appointments to the Board are made formally and transparently, with the assistance of a subcommittee, specifically established to search for and vet potential directors. Potential members of the Audit Committee are identified by the Board and recommended to the shareholders at the Group's Annual General Meeting.

Non-executive Directors are appointed for three years. The re-appointment of directors is not automatic. It is dependent on the knowledge and skills required by the Board, the director's fit, and the diversity targets determined by the Board.

GENDER AND RACE DIVERSITY

Diversity in race and gender forms an integral part of the way Discovery conducts its business and this is clear from the Board Charter, recruitment policies and the Group Broad-Based Black Economic Empowerment Policy. Discovery is committed to maintaining a working environment that is fair and non-discriminatory.

The Board recognises that diversity encourages constructive debate. In light of this, the Board formally adopted the Broad-Based Black Economic Empowerment Policy to annually review the status of gender and race diversity, and to set achievable targets to ensure fair representation. To date, there are four women on the Board and seven out of the total of twenty-five members are black. The Board is satisfied that its current composition reflects the appropriate mix of knowledge, skills, diversity and experience required to meet the objectives of the Group.

CHIEF FINANCIAL OFFICER

The Audit Committee reviews the qualifications and performance of the Chief Financial Officer (CFO) annually. The performance and financial knowledge of the CFO, Deon Viljoen, was reviewed as part of his recent appointment. It will be reviewed again during the next year to ensure his experience meets the responsibilities of the position. The Committee has confirmed that it is satisfied with the appropriateness, expertise and adequacy of the finance function within the Group during the period.

COMPANY SECRETARY

The Company Secretary, Thys Botha, is responsible for ensuring that sound governance procedures are followed and maintained. In accordance with the JSE Listings Requirements, the Board has evaluated 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.

TRADING IN DISCOVERY SHARES

In line with best practice and regulatory provisions, policies and procedures have been implemented to manage the trading of shares and conflict 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.

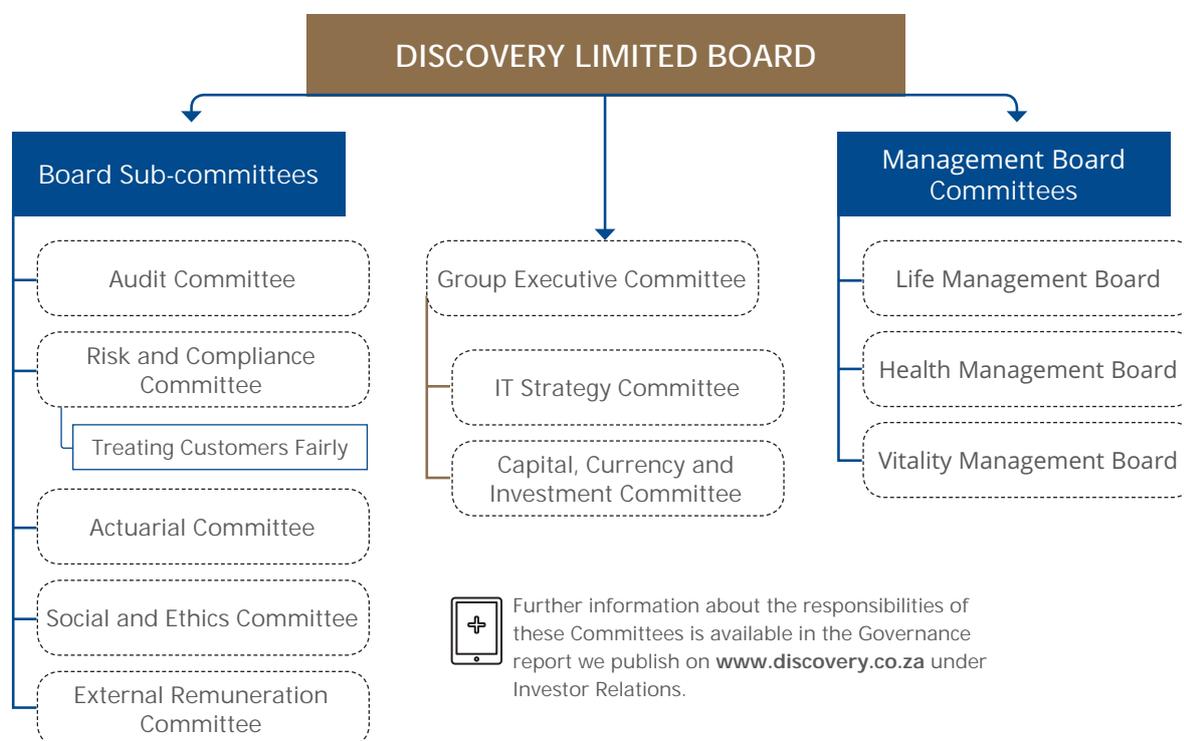
KING CODE

The Board has recognised that to be a sustainable and ethical company, the business of the Group must be conducted in accordance with the principles and practices contained in the King Code. With the introduction of King IV, emphasis was placed on reviewing the organisation and the governance structures to ensure the principles and recommendations are entrenched in the governance and risk management structures, policies and procedures. The Group has formally adopted the King IV Code and has made significant progress with its implementation of King IV.

BOARD COMMITTEES

The Board is ultimately responsible and accountable for the governance, performance and strategy of the Group. The Group governance structure is strengthened by Board subcommittees as well as management committees that support the Board in the performance of its responsibilities. Each committee acts within approved terms of reference and their authority is delegated by the Board.

OVERVIEW OF THE BOARD AND SUBCOMMITTEES



CONTROL FUNCTIONS

Risk Management

KEY FOCUS AREAS FOR RISK MANAGEMENT DURING THE YEAR

- **Enhancing the Group capital management process**

The capital management process was further enhanced and embedded during the year. A more robust capital framework, linking financial soundness to cash flow generation and return on capital, was produced giving further clarity internally on the Group-wide approach to capital management. The Capital, Currency and Investment Committee convened and adjudicated on a number of key strategic initiatives and requests for funding.
- **Solvency Assessment and Management (SAM) readiness**

The requirements of both SAM and Solvency II are now firmly embedded in the business processes even though SAM has yet to be legislated. All relevant businesses have now been through at least two full solvency assessment cycles (most of them three), including reporting. Measurement of solvency according to the SAM framework is now part of our business reporting cycle. We have focussed on using the internal solvency assessment process to extract valuable insights to improve our business intelligence, resilience to adverse scenarios and identifying opportunities to improve our business.

- **Enhancing the risk management capacity**

Risk management capacity in the second-line function was strengthened during the year by filling key vacancies and acquiring skills necessary for our specific set of risks. We acquired further actuarial, accounting, risk and specialist technology-risk skills. Significant first-line businesses are now all staffed with skilled risk management resources. The UK risk function has also been significantly strengthened with the appointment of an actuary as Chief Risk Officer.
- **Enhancing the combined assurance model**

We have continued to enhance our approach to combined assurance to maximise value derived from the risk management, compliance, and internal and external audit activities. We did so to ensure there are minimal gaps in providing assurance to our stakeholders and minimal duplication of effort. An assessment of the impact of the King IV principles on our approach has been started.
- **Implementation of a risk management software solution**

We selected a service provider during the year and implementation of the risk management system has started. This process has enabled us to formalise a number of processes and to improve them based on external input. Significant progress has been made, including in building the system and in data collection and migration. We anticipate that the system will be fully operational before the end of 2017 and will drive the consistency in our approach, optimise a number of risk processes, and streamline reporting and assessment to focus more on value-adding activities.



Compliance

KEY COMPLIANCE FOCUS AREAS DURING THE YEAR

During the year we focussed on the following material developments within our regulatory environment that have an impact on our business:

- **Implementation of a Group-wide anti-money laundering (AML) framework**

Discovery has made substantial progress to incorporate the amendments to the anti-money laundering requirements in various business processes during the year. Our focus was to develop a comprehensive anti-money laundering framework that delivers on the objectives of the requirements and that aligns business processes to them.

- **Enhancing Treating Customers Fairly (TCF)**

The TCF principles are now firmly embedded in the business processes considering the objectives defined by the Financial Services Board when they introduced TCF. During the year we completed the work to define the objectives of TCF applicable to each business and to identify the appropriate measures to evaluate performance against these objectives. The internal reporting standards have also been enhanced to more effectively oversee how each business is doing against their defined objectives.

- We have also established a committee as part of the governance structure, to provide the Board with updates on the status of TCF within the business.

- **Enhancing compliance with local and international data privacy requirements**

We have continued our efforts to develop a formal data management framework, both locally and internationally, and to align it to the emerging data protection requirements.

- Though the Protection of Personal Information Act is not yet effective, we have continued our work towards compliance and have completed a number of initiatives during the year aimed at improving the quality of data management.
- We have also made substantial progress within our UK business to implement the necessary processes and controls to ensure compliance with the requirements of the General Data Protection Regulation, with a number of these initiatives already embedded in the business processes.

- **Enhancement to our Governance Framework**

During the year we initiated a number of programmes to review and enhance the Governance Framework.

This included:

- **Review and implementation of the King IV principles**

With the introduction of King IV in November 2016, we reviewed our existing Governance Framework to identify areas where we would be required to align with the recommended practices. Our review did not highlight any material weaknesses, but highlighted areas where we could implement further enhancement to the framework. Most of this work has been completed and we are finalising the delegated authorities and terms of reference of a number of Board committees.

- **Enhancement to comply with Fit and Proper Requirements**

Although the Fit and Proper Requirements have not been finalised, we have adopted the principles proposed by the regulator. So far, we introduced a Group-wide programme to assess the status of all Directors, shareholders and key persons within these requirements. During the year, we completed the assessment for all Directors and made substantial progress with the assessment of all key persons within the businesses.

- **Enhancement of Group policy management**

We initiated a comprehensive review of all policies during the year. The aim was to ensure all policies are aligned and supported by an appropriate policy framework that can be monitored and measured to provide evidence of compliance with the policy. We also updated the policy principles with the latest legislative and business requirements, and have made substantial progress with this project.

- **Implementation of the Retail Distribution Review (RDR)**

During the past year we have continued our engagement with the regulator as well as our participation in various industry initiatives on the implementation of the RDR. This process is ongoing and we expect this to continue.

Internal audit

The Audit Committee reviewed and approved the Internal Audit Charter and the Annual Internal Audit Plan, which have been prepared on a risk-based approach. The performance of the Chief Audit Executive has been reviewed by the Audit Committee and the Committee was satisfied with his performance and independence. The results of the annual internal effectiveness evaluation of the audit function found it to be both independent and effective in its responsibilities. The Audit Committee assessed the skills of the audit team and found it satisfactory. An Independent assurance review is conducted at least every five years. The latest review was completed during the period.

ETHICS

The Group is committed to establishing an ethical culture based on non-discrimination, fairness, integrity and transparency.

The Ethics Office is an independent function mandated by the Board to implement the Ethics Management Framework to cultivate ethical consciousness and culture within the Group. The Ethics Management Framework prioritises the integration of ethics through the following practices:

- Having Group-wide leaders set the example through ethical leadership
- Reinforcement of the company's core values
- Promotion of "ethics talk" at all levels
- Promotion of ongoing communication, training and awareness in ethics.

The outcomes and principles are illustrated below:



INFORMATION SECURITY

Our philosophy on information security is simple: to protect the Group's information assets as well as those of our employees, clients, partners and other stakeholders. Over the period, we have invested significantly in improving this capability through the enhancement of a Group-wide Information Security Programme. We have secured additional resources, both in staff and technology, targeting specific areas we deemed necessary. In parallel, the Group employs a continuous improvement model that is balanced and responds to the consistently changing landscape. Looking forward, we continue to adapt our practices to offer our clients the best possible products, while providing the ability to feel safe within our system. This, combined with our principles of promoting the ethical and responsible use of information and technology, will sustain and extend the corporate objectives and values of the Group.