



# Discovery

**DISCOVERY LIMITED**

(incorporated in the Republic of South Africa with limited liability under Registration  
Number 1999/007789/06)

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**ZAR10,000,000,000**

**Domestic Medium Term Note Programme**

**Unconditionally and irrevocably guaranteed, jointly and severally by**

**DISCOVERY HEALTH PROPRIETARY LIMITED**

(incorporated in the Republic of South Africa with limited liability under Registration  
Number 1997/013480/07)

and

**DISCOVERY VITALITY PROPRIETARY LIMITED**

(incorporated in the Republic of South Africa with limited liability under Registration  
Number 1999/007736/07)

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Under this ZAR10,000,000,000 Domestic Medium Term Note Programme (the "**Programme**"), Discovery Limited (the "**Issuer**") may from time to time issue Registered Notes of any kind (the "**Notes**"). Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "*Definitions*" (the "**Definitions**"), unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

Where Senior Notes issued under the Programme are designated in the Applicable Pricing Supplement as "guaranteed", the Issuer's obligations to the Senior Noteholders under such Senior Notes are guaranteed, jointly and severally, irrevocably and unconditionally, by the Guarantors on the terms and conditions of the guarantee dated on or about the date of this Programme Memorandum (the "**Guarantee**"), and as described in Condition 9 *Guarantee* of the Terms and Conditions.

As at the date of this Programme Memorandum, the Programme Amount (as defined herein) is ZAR10,000,000,000. This Programme Memorandum will apply to Notes issued under the Programme in an aggregate Outstanding Nominal Amount (as defined in the Terms and Conditions) which does not exceed ZAR10,000,000,000, unless such amount is increased by the Issuer pursuant to the section of this Programme Memorandum headed "*General Description of the Programme*".

Notes to be issued under the Programme may comprise (i) senior notes, and/or (ii) Notes which are subordinated to the senior notes and/or (iii) subordinated notes with terms capable of qualifying the proceeds of such Notes as Regulatory Capital.

A Tranche of Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes, Dual Currency Notes, Instalment Notes, Partly Paid Notes, Exchangeable Notes, Extendible Notes and/or such combination of the foregoing Notes and/or such other type of Notes that are, in the case of Notes listed or to be listed on the Interest Rate Market of the JSE or other Financial Exchange(s), approved by the JSE, or its successor, or such other or additional Financial Exchange(s), as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been approved by the JSE and registered with the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE.

Claims against the JSE Guarantee Fund may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and can in no way relate to a default by the Issuer of its obligations under the Notes listed on the Interest Rate Market of the JSE. Any claims against the JSE Guarantee Fund may only be made in accordance with the rules of the JSE Guarantee Fund. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the JSE Guarantee Fund. Details of the Notes, including the aggregate Nominal Amount of Notes, interest (if any) payable in respect of the Notes will be specified in the Applicable Pricing Supplement. A copy of the Applicable Pricing Supplement relating to a Tranche of the Notes which is to be listed on the Interest Rate Market of the JSE will specify the relevant platform or sub-market of the JSE on which such Tranche of Notes is to be listed and be delivered to the JSE and the CSD, before the Issue Date (as defined herein) of such Tranche. Notes in a Tranche of Notes listed on the Interest Rate Market of the JSE may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures (as defined herein). The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The Issuer may determine that particular Notes will not be listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and in that case, (i) no Applicable Pricing Supplement will be delivered to the JSE or (ii) the Issuer may (in its sole discretion) decide to report trades in such unlisted Notes through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under the section headed "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an on-going basis. References in this Programme Memorandum to the "relevant Dealer" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

**The attention of investors contemplating investing in the Notes is drawn to the section headed "Risk Factors" for a discussion of certain factors that should be carefully considered by prospective investors in connection with an investment in the Notes.**

As at the date of this Programme Memorandum:

- (i) the Issuer has been assigned a Rating on a national scale by Moody's.
- (ii) none of the Guarantors have been assigned a Rating by a Rating Agency.
- (iii) The Programme has not been assigned a Rating by a Rating Agency.

After the date of this Programme Memorandum, the Issuer and/or the Guarantors may be rated by a Rating Agency on a national scale or international scale basis, which Rating (if applicable) will be reflected in the Applicable Pricing Supplement. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to the Issuer, the Guarantors, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such Rating. For so long as any Note remains Outstanding and listed on the Interest Rate Market of the JSE, any change in any assigned Rating (if applicable) will be published by the Issuer on the Stock Exchange News Service ("SENS"), or any other similar service, established by the JSE. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes. Alternatively, terms not contemplated by the Terms and Conditions that are applicable to a particular Tranche of Notes may, if appropriate, be set out in the Applicable Pricing Supplement in terms of which such Tranche of Notes is issued.

The Issuer will obtain the prior approval of the Relevant Registrar, prior to the issuance of any Regulatory Capital Notes.

*Arranger, Dealer and Debt Sponsor*

*Legal Advisors to the Issuer, Arranger and Dealer*

Rand Merchant Bank, a division of  
FirstRand Bank Limited

ENSafrica



## GENERAL

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*Words used in this section headed "General" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The Issuer and each of the Guarantors certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law and the Debt Listings Requirements. The Issuer shall have regard to the objects of the Financial Markets Act, which includes, but is not limited to ensuring fairness, efficiency and transparency. The Issuer and each of the Guarantors accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements, the Guarantee, and/or the annual report and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The Issuer and each of the Guarantors, having made all reasonable enquiries, confirm that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions false or misleading in any material respect.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended, replaced or supplemented, the "**Programme Memorandum**") and in conjunction with any other documents which are deemed to be incorporated herein by reference (see section headed "*Documents Incorporated by Reference*") and, in relation to any Tranche of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and are deemed to form part of this Programme Memorandum.

Claims against the JSE Guarantee Fund (or any successor fund) may only be made in respect of trading in Notes listed on the Interest Rate Market of the JSE in accordance with the rules of the JSE Guarantee Fund, if listed on the Interest Rate Market of the JSE, and can in no way relate to trading on another licensed or recognised exchange or to a default by the Issuer of its obligations under the Notes.

The JSE takes no responsibility for the contents of the Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements and/or the annual report of the Issuer and/or the Guarantors, and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements, the annual report of the Issuer and/or the Guarantors and any amendments

or supplements to the aforementioned documents, and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or any of their respective affiliates and other professional advisors named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, whether express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or other professional advisors as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer and/or any of the Guarantors in connection with the Programme. The Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor or their respective affiliates and other professional advisors do not accept any liability in relation to the information contained in this Programme Memorandum, the Applicable Pricing Supplement(s) or any other information provided by the Issuer and/or any of the Guarantors in connection with the Programme.

No person has been authorised by the Issuer or any of the Guarantors to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer or any of the Guarantors in connection with the Programme or any other documents which are deemed to be incorporated herein by reference and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Guarantors, the Arranger, the Dealers, the JSE, the CSD, the Debt Sponsor and any of their agents or employees or other professional advisors.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

**The attention of investors is drawn to Condition 9 (*Guarantee*) of the Terms and Conditions pursuant to which the obligations of the Issuer to investors may be guaranteed by the Guarantors.**

Each person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantors and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer to sell or the solicitation of an offer to buy or invitation by or on behalf of the Issuer, any of the Guarantors, the Arranger, or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers, the JSE, the Debt Sponsor or any of their respective affiliates and other professional advisors expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantors during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer and/or the Guarantors when deciding whether or not to subscribe for, or purchase, any Notes.

The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Guarantors, the Arranger and the Dealers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering materially relating to the Notes, see the section headed "*Subscription and Sale*".

None of the Issuer, the Guarantors, the Dealers, the Debt Sponsor or other professional advisors represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantors, the Arranger, the Dealers, the Debt Sponsor or other professional advisors which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any Applicable Laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms.

**The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulation S and/or Rule 144A under the Securities Act.**

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the stabilising manager (or any person acting for the stabilising manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the Applicable Laws and, in the case of Notes listed on the Interest Rate Market of the JSE or other Financial Exchange, agreed with the JSE or such other or additional Financial Exchange, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which

might otherwise prevail, for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with Applicable Laws.

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## DOCUMENTS INCORPORATED BY REFERENCE

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*Words used in this section headed "Documents Incorporated by Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

For so long as any Note remains Outstanding, the following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (i) the constitutional documents of the Issuer;
- (ii) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (iii) the Guarantee executed by each of the Guarantors in favour of the guaranteed Senior Noteholders;
- (iv) the published annual report of the Issuer incorporating its audited consolidated annual financial statements (including, where applicable, the unaudited abridged interim financial statements), together with the reports and the notes attached to or intended to be read with such financial statements of the Issuer for its 3 (three) financial years prior to the date of such issue as well as for each financial year thereafter ending on the last day of each financial year, currently 30 June in respect of the Issuer and each of the Guarantors;
- (v) the audited consolidated annual financial statements of each of the Guarantors (including, where applicable, the unaudited abridged interim financial statements), together with the reports and the notes attached to or intended to be read with such financial statements of each of the Guarantors for their 3 (three) financial years prior to the date of such issue as well as for each financial year thereafter ending on the last day of each financial year, currently 30 June in respect of each of the Guarantors;
- (vi) the audit report of the auditor stating that the Issuer has been independently audited by the auditor who has been accredited by the JSE;
- (vii) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (viii) all the certificates signed by the Issuer, as contemplated in Condition 9 (*Guarantee*) of the Terms and Conditions;
- (ix) the Issuer will publish an announcement on SENS if there are market updates in relation to King IV compliance; and
- (x) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted, after the date of this Programme Memorandum, by SENS or such other similar service, established by the JSE,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for purposes of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, for so long as the placing document remains registered on the JSE, provide at the Specified Office of the Issuer, as set out at the end of this Programme Memorandum, without charge, upon request of any person, a copy of this Programme Memorandum and any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded in which case the modified or superseding documentation will be provided. Requests for the documents should be directed to the Issuer at its Specified Office as set out at the end of this Programme Memorandum. This Programme Memorandum and any supplementary documents thereto (including the Applicable Pricing Supplements) will be available on the JSE website, [www.jse.co.za](http://www.jse.co.za), and, the Issuer's annual report, including the audited consolidated annual financial statements of the Issuer and this Programme Memorandum (and any supplementary documents thereto, including the Applicable Pricing Supplements) and the Guarantee are also available on the Issuer's website, [www.discovery.co.za](http://www.discovery.co.za).

The Issuer will, for so long as any Note remains Outstanding and listed on the Interest Rate Market of the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (i) a material change in the condition (financial or otherwise) of the Issuer or any of the Guarantors occurs;  
or
- (ii) a material event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (iii) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (iv) this Programme Memorandum no longer contains all the materially correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (i), (ii), and (iv) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's and/or the Guarantors' updated information which has been incorporated by reference into this Programme Memorandum, and in respect of such consolidated audited annual financial statements which are published, as required by the Companies Act, and submitted to the JSE within 4 (four) months after the financial year end of the Issuer and each of the Guarantors.

The Issuer will, for so long as any Note remains Outstanding and listed on the Interest Rate Market of the JSE, announce by electronically publishing such announcement on SENS, or any other similar service, established by the JSE, when the Issuer's audited consolidated annual financial statements are available.

## GENERAL DESCRIPTION OF THE PROGRAMME

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*Words used in this section headed "General Description of the Programme" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The Issuer may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum, provided that the aggregate Outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the authorised Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then Outstanding of all the Notes previously or simultaneously issued under the Programme, does not exceed the authorised amount of ZAR10,000,000,000 (ten billion Rand) or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the "**Agreement Date**") on the basis of the spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the "**Conversion Rate**") and in respect of:

- (i) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (ii) Partly-Paid Notes and Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the relevant Dealer(s), subject to Applicable Law. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, Applicable Laws and the Programme Agreement (as defined in the section headed "*Subscription and Sale*"), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering notice thereof to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions, the Arranger and the Dealer(s) and the relevant Financial Exchange(s) (if required). Upon such notice being given and the conditions set out in the Programme Agreement to the exercise of this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

This Programme Memorandum will only apply to Notes issued under the Programme.

A summary of the Programme and the Terms and Conditions appears below.

## SUMMARY OF THE PROGRAMME

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*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.*

### PARTIES

<b>Issuer</b>	Discovery Limited, incorporated South Africa with limited liability under registration number 1999/007789/06 (" <b>Discovery</b> ").
<b>Arranger</b>	RMB or such other entity as may be appointed by the Issuer as Arranger, as specified in the Applicable Pricing Supplement.
<b>CSD</b>	Strate Proprietary Limited (registration number 1998/022242/07), registered as a central securities depository in terms of the Financial Markets Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).
<b>Dealer</b>	RMB, and any additional Dealer(s) appointed under the Programme by the Issuer from time to time, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of such Dealer.
<b>Debt Sponsor</b>	RMB, or such other Debt Sponsor as may be appointed by the Issuer subject to the approval of the JSE in accordance with the Applicable Procedures, as specified in the Applicable Pricing Supplement.
<b>Guarantors</b>	The Guarantors are Discovery Health and Discovery Vitality Proprietary Limited, acting jointly and severally.
<b>Material Subsidiary</b>	<ul style="list-style-type: none"> <li>(i) any Guarantor; and</li> <li>(ii) any Subsidiary (i) of which the Issuer owns more than 50% (fifty percent) of the ordinary shares and (ii) which has EBITDA (calculated on an unconsolidated basis), representing 10% (ten percent) or more of the EBITDA of the Discovery Group (calculated on a consolidated basis), according to the methodology used in the latest audited financial statements of the Issuer, consistently</li> </ul>

applied, as published in the Issuer's latest audited financial statements;

**Noteholders**

The holders of the listed or unlisted Registered Notes (as recorded in the Register). The CSD will be named in the Register as the registered Noteholder of each Tranche of Notes in uncertificated form and which is held in the CSD. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.

**Issuer Agent**

RMB, or such other entity appointed by the Issuer as Issuer Agent, in which event that other entity will act as Issuer Agent, as specified in the Applicable Pricing Supplement.

**Transfer Agent**

RMB, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.

**GENERAL****Blocked Rand**

Blocked Rand may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.

**Clearing and Settlement**

Notes may be cleared and settled in accordance with the rules of the JSE and the CSD. The Notes have been accepted for clearance through the CSD, which forms part of the JSE clearing system that is managed by the CSD, and may be accepted for clearance through any additional clearing system as may be agreed between the JSE and the Issuer. As at the date of this Programme Memorandum, the Participants include (but are not limited to) FirstRand Bank Limited, Nedbank Limited, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme (Clearstream Luxembourg) ("Clearstream"), may hold Notes through their Participant.

**Cross-Default**

The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an

aggregate Outstanding amount equal to the greater of (i) ZAR50,000,000 (fifty million Rand) or 1% (one percent) or greater of the Issuer's EBITDA (or its equivalent in any other currency or currencies) calculated at the time of the occurrence of an Event of Default.

**Denomination**

Notes will be issued in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes.

**Description of Programme**

Discovery Limited ZAR10,000,000,000 Domestic Medium Term Note Programme.

**Distribution**

Notes may be distributed by way of public auction or private placement, or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.

**Deferral of Principal and Interest**

Subject always to the direction of the Relevant Registrar and/or the Relevant Regulator, the Issuer may defer the due date for payment of any principal and/or interest in relation to Regulatory Capital Notes if a Solvency Event has occurred and is continuing.

The Relevant Registrar and/or the Relevant Regulator may direct that the Issuer to defer to defer the due date for payment of any principal and/or interest (or a portion thereof) payable in respect of Regulatory Capital Notes.

Interest will continue to accrue on the Deferred Payment Amount, at the Interest Rate applicable to the relevant Tranche of Notes on the date upon which such Deferred Payment Amount, would otherwise have become due and payable,

The deferral of the due date for payment of any principal and/or interest in relation to Regulatory Capital Notes shall not constitute an Event of Default under any of the Notes issued under the Programme.



<b>Form of Notes</b>	Notes will be issued in either certificated form or electronically in uncertificated form as described in the section headed " <i>Form of the Notes</i> ". Notes listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.
<b>Governing Law</b>	The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.
<b>Guarantee</b>	If so specified in an Applicable Pricing Supplement in relation to a particular Tranche of Notes, the Issuer's obligations under the Senior Notes are unconditionally and irrevocably guaranteed, jointly and severally, irrevocably and unconditionally, by the Guarantors (from time to time and for the time being) in accordance with the Guarantee as described in Condition 9 ( <i>Guarantee</i> ) of the Terms and Conditions, as amended, novated and/or substituted from time to time in accordance with its terms.
<b>Interest</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date.
<b>Interest Period(s)/Interest Payment Date(s)</b>	The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be specified in the Applicable Pricing Supplement.
<b>Issue and Transfer Taxes</b>	As at the date of this Programme Memorandum, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed " <i>South African Taxation</i> "). Any future transfer duties and/or taxes that may be introduced in respect of (or are applicable to) the transfer of Notes will be for the account of Noteholders.
<b>Issue Price</b>	Notes may be issued on a fully-paid or a partly-paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount, as specified in the Applicable Pricing Supplement.

**Listing**

This Programme has been approved by the JSE for the listing of the Notes on the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).

**Maturities of Notes**

Such maturity(ies) that is/are acceptable to the JSE and as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.

**Negative Pledge**

Senior Notes will have the benefit of a negative pledge as described in Condition 10 (*Negative Pledge*) of the Terms and Conditions.

**Notes**

Notes may comprise:

**Dual Currency Notes** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Exchangeable Notes** Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement.

**Fixed Rate Notes** Fixed Rate interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

**Floating Rate Notes** Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s).

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

The Interest Period for Floating Rate Notes may be one, two, three, six or twelve months or such other period as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Index-Linked Notes** Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Instalment Notes** The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed. Interest will accrue on the amount Outstanding on the relevant Note from time to time and otherwise

as specified in the Applicable Pricing Supplement.

<b>Mixed Rate Notes</b>	Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes or Dual-Currency Notes, each as specified in the Applicable Pricing Supplement.
<b>Partly Paid Notes</b>	The Issue Price will be payable in 2 (two) or more instalments as set out in the Applicable Pricing Supplement.
<b>Zero Coupon Notes</b>	Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).
<b>Other Notes</b>	Terms applicable to any other type of Notes that are approved by the JSE, or its successor, or such other Financial Exchange(s) as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

## **Rating**

The Issuer, the Guarantors, the Programme and/or a Tranche of Notes may be rated by a Rating Agency on a national scale or international scale basis, which Rating (if applicable) will be reflected in the Applicable Pricing Supplement.

As at the date of this Programme Memorandum:

- (i) the Issuer has been assigned a Rating on a national scale by Moody's.
- (ii) none of the Guarantors have been assigned a Rating by a Rating Agency.

- (iii) the Programme has not been assigned a Rating by a Rating Agency.

**Redemption**

The Applicable Pricing Supplement relating to a Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (as the case may be) and, upon giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' irrevocable notice (or such other notice period (if any) as is indicated in the Applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the Applicable Pricing Supplement.

The Applicable Pricing Supplement may provide that Notes may be redeemable in 2 (two) or more instalments of such amounts and on such dates as indicated in the Applicable Pricing Supplement.

Redemption of Regulatory Capital Notes will be subject to the approval of the Relevant Registrar and/or the Relevant Regulator.

**Selling Restrictions**

The distribution of this Programme Memorandum and any offering or sale of or subscription for a Tranche of Notes may be restricted in certain jurisdictions, and is restricted by law in the United States of America, the European Economic Area, the United Kingdom and South Africa (see the section of this Programme Memorandum headed "*Subscription and Sale*"). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

**Size of the Programme**

As at the date of this Programme Memorandum, the Programme Amount is ZAR10,000,000,000. This Programme Memorandum will only apply to Notes issued under the Programme in an

aggregate Outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount as described in the section of this Programme Memorandum headed "*General Description of the Programme*".

**Specified Currency**

ZAR or, subject to Applicable Laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

**Stabilisation**

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the stabilising manager (or any person acting for the stabilising manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the Applicable Laws and agreed with the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with Applicable Laws.

**Status of Subordinated Notes that are Regulatory Capital Notes**

Unless otherwise specified in the Applicable Pricing Supplement, and subject to the Regulatory Capital Requirements, the Regulatory Capital Notes constitute direct, unsecured and subordinated obligations of the Issuer and will rank (i) either as Tier 1 Capital or Tier 2 Capital and (ii) behind in priority to all claims of Policy Holders and Senior Creditors.

**Status of Senior Notes**

Unless otherwise specified in the Applicable Pricing Supplement, the Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time Outstanding.

**Status of Subordinated Notes that are not regulatory Capital Notes**

Unless otherwise specified in the Applicable Pricing Supplement, subordinated Notes that are not Regulatory Capital Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank (i) senior to Tier 1 Capital, and (ii) *pari passu* without any preference among themselves and (iii) *pari passu* with all other Subordinated Indebtedness (excluding Tier 1 Capital), save for those which have been accorded preferential rights by law.

**Status of the Guarantee**

Unless otherwise specified in the Applicable Pricing Supplement and subject to Applicable Law, the obligations of each Guarantor under the Guarantee will constitute unconditional and unsecured obligations of that Guarantor and will rank (subject to any obligations preferred by law) *pari passu* with all other present and future unsecured and unsubordinated obligations of that Guarantor.

**Taxation**

All payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa unless such withholding or deduction is required by law.

For a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see the section headed "*South African Taxation*" below.

In the event that withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 17 (*Taxation*), make such payments as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction. For a summary of the position in relation to issue and transfer taxes, see "Issue and Transfer Taxes" above.

**Use of Proceeds**

The Issuer and the Guarantors will use the issue proceeds of the Notes for their general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement, as permitted

by the Applicable Laws including without limitation, the Commercial Paper Regulations (as applicable).



## **RISK FACTORS**

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*Words used in this section headed "Risk Factors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

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

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

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

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

### **RISKS ASSOCIATED WITH THE ISSUER, ITS BUSINESS AND FINANCIAL CONDITIONS**

See the heading "Risk Factors" under the section headed "Description of the Issuer and Guarantors" on page 163 below.

### **RISKS RELATING TO THE NOTES**

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

- 1.1. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:
  - 1.1.1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
  - 1.1.2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;

- 1.1.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies (if applicable), or where the currency for principal or interest payments is different from the potential investor's currency;
  - 1.1.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
  - 1.1.5. be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.
- 1.2. The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

## **2. THERE IS NO TRADING MARKET FOR THE NOTES**

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

## **3. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY**

- 3.1. In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all Outstanding Notes in accordance with the Terms and Conditions.
- 3.2. In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

#### 4. RISKS RELATING TO THE CSD

- 4.1. Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.
- 4.2. Payments of principal and/or interest in respect of Uncertificated Notes will be made to the CSD and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD for distribution to their account holders. A holder of a Beneficial Interest in Uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD shall look solely to the CSD for his share of each payment so made by the Issuer to the registered holder of such Uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.
- 4.3. Holders of Beneficial Interests in Uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

#### 5. UNLISTED NOTES

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

#### 6. RISKS RELATING TO THE NOTES GENERALLY

##### 6.1. Change of law

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

6.2. Legal investment considerations may restrict certain investments

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

6.3. Foreign Exchange Control

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

6.4. Notes subject to optional redemption by the Issuer

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

6.5. Index-Linked Notes

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

- 6.5.1. the market price of such Notes may be volatile;
- 6.5.2. no interest may be payable on such Notes;
- 6.5.3. payments of principal or interest on such Notes may occur at a different time than expected;

- 6.5.4. the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- 6.5.5. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- 6.5.6. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- 6.5.7. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

6.6. Notes issued at a substantial discount or premium

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

6.7. Modification and waivers and substitution

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

6.8. Regulatory approval

In granting approval for the issue of Notes, the Relevant Registrar may set out certain conditions, including the prior consent of the Relevant Registrar to an early redemption of the Notes or the repayment of amounts due in respect of the Notes following an Event of Default. There can be no assurance that the approval of the Relevant Registrar will be granted upon the occurrence of these events. Further, the Relevant Registrar has the ability to require that principal and/or interest and or interest is deferred as per Condition 13 (*Deferral of Principal and Interest*) of the Terms and Conditions which may result in investors not receiving their monies on a timely basis.

6.9. Changing regulatory and business landscape

There have been a number of significant regulatory and business changes internationally and within South Africa within the last few years. A number of these changes arose following the

various market crises globally, and to ensure a safer financial sector moving forward. The South African National Treasury and the Financial Services Board (“FSB”) have introduced the Twin Peaks model to give effect to the various regulatory requirements in line with international standards. The new envisaged framework will take a holistic approach with the South African Reserve Bank leading the way on prudential regulations and the FSB taking the lead on market conduct regulations. To support this move a number of legislative requirements have been promulgated and a number of significant requirements are still under development.

#### 6.10. Solvency Assessment and Management

6.10.1. The FSB is in the process of developing a new risk-based regulatory requirement for South African insurance and reinsurance companies, known as Solvency Assessment and Management (“SAM”). This new regulatory regime aims to address governance, risk management and appropriate capital requirements to protect Policyholders. The initiative will align the regulation of the South African insurance industry with the principles of the International Association of Insurance Supervisors (“IAIS”) and European Solvency II developments, but adapted to South African specific circumstances where necessary.

6.10.2. There is the risk that the capital adequacy requirements for insurers prescribed under SAM could apply to the Issuer and/or the Guarantors. Capital adequacy risk is the risk that the Issuer and/or the Guarantors may be required to hold additional capital in reserve in order to provide for unexpected adverse variations in actual future experience as compared to what was assumed in the calculation of Policyholders liabilities. A requirement on the Issuer and/or the Guarantors to hold additional capital in reserve would have the effect of reducing the liquidity of the Issuer and/or the Guarantors.

#### 6.11. Legal investment considerations may restrict certain investments

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

## 7. THE FINANCIAL MARKETS

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

## FORM OF THE NOTES

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Words used in this section headed "Form of the Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

A Tranche of Notes may be issued in the form of listed or unlisted Registered Notes, as specified in the Applicable Pricing Supplement.

### Registered Notes

A Tranche of Registered Notes will be issued in certificated form or in uncertificated form as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act and will be held in the CSD in the name of, and for the account of, the relevant Noteholder. A Tranche of unlisted Notes may also be held in the CSD.

Each Tranche of Notes will be issued in the form of Registered Notes in accordance with the Terms and Conditions and by (i) Individual Certificates, or (ii) no Individual Certificates, if issued in uncertificated form in terms of section 33 of the Financial Markets Act.

### Notes issued in certificated form

A Tranche of Notes may, subject to Applicable Laws and Applicable Procedures, be issued in certificated form.

All certificated Notes will be represented by single Individual Certificates in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 21.2 (*Transfer of Registered Notes represented by Individual Certificates*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Individual Certificates.

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 12 (*Payments*) of the Terms and Conditions to the person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.



**Notes issued in uncertificated form**

A Tranche of Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held in its entirety in the CSD, and the party recorded in the Uncertificated Securities Register in accordance with Applicable Laws and the Applicable Procedures will be named in the Register as the registered Noteholder of that Tranche of Notes.

**Beneficial Interests in Notes held in the CSD**

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may either be issued in certificated form or issued in uncertificated form. Unlisted, Uncertificated Notes may also be lodged in the CSD. While a Tranche of Notes is held in its entirety in the CSD, the Register will indicate that the entire Tranche of such Notes is held in uncertificated form in the CSD.

The CSD will hold each Tranche of Notes subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts only for Participants. As at the date of the Programme Memorandum, the Participants include (but are not limited to) FirstRand Bank Limited, Nedbank, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("Clearstream") may hold Notes through their Participant.

In relation to each person shown in the records of the CSD or the Issuer Agent, as the case may be, as the holder of a Beneficial Interest in a particular Outstanding Nominal Amount of Notes, a certificate or other

document issued by the CSD or the Issuer Agent, as the case may be, as to the Outstanding Nominal Amount of such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. The registered Noteholder named in the Register will be treated by the Issuer, the Transfer Agent and the Issuer Agent as the holder of that Outstanding Nominal Amount of such Notes for all purposes.

Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the security accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Noteholders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 20 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

## DEFINITIONS

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*The following are the defined terms used in the section headed "Terms and Conditions of the Notes", and elsewhere in this Programme Memorandum.*

*The defined terms set out in this section must be read together and shall be incorporated into the section headed "Terms and Conditions of the Notes", as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in an Applicable Pricing Supplement.*

If there is any conflict or inconsistency between definitions set out in the Applicable Pricing Supplement and the definitions set out in this section headed "*Definitions*", then the provisions in the Applicable Pricing Supplement will prevail.

In this Programme Memorandum, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

<b>"Applicable Laws"</b>	in relation to a person, all and any (i) statutes and subordinate legislation; (ii) regulations, rules, ordinances and directives; (iii) by-laws; (iv) codes of practice, circulars, guidance notes, judgments and decisions of any competent authority, and (v) other similar provisions, from time to time;
<b>"Applicable Pricing Supplement"</b>	in relation to Senior Notes or Subordinated Notes, the Applicable Pricing Supplement, and in relation to the Regulatory Capital Notes, the Applicable Pricing Supplement (Regulatory Capital Notes) ;
<b>"Applicable Pricing Supplement (Regulatory Capital Notes)"</b>	in relation to a Tranche of Regulatory Capital Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed " <i>Pro Forma Applicable Pricing Supplement (Regulatory Capital Notes)</i> ";
<b>"Applicable Pricing Supplement (Senior and Subordinated Notes)"</b>	in relation to a Tranche of Senior Notes or Subordinated Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed " <i>Pro Forma Applicable Pricing Supplement (Senior and Subordinated Notes)</i> ";

<b>"Applicable Procedures"</b>	the rules and operating procedures for the time being of the CSD, the Participants and the JSE, or such other or additional Financial Exchanges on which the Notes may be listed, as the case may be;
<b>"Arranger"</b>	RMB, or such other Arranger as may be appointed by the Issuer, as specified in the Applicable Pricing Supplement;
<b>"Banks Act"</b>	the Banks Act, 1990 (as amended or replaced from time to time);
<b>"Beneficial Interest"</b>	in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 37(1) of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any Number of Notes in that Tranche, is determined with reference to the proportion that the aggregate Outstanding Nominal Amount of such Number of Notes bears to the aggregate Outstanding Nominal Amount of all of the Notes in that Tranche, as provided for in section 37(3) of the Financial Markets Act;
<b>"Blocked Rand"</b>	funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account as regulated by the Exchange Control Regulations;
<b>"Books Closed Period"</b>	the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest or redemption monies;
<b>"Business Day"</b>	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Specified Currency is not ZAR, " <b>Business Day</b> " shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, " <b>Business Day</b> " shall include a Saturday;

“Change in Law”	on, or after the Issue Date of the first Tranche of Notes in any Series of Notes, (i) due to the adoption of or any change in any Applicable Law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any Applicable Law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that it will incur a materially increased cost in performing its obligations under such Notes (including, without limitation, due to any tax liability, decrease in tax benefit or other adverse effect on its tax position);
“Class of Noteholders”	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
“Commercial Paper Regulations”	the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;
“Common Monetary Area”	South Africa, Lesotho, Namibia, and Swaziland;
“Companies Act”	the Companies Act, 2008 (as amended or replaced from time to time);
“Concurrent Claims”	all unsecured, unsubordinated claims of creditors of the Issuer which are not preferred by operation of law, including, without limiting the generality of the foregoing, the claims of Policyholders of the Issuer, proved in the dissolution, winding up, liquidation or business rescue proceedings of the Issuer;
“Court Day”	during the term of a court, any day other than a Saturday, Sunday or public holiday;
“CSD”	Strate Proprietary Limited (registration Number 1998/022242/07), or its nominee, being a registered central securities depository operating in terms of the Financial Markets Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;
“Day Count Fraction”	in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “Calculation Period”), the day count fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:

- (i) if "Actual/365", "Act/365", or "Act/Act" is so specified, means the actual Number of days in the Interest Period in respect of which payment is being made divided by 365 (three hundred and sixty-five) (or, if any portion of the Interest Period falls in a leap year, the sum of (a) the actual Number of days in that portion of the Interest Period falling in a leap year divided by 366 (three hundred and sixty-six) and (b) the actual Number of days in that portion of the Interest Period falling in a non-leap year divided by 365 (three hundred and sixty-five));
- (ii) if "Actual/Actual (ICMA)" is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual Number of days in the Calculation Period divided by the product of (1) the actual Number of days in such Regular Period and (2) the Number of Regular Periods in any year; and
  - (b) where the calculation Period is longer than one Regular Period, the sum of:
    - 1. the actual Number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (A) the actual Number of days in such Regular Period and (B) the Number of Regular Periods in any year; and
    - 2. the actual Number of days in such Calculation Period falling in the next Regular Period divided by the product of (A) the actual Number of days in such Regular Period and (B) the Number of Regular Periods normally ending in any year;
- (iii) if "Actual/Actual (ISDA)" is so specified, means the actual Number of days in the Calculation Period divided by 365 (three hundred and sixty-five) (or, if any portion of the Calculation Period falls in a leap year, the sum of (a) the actual Number of days in that portion of the Calculation Period falling in a leap year divided by 366 (three hundred and sixty-six) and (b) the actual Number of days in that portion of the Calculation Period

falling in a non-leap year divided by 365 (three hundred and sixty-five));

- (iv) if "Actual/365 (Fixed)" is so specified, means the actual Number of days in the Calculation Period divided by 365 (three hundred and sixty-five);
- (v) if "Actual/360" is so specified, means the actual Number of days in the Calculation Period divided by 360 (three hundred and sixty);
- (vi) if "30/360", "360/360" or "Bond Basis" is so specified, means the Number of days in the Calculation period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

Day count fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such Number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless

such Number would be 31 (thirty one) and D1 is greater than 29 (twenty nine), in which case D2 will be 30 (thirty);

- (vii) if "30E/360" or "Eurobond Basis" is so specified, means the Number of days in the Calculation Period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

Day count fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period unless such Number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such Number would be 31 (thirty one), in which case D2 will be 30 (thirty);

- (viii) if "30E/360 (ISDA)" is so specified, means the Number of days in the Calculation Period divided by 360 (three hundred and sixty), calculated on a formula basis as follows:

Day Count Fraction =



$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period unless (a) that day is the last day of February or (b) such Number would be 31 (thirty one), in which case D1 will be 30 (thirty); and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (a) that day is the last day of February but not the Maturity Date or (b) such Number would be 31 (thirty one), in which case D2 will be 30 (thirty);

<b>"Dealer"</b>	RMB, unless the Issuer elects to appoint any other entity(ies) as Dealer, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of any such Dealer, as indicated in the Applicable Pricing Supplement;
<b>"Debt Sponsor"</b>	RMB, or such other Debt Sponsor as may be appointed by the Issuer subject to the approval of the JSE in accordance with the Applicable Procedures, as specified in the Applicable Pricing Supplement.
<b>"Default Rate"</b>	in relation to a Tranche of Notes, the default rate specified as such in the Applicable Pricing Supplement;

<b>“Discovery Group”</b>	the Issuer and any other company or entity whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;
<b>“Discovery Health”</b>	Discovery Health Proprietary Limited, incorporated South Africa on 14 August 1997 with limited liability under registration number 1997/013480/07 with its registered address at 155 West Street, Sandton, 2196;
<b>“Discovery Vitality”</b>	Discovery Vitality Proprietary Limited, incorporated South Africa 16 April 1999 with limited liability under registration number 1999/007736/07 with its registered address at 155 West Street, Sandton, 2196;
<b>“Dual Currency Notes”</b>	Notes which pay interest in a base currency and the principal in a non-base currency or <i>vice versa</i> as indicated in the Applicable Pricing Supplement, subject to Exchange Control Regulations;
<b>“Early Redemption Amount”</b>	the amount calculated as set out in Condition 14.12 ( <i>Early Redemption Amounts</i> ) of the Terms and Conditions;
<b>“EBITDA”</b>	<p>means, in respect of any Measurement Period, the consolidated net profit from operations of the Group (as determined in accordance with the Accounting Principles):</p> <p>(i) before the inclusion of the following items:</p> <ul style="list-style-type: none"><li>(a) interest or other finance costs charged per the income statement;</li><li>(b) Tax charged (excluding deferred Tax) per the income statement;</li><li>(c) depreciation and amortisation assets (including intangible assets) per the income statement;</li><li>(d) any amount attributable to the impairment and subsequent revaluation of goodwill;</li><li>(e) any extraordinary items (including any unrealised gains and losses on any financial instrument which is reported through the income statement and not included in profit from operations);</li></ul>

- (f) any unrealised gains and losses on equity accounted investments which is reported through the income statement;
  - (g) any increase or decrease in any foreign currency translation reserves accounted for in the income statement;
  - (h) any proceeds and reinsurance recoveries and associated costs, reinsurance premiums and claims recoveries from Recourse Financial Reinsurances; and
- (ii) after the inclusion of the following items:
- (a) any proceeds from any financial reinsurance provided on a non-recourse basis, provided that there is an offsetting adjustment under the transfer from assets and liabilities ;
  - (b) dividends received from associates; and
  - (c) or other finance income received as per the income statement;

**“Encumbrances”**

any mortgage, pledge, hypothecation, lien, assignment, cession *in securitatem debiti*, deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of a secured claim to a creditor but excluding statutory preferences and any security interest arising by operation of law;

**“Event of Default”**

any of the events described in Condition 19 (*Events of Default*) of the Terms and Conditions;

**“Exchangeable Notes”**

Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Notes as is determined in accordance with the Applicable Pricing Supplement;

**“Exchange Control Regulations”**

the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933 (as amended from time to time);

<b>“Exchange Notes”</b>	the Notes indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
<b>“Exchange Period”</b>	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
<b>“Exchange Price”</b>	the amount determined in accordance with the manner described in the Applicable Pricing Supplement, according to which the Number of Exchange Notes which may be delivered in redemption of an Exchangeable Note will be determined;
<b>“Extendible Note”</b>	any Note with a maturity of not more than 18 (eighteen) months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as indicated in the Applicable Pricing Supplement;
<b>“Extraordinary Resolution”</b>	<ul style="list-style-type: none"><li>(i) a resolution passed at a meeting (duly convened) of the Noteholders or relevant Noteholders, as the case may be, by a majority representing not less than 66.67% (sixty-six point six seven percent) of the value of the Notes held by the Noteholders or the relevant Noteholders, as the case may be (being determined with reference to the aggregate Outstanding Nominal Amount of the Notes Outstanding held by such relevant Noteholders as it bears to the aggregate Outstanding Nominal Amount of all of the relevant Notes Outstanding), present in person or by proxy, present in person or by proxy and voting at such meeting; and</li><li>(ii) a resolution passed, other than at a meeting (duly convened) of the Noteholders or a Class of Noteholders, in respect of which Noteholders or the relevant Class of Noteholders representing not less than 66.67% (sixty-six point six seven percent) of the value of all relevant Notes of the relevant Noteholders (being determined with reference to the aggregate Outstanding Nominal Amount of the Notes Outstanding held by such relevant Noteholders as it bears to the aggregate Outstanding Nominal Amount of all of the relevant Notes Outstanding), voted in favour by signing in writing a resolution in counterparts. Where the requisite approval is obtained within 20 (twenty) Business Days from the date the resolution is submitted to the</li></ul>

relevant Noteholders, such a resolution shall be as valid and effectual as if it had been passed at a meeting (duly convened) of the relevant Noteholders, provided that notice shall have been given to all relevant Noteholders in terms of Condition 24 (*Notices*) of the Terms and Conditions, unless all of the relevant Noteholders consent in writing to the waiver of the required notice contemplated in Condition 24 (*Notices*) of the Terms and Conditions,

where, for purposes of this definition, "**relevant Noteholders**" refers to a meeting of (a) all of the Noteholders or (b) holders of Notes of a particular Series of Notes or (c) holders of Notes of a particular ranking (such as Senior Notes or Subordinated Notes), as the case may be depending on whether the matter under consideration at such meeting affects such holders' rights under such Notes or requires their approval in terms of the Terms and Conditions or Applicable Law, and "**relevant Notes**" refers to all Notes of a particular Series or Notes of a particular ranking, as the case may be;

<b>"Final Broken Amount"</b>	in relation to a Tranche of Notes, the final broken amount specified as such in the Applicable Pricing Supplement;
<b>"Final Redemption Amount"</b>	the amount of principal specified in the Applicable Pricing Supplement payable in respect of each Tranche of Notes upon the Maturity Date;
<b>"Financial Exchange"</b>	the JSE and/or such other (or additional) financial exchange(s) as may be determined by the Issuer and the relevant Dealer, subject to Applicable Laws;
<b>"Financial Markets Act"</b>	the Financial Markets Act, 2012, as may be amended, supplemented or replaced from time to time;
<b>"Fixed Coupon Amount"</b>	in relation to a Tranche of Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;
<b>"Fixed Interest Payment Date"</b>	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
<b>"Fixed Rate Notes"</b>	Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;

<b>“Fixed Rate of Interest”</b>	in relation to a Tranche of Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;
<b>“Floating Rate Notes”</b>	Notes which will bear interest at a floating Interest Rate as indicated in the Applicable Pricing Supplement and more fully described in Condition 11.2 ( <i>Interest on Floating Rate Notes and Indexed Interest Notes</i> ) of the Terms and Conditions;
<b>“GCR”</b>	Global Credit Ratings Co. Proprietary Limited (registration number: 1995/005001/07) (or (if applicable) any South African subsidiary or associated company of Global Credit Ratings Co. Proprietary Limited) and its successors in title;
<b>“Group Company”</b>	any one or more members of the Discovery Group;
<b>“Higher Redemption Amount”</b>	in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;
<b>“IFRS”</b>	the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);
<b>“Implied Yield”</b>	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
<b>“Income Tax Act”</b>	Income Tax Act, 1962 (as amended or replaced from time to time);
<b>“Indebtedness”</b>	in respect of the Issuer, any indebtedness in respect of monies borrowed from any third party lender, including, but not limited to indebtedness in the form of bonds, notes and debentures, and (without double counting) guarantees, suretyships and indemnities (other than those given in the ordinary course of business) given, whether present or future, actual or contingent;
<b>“Indexed Interest Notes”</b>	Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula, as indicated in the Applicable Pricing Supplement;
<b>“Index-Linked Notes”</b>	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;

<b>“Indexed Redemption Amount Notes”</b>	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or formula as may be indicated in the Applicable Pricing Supplement;
<b>“Individual Certificate”</b>	a Note in the definitive registered form of a single certificate and being a certificate exchanged for a Beneficial Interest in accordance with Condition 20 ( <i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i> ) of the Terms and Conditions and any further certificate issued in consequence of a transfer thereof;
<b>“Initial Broken Amount”</b>	in relation to a Tranche of Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;
<b>“Instalment Amount”</b>	the amount expressed as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
<b>“Instalment Dates”</b>	in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;
<b>“Instalment Notes”</b>	Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
<b>“Interest Amount”</b>	the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed-Linked Notes, as determined in accordance with Condition 11 ( <i>Interest</i> );
<b>“Interest Commencement Date”</b>	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
<b>“Interest Payment Date”</b>	the Interest Payment Date(s) specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;
<b>“Interest Period”</b>	in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

<b>“Interest Rate” and “Rate of Interest”</b>	the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;
<b>“Interest Rate Determination Date”</b>	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
<b>“Interest Rate Market of the JSE”</b>	the separate platform or sub-market of the JSE designated as the “Interest Rate Market” and on which notes and other debt securities may be listed;
<b>“ISDA”</b>	the International Swaps and Derivatives Association Inc.;
<b>“ISDA Definitions”</b>	the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
<b>“Issue Date”</b>	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
<b>“Issue Price”</b>	in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;
<b>“Issuer” or “Discovery”</b>	Discovery Limited, incorporated South Africa on 19 April 1999 with limited liability under registration number 1999/007789/06 with its registered address at 155 West Street, Sandton, 2196;
<b>“Issuer Agent”</b>	RMB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Issuer Agent in respect of that Tranche or Series of Notes;
<b>“Issuer Agency Agreement”</b>	the issuer agency agreement dated on or about November 2017 entered into between the Issuer and the Issuer Agent;
<b>“Issuer Credit Rating Event”</b>	shall occur if at any time while any Senior Note remains Outstanding, the Issuer which has a Rating ceases to be rated by at least one of Moody’s, S&P or GCR, provided that such event shall not occur if a new Rating for the Issuer is obtained from at least one of Moody’s, S&P or GCR within a period of 3 (three) months from the date that the Issuer ceased to be rated;
<b>“JSE”</b>	the JSE Limited (registration number 2005/022939/06), a licensed financial exchange in terms of the Financial Markets Act or any other exchange which operates as a successor exchange to the JSE;



<b>“JSE Guarantee Fund”</b>	the guarantee fund operated by the JSE as a separate guarantee fund to guarantee settlement of trades on the JSE’s platforms, in terms of the rules of the JSE, as required by sections 8(1)(h) and 17(2)(w) of the Financial Markets Act, or any successor fund;
<b>“Junior Debt”</b>	in relation to Tier 1 Notes, any subordinated debt issued by the Issuer which ranks (or is deemed under the Regulatory Capital Requirements to rank) senior to the Tier 1 Notes and/or the proceeds of which qualify (or are deemed under the Regulatory Capital Requirements to qualify) as Tier 2 Capital;
<b>“Last Day to Register”</b>	with respect to a particular Tranche of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Books Closed Period on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Series of Notes and whereafter, the Register is closed for further transfers or entries until the Payment Day and in the case of Notes listed on the Interest Rate Market of the JSE, shall mean “ <i>Last Day to Trade</i> ” as set out in the relevant listing requirements of the JSE;
<b>“Long-Term Insurance Act”</b>	means the Long-Term Insurance Act, 1998, as may be amended, supplemented or replaced from time to time
<b>“Mandatory Exchange”</b>	in relation to a Tranche of Exchangeable Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;
<b>“Margin”</b>	in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;
<b>“Material Adverse Effect”</b>	any fact or circumstances which is likely to have a material adverse effect on the ability of the Issuer to perform its payment obligations under the Notes in an amount equivalent to the greater of (i) ZAR50,000,000 (fifty million Rand) or 1% (one percent) or greater of the Discovery Group’s EBITDA
<b>“Material Indebtedness”</b>	any Indebtedness amounting in aggregate equal to and greater than the greater of (i) ZAR50,000,000 (fifty million Rand) or 1% (one percent) or greater of the Discovery Group’s EBITDA (or its equivalent in other currencies at the time of the occurrence of an Event of Default);
<b>“Material Subsidiary”</b>	(i) any Guarantor; and

	(ii) any Subsidiary (i) of which the Issuer owns more than 50% (fifty percent) of the ordinary shares and (ii) which has EBITDA (calculated on an unconsolidated basis), representing 10% (ten percent) or more of the EBITDA of the Discovery Group (calculated on a consolidated basis), according to the methodology used in the latest audited financial statements of the Issuer, consistently applied, but excluding any Subsidiary which is registered as a "bank" or a "bank controlling company" under the Banks Act 94 of 1990;;
<b>"Maturity Date"</b>	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
<b>"Minimum Redemption Amount"</b>	in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;
<b>"Mixed Rate Notes"</b>	Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 11.3 ( <i>Interest on Mixed Rate Notes</i> );
<b>"Moody's"</b>	means Moody's Investor Services Limited (or, if applicable, any South African subsidiary or associated company of Moody's Investor Services Limited) and its successors in title and assigns;
<b>"NACA"</b>	nominal annual compounded annually;
<b>"NACM"</b>	nominal annual compounded monthly;
<b>"NACQ"</b>	nominal annual compounded quarterly;
<b>"NACS"</b>	nominal annual compounded semi-annually;
<b>"Nominal Amount"</b>	in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
<b>"Noteholder(s)"</b>	the holder(s) of the listed and/or unlisted Registered Notes (as recorded in the Register);
<b>"Noteholders' Exchange Right"</b>	if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the

Exchange Notes *in lieu* of cash from the Issuer upon redemption of such Notes;

<b>“Notes”</b>	<p>the notes issued or to be issued by the Issuer under the Programme pursuant to the Programme Memorandum and represented by an Individual Certificate (if any), or Uncertificated Notes</p> <p>;</p>
<b>“Optional Interest Payment Date”</b>	<p>in relation to a Tranche of Regulatory Capital Notes, the Optional Interest Payment specified as such in the Applicable Pricing Supplement;</p>
<b>“Optional Redemption Amount”</b>	<p>in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;</p>
<b>“Ordinary Resolution”</b>	<p>(i) a resolution passed at a meeting (duly convened) of the Noteholders or relevant Noteholders, as the case may be, by a majority representing more than 50% (fifty percent) of the value of the Notes held by the Noteholders or the relevant Noteholders, as the case may be (being determined with reference to the aggregate Outstanding Nominal Amount of the Notes Outstanding held by such relevant Noteholders as it bears to the aggregate Outstanding Nominal Amount of all of the relevant Notes Outstanding), present in person or by proxy, present in person or by proxy and voting at such meeting; and</p> <p>(ii) a resolution passed, other than at a meeting (duly convened) of the Noteholders or a Class of Noteholders, in respect of which Noteholders or the relevant Class of Noteholders representing more than 50% (fifty percent) of the value of all relevant Notes of the relevant Noteholders (being determined with reference to the aggregate Outstanding Nominal Amount of the Notes Outstanding held by such relevant Noteholders as it bears to the aggregate Outstanding Nominal Amount of all of the relevant Notes Outstanding), voted in favour by signing in writing a resolution in counterparts. Where the requisite approval is obtained within 15 (fifteen) Business Days from the date the resolution is submitted to the relevant Noteholders, such a resolution shall be as valid and effectual as if it had been passed at a meeting (duly convened) of the relevant Noteholders, provided that notice shall have been given to all</p>

relevant Noteholders in terms of Condition 24 (*Notices*) of the Terms and Conditions, unless all of the relevant Noteholders consent in writing to the waiver of the required notice contemplated in Condition 24 (*Notices*) of the Terms and Conditions,

where, for purposes of this definition, "**relevant Noteholders**" refers to a meeting of (a) all of the Noteholders or (b) holders of Notes of a particular Series of Notes or (c) holders of Notes of a particular ranking (such as Senior Notes or Subordinated Notes), as the case may be depending on whether the matter under consideration at such meeting affects such holders' rights under such Notes or requires their approval in terms of the Terms and Conditions or Applicable Law, and "**relevant Notes**" refers to all Notes of a particular Series or Notes of a particular ranking, as the case may be;

**"Outstanding"**

in relation to the Notes, all the Notes issued other than:

- (i) those which have been redeemed in full;
- (ii) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption monies wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment;
- (iii) those which have been purchased and cancelled as provided in Condition 14 (*Redemption and Purchase*) of the Terms and Conditions;
- (iv) those which have become prescribed under Condition 18 (*Prescription*);
- (v) those represented by those mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 20 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions;
- (vi) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other

purpose) those Notes represented by Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 20 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions,

provided that for each of the following purposes:

- (a) the right to attend and vote at any meeting of the Noteholders; and
- (b) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 25 (*Modification*) and 26 (*Meetings of Noteholders*),

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held), be deemed not to be Outstanding;

<b>“Participant”</b>	a person accepted by the CSD as a participant in terms of section 31 of the Financial Markets Act;
<b>“Partly Paid Notes”</b>	Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing Supplement);
<b>“Payment Day”</b>	any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
<b>“Permitted Encumbrance”</b>	<ul style="list-style-type: none"> <li>(i) any Encumbrance existing as at the date of the Applicable Pricing Supplement or arising in respect of the Indebtedness existing as at the date of the Applicable Pricing Supplement, provided that such Encumbrance is irrevocably released and cancelled by no later than the date on which such Indebtedness is repaid in full;</li> <li>(ii) any Encumbrance securing in aggregate not more than 15% (fifteen percent) of the Total Assets of the Issuer with regard to receivables or which is created pursuant to any securitisation or like arrangement in accordance with normal</li> </ul>

market practice, provided that the proceeds of such securitisation or like arrangement are utilised in the ordinary course of the Issuer's business; or

- (iii) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and any Guarantor; or
- (iv) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary (other than a Guarantor), provided that such Indebtedness shall be subordinated to the Indebtedness arising from or in connection with any Notes issued under the Programme; or
- (v) any Encumbrance created over any asset acquired, developed or constructed, provided that, at the time of its creation, the Indebtedness so secured shall not exceed the *bona fide* market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two; or
- (vi) any Encumbrance incurred, assumed or guaranteed by the Issuer as part of any financing of all or part of the costs of the acquisition, construction or development of any project where the person or persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for monies advanced in relation to such financing; or
- (vii) any Encumbrance over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or
- (viii) any Encumbrance created by operation of law or statute in the ordinary course of business; or
- (ix) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity becoming a Subsidiary of the Issuer and any

substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased, save in the ordinary course of business as set out in sub-clauses (i) to (viii) above and (ix) below);

- (x) in addition to any Encumbrance referred to in clauses (i) to (viii) above, any Encumbrance securing in aggregate not more than 5% (five percent) of the Total Assets of the Issuer at the time the Encumbrance is established;

<b>“Policy Holders”</b>	all policyholders of the Issuer;
<b>“Programme”</b>	the Discovery Limited ZAR10,000,000,000 Domestic Medium Term Notes Programme under which the Issuer may from time to time issue Notes;
<b>“Programme Amount”</b>	the maximum aggregate Outstanding Nominal Amount of all of the Notes that may be issued under the Programme at any one point in time, being the authorised amount of ZAR10,000,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Laws and the Programme Agreement, as set out in the section of this Programme Memorandum headed “ <i>General Description of the Programme</i> ”;
<b>“Put Notice”</b>	a written notice delivered by any holder of Senior Notes regarding the exercise of a right to redeem Senior Notes at the option of such Noteholder setting out all relevant information including but not limited to (i) the Optional Redemption date (ii) the Condition in respect of which the Put Notice is exercised (iii) the name of the Noteholder and relevant contact details and (iv) the number of Notes which the Noteholder intends to put to the Issuer pursuant to the Put Notice;
<b>“Rating”</b>	in relation to a Tranche of Notes (as and where applicable), the rating of the Tranche of Notes, the Issuer, the Guarantors or the Programme granted by the Rating Agency, specified in the Applicable Pricing Supplement and in relation to the Issuer, the rating of the Issuer granted by the Rating Agency, as specified in the Applicable Pricing Supplement, and where a Tranche of Notes and/or the Issuer (as the case may be) is rated by more than 1 (one) Rating Agency, the lowest rating applied to such Tranche of Notes and/or the Issuer (as the case may be) will be

	deemed to be the applicable rating of such Tranche of Notes and/or the Issuer (as the case may be);
<b>“Rating Agency”</b>	Moody's and/or S&P and/or GCR and/or such other internationally-recognised rating agency(ies) as may be appointed by the Issuer for the purpose of rating a Tranche of Notes, the Issuer or the Programme and as specified in the Applicable Pricing Supplement;
<b>“Recourse Financial Reinsurances”</b>	financial re-insurances concluded by any Group Company in respect of which the obligations of that Group Company extend beyond the passing of insurance profits and losses to the relevant insurer or an identified block of business;
<b>“Redemption Date”</b>	the date upon which the Notes are redeemed by the Issuer, pursuant to the provisions of Condition 14 ( <i>Redemption and Purchase</i> ) of the Terms and Conditions, and in relation to Regulatory Capital Notes, in terms of Condition 14 ( <i>Redemption and Purchase</i> ) of the Terms and Conditions and Condition 14 ( <i>Redemption and Purchase</i> ) of the Regulatory Capital Terms;
<b>“Reference Banks”</b>	five leading banks in the South African inter-bank market selected by the Issuer Agent;
<b>“Reference Price”</b>	in relation to a Tranche of Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;
<b>“Reference Rate”</b>	in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;
<b>“Register”</b>	the register maintained by the Transfer Agent in terms of Condition 22 ( <i>Register</i> ) of the Terms and Conditions and the agency agreement (if any), of which any Uncertificated Securities Register (which is administered and maintained by a Participant or the CSD, as determined in accordance with the Applicable Procedures) forms part;
<b>“Registered Note”</b>	a Note issued in registered form and transferable in accordance with Condition 21 ( <i>Transfer of Notes</i> ) of the Terms and Conditions and which may include Uncertificated Notes;
<b>“Registrar of Long-Term Insurance”</b>	the Registrar of Long-Term Insurance, as contemplated in the Long-Term Insurance Act;



<b>“Registrar of Short-Term Insurance”</b>	the Registrar of Short-Term Insurance, as contemplated in the Short-Term Insurance Act;
<b>“Regular Period”</b>	<p>(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to, but excluding the 1<sup>st</sup> (first) Interest Payment Date and, each successive period from and including one Interest Payment Date to, but excluding the next Interest Payment Date;</p> <p>(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to, but excluding the next Regular Date, where “<b>Regular Date</b>” means the day and the month (but not the year) on which any Interest Payment Date falls; and</p> <p>(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to, but excluding the next Regular Date, where “<b>Regular Date</b>” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;</p>
<b>“Relevant Regulator”</b>	the Financial Services Board or any other regulator designated under the Long-Term Insurance Act and/or the Short-Term Insurance Act and any successor or replacement thereto, or any other regulator having primary responsibility for the prudential oversight and supervision of the Issuer and/or the Guarantors, as the case may be;
<b>“Regulatory Capital”</b>	either Tier 1 Capital or Tier 2 Notes, as relevant;
<b>“Regulatory Capital Event”</b>	shall be deemed to have occurred, subject to Condition 15.2 ( <i>Determination of Regulatory Capital Event</i> ), if (i) under any Regulatory Capital Directive and/or Relevant Rule or (ii) as a result of any change or proposed change to any Regulatory Capital Directive and/or any Relevant Rule or (iii) as a result of any change in the official or generally published interpretation of any Regulatory Capital Directive and/or any Relevant Rule (which change, in each of (ii) and/or (iii), becomes or will become effective on or after the date of the Programme Memorandum)

the Notes are no longer or will no longer qualify, or be capable of being counted (whether wholly or partially), as capital for purposes of the Capital Adequacy Requirements applicable to the Issuer under any Regulatory Capital Directive referred to in the definition thereof and/or any Relevant Rule referred to therein;

**“Regulatory Capital Notes”**

Subordinated Notes issued with the status and characteristics set out in Condition 7 (*Status of Subordinated Notes that are Regulatory Capital Notes*) with terms capable of qualifying the proceeds of such Notes either as Tier Capital or Tier 2 Capital, and issued pursuant to an Applicable Pricing Supplement (Regulatory Capital Notes);

**“Regulatory Capital Noteholders”**

the holders of Regulatory Capital Notes;

**“Regulatory Capital Requirements”**

(i) the Long-Term Insurance Act and, in particular, (a) paragraph 7(2) of Schedule 2 to the Long-Term Insurance Act and (b) the notice on the “Prescribed Requirements for the Calculation of the Value of the Assets, Liabilities and Capital Adequacy Requirement of Short-Term Insurers”, published as Board Notice 14 of 2010 in Government Gazette 32916 of 5 February 2010;

(ii) the written approval of the Relevant Registrar, given in terms of paragraph 7(2) of Schedule 2 to the Long-Term Insurance Act, setting out the manner in which and the amount for which the value of the Regulatory Capital Notes is to be determined, as indicated in the Applicable Pricing Supplement;

(iii) the written approval of the Relevant Registrar, given in terms of section 24(1)(a) of the Long-Term Insurance Act, as indicated in the Applicable Pricing Supplement; and

any directive, whether domestic or international, which amends, supersedes or varies paragraphs (i), (ii) and/or (iii) above in order to align it with SAM;

**“Regulatory Capital Notes Terms”**

the terms and conditions applicable to Regulatory Capital Notes, as specified under the Terms and Conditions;

**“Relevant Date”**

in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository in accordance with these Terms and

Conditions, it means the first date on which (i) the full amount of such monies have been received by the Central Securities Depository, (ii) such monies are available for payment to the holders of Beneficial Interests, and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;

**“Relevant Registrar”**

the Registrar of Short-Term Insurance and/or the Registrar of Long-Term Insurance, as relevant, or any authority having primary responsibility for the prudential oversight and supervision of the Issuer and/or any Guarantors which are regulated under the Long-Term Insurance and/or the Short-Term Insurance, as the case may be;

**“Relevant Rule(s)”**

any legislation (including, without limitation, the Short-Term Insurance Act), rules, regulations or guidance (whether having the force of law or otherwise) implementing any Regulatory Capital Directive referred to in the definition thereof in South Africa;

**“Relevant Screen Page”**

in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Representative”**

a person duly authorised to act on behalf of a Noteholder, the Transfer Agent and the Issuer Agent who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, Transfer Agent or Issuer Agent;

**“RMB”**

Rand Merchant Bank, a division of FirstRand Bank Limited (registration number 1929/001225/06), a registered bank and public company duly registered and incorporated in accordance with the banking and company laws of South Africa;

**“S&P”**

means, Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Incorporated (registration number 1996/014081/10), its successors-in-title and assigns;

<b>“SAM”</b>	the new risk-based solvency regime for South African short-term and long-term insurers in the process of being developed by the Regulator, known as the Solvency Assessment and Management regime;
<b>“Senior Creditors”</b>	creditors of the Issuer (including the Senior Noteholders) whose claims (i) do not rank <i>pari passu</i> with and/or (ii) do not rank junior to, the claims of the holders of the Subordinated Notes and the Regulatory Capital Notes;
<b>“Senior Noteholders”</b>	the holders of Senior Notes;
<b>“Senior Notes”</b>	Notes issued with the status and characteristics set out in Condition 5 ( <i>Status of Senior Notes</i> ) of the Terms and Conditions, as specified in the Applicable Pricing Supplement (Senior and Subordinated Notes);
<b>“Senior Notes Credit Rating Event”</b>	shall occur if at any time while any Senior Note remains Outstanding, a Senior Note with a Rating ceases to be rated by at least one of Moody’s, S&P or GCR, provided that such event shall not occur if a new Rating for such Senior Notes is obtained from at least one of Moody’s, S&P or GCR within a period of 3 (three) months from the date that such Senior Note ceased to be rated;
<b>“Senior Noteholders”</b>	the holders of Senior Notes;
<b>“Series”</b>	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: <ul style="list-style-type: none"> <li>(i) expressed to be consolidated and form a single series; and</li> <li>(ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;</li> </ul>
<b>“Short-Term Insurance Act”</b>	means the Short-Term Insurance Act, 1998, as may be amended, supplemented or replaced from time to time;
<b>“Solvency Event”</b>	shall have occurred if on any date: <ul style="list-style-type: none"> <li>(i) prior to the implementation of SAM by the Regulator, the relevant entity within the Discovery Group which is subject to the Regulatory Capital Requirements does not have appropriate funds to cover the required minimum relevant Regulatory Capital Requirement or such funds would, as a result of any</li> </ul>

payments under the Notes that would otherwise be due on such date become less than the required minimum relevant Regulatory Capital Requirement; or

- (ii) upon the implementation of SAM by the Regulator, the Issuer's regulatory capital (howsoever described under any Regulatory Capital Requirement) is not sufficient to comply with the relevant minimum Regulatory Capital Requirement or, the relevant requirements would, as a result of any interest payment under the Notes that would otherwise be due on such date, not be complied with; or
- (iii) the Relevant Regulator prohibits any interest payments, other distributions or redemption payments for whatever reason; or
- (iv) the Issuer is unable to pay its debts to its Senior Creditors as they fall due; or

the liabilities of the Issuer (other than liabilities to persons who are not Senior Creditors of the Issuer) exceed its assets.

**“Solvency Shortfall”**

the portion of the interest or principal amount, as the case may be, that would cause a Solvency Event to occur or to be continuing;

**“South Africa” or “RSA”**

the Republic of South Africa;

**“Specified Currency”**

in relation to each Note in a Tranche of Notes, subject to Applicable Laws and in the case of Notes listed on the Interest Rate Market of the JSE subject to the rules of the JSE, the currency specified in the Applicable Pricing Supplement;

**“Specified Denomination”**

in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes;

**“Specified Office”**

in relation to each of the Issuer, the Guarantors, the Arranger, the Transfer Agent, the Issuer Agent, the Debt Sponsor and the stabilising manager (if any), the address of the office in respect of such entity as specified in the Applicable Pricing Supplement, or such other address as is notified by such entity (or where applicable, a successor to such

	entity) to the Noteholders in accordance with Condition 24 ( <i>Notices</i> ) of the Terms and Conditions;
<b>"Subordinated Indebtedness"</b>	any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to Concurrent Claims of the Issuer in the event of the dissolution, winding-up, entering into business rescue proceedings or placing into liquidation of the Issuer;
<b>"Subordinated Notes"</b>	Notes issued with the status and characteristics set out in Condition 6 ( <i>Status of Subordinated Notes that are not Regulatory Capital Notes</i> ) as specified in the Applicable Pricing Supplement (Senior and Subordinated Notes);
<b>"Subordinated Noteholders"</b>	the holders of Subordinated Notes;
<b>"Subsidiary"</b>	a subsidiary company as defined in Section 3(1)(a) of the Companies Act;
<b>"Sub-unit"</b>	with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;
<b>"Tax Event (Deductibility)"</b>	an event where, as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
<b>"Tax Event (Gross up)"</b>	an event where, as a result of a Tax Law Change, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 17 ( <i>Taxation</i> ), and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue

	Service that any such interest does not constitute a tax deductible expense);
<b>"Tax Law Change"</b>	in relation to any Note in a Series of Notes, a change or proposed change in, or amendment or proposed amendment to, the tax laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to Tax, or any change in the application or official interpretation of such tax laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which actual or proposed change or amendment is announced on or after the Issue Date of the first Tranche of such Series of Notes;
<b>"Terms and Conditions" or "Conditions"</b>	the terms and conditions incorporated in the section headed " <i>Terms and Conditions of the Notes</i> ", in accordance with which the Notes will be issued;
<b>"Tier 1 Capital"</b>	the capital of the Issuer which ranks as the most subordinated form of debt of the Issuer, and qualifying to be classified as "Tier 1" capital (as such term is contemplated under the Regulatory Capital Requirements, as amended from time to time);
<b>"Tier 2 Capital"</b>	the capital of the Issuer ranking (i) junior to all Senior Indebtedness of the Issuer and (ii) <i>pari passu</i> with the Subordinated Indebtedness of the Issuer, but ranking senior to Tier 1 Capital;
<b>"Tier 1 Notes"</b>	Notes specified as such in the Applicable Pricing Supplement (Regulatory Capital Notes), and qualifying to be classified as "Tier 1 Capital";
<b>"Tier 2 Notes"</b>	Notes specified as such in the Applicable Pricing Supplement (Regulatory Capital Notes), and qualifying to be classified as Tier 2 Capital;
<b>"Tier 1 Noteholders"</b>	holders of Tier 1 Notes;
<b>"Tier 2 Noteholders"</b>	holders of Tier 2 Notes;
<b>"Total Assets of the Issuer"</b>	the aggregate of all of the assets of the Issuer as set out in the most recently published audited financial statements of the Issuer from time to time;

<b>“Tranche”</b>	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
<b>“Transfer Agency Agreement”</b>	the transfer agency agreement dated on or about 14 November 2017 entered into between the Issuer and the Transfer Agent;
<b>“Transfer Agent”</b>	RMB, unless the Issuer elects to appoint another entity as Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes, as specified in the Applicable Pricing Supplement;
<b>“Transfer Form”</b>	the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
<b>“Uncertificated Note”</b>	a Note that is an uncertificated security as contemplated in the Financial Markets Act, and related expressions have the same meaning;
<b>“Uncertificated Securities Register”</b>	will bear the meaning ascribed thereto in the Financial Markets Act (as read together with the Companies Act);
<b>“Wholly-Owned Subsidiary”</b>	a wholly-owned subsidiary as defined in Section 1 of the Companies Act;
<b>“ZAR” or “South African Rand”</b>	the lawful currency of South Africa, being South African Rand, or any successor currency;
<b>“ZAR-JIBAR-SAFEX”</b>	the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date; and
<b>“Zero Coupon Notes”</b>	Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment.



## TERMS AND CONDITIONS OF THE NOTES

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*The following are the terms and conditions applicable to the Notes (the "Terms and Conditions") to be issued by the Issuer pursuant to this Programme Memorandum, which terms and conditions will be incorporated by reference into each Note. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete and sign either (i) an Applicable Pricing Supplement based on the Pro Forma Applicable Pricing Supplement included on page 123 of this Programme Memorandum or (ii) an Applicable Pricing Supplement based on the Pro Forma Applicable Pricing Supplement included on page 139 of this Programme Memorandum, setting out details of such Notes.*

*The Applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, replace or modify the Terms and Conditions for the purpose of such Tranche of Notes. If there is any conflict or inconsistency between the provisions set out in an Applicable Pricing Supplement and the provisions set out in these Terms and Conditions, then the provisions in the Applicable Pricing Supplement will prevail.*

### 1. INTERPRETATION

Capitalised terms and expressions used in this section and not otherwise defined herein shall have the meanings ascribed to those terms and expressions in the section of this Programme Memorandum headed "Definitions".

### 2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Programme; provided that the aggregate Outstanding Nominal Amount of all of the Notes issued under the Programme from time to time does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the applicable Terms and Conditions of that Tranche of Notes. The applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.
- 2.3. The applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Individual Certificate(s) representing the Notes in that Tranche.

- 2.4. Copies of the Applicable Pricing Supplement are available for inspection at the Specified Office of the Issuer.

### 3. FORM AND DENOMINATION

#### 3.1. General

- 3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted Registered Notes, as specified in the Applicable Pricing Supplement.
- 3.1.2. A Tranche of Notes will comprise Senior Notes or Subordinated Notes, as indicated in the Applicable Pricing Supplement.
- 3.1.3. Any Note issued, whether a Senior Note or a Subordinated Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note, an Instalment Note, an Exchangeable Note, an Extendible Note, a Partly Paid Note or such combination of any of the foregoing or such other type of Note that is approved by the JSE, or its successor, or such other or additional Financial Exchange(s), as may be determined by the Issuer and specified in the Applicable Pricing Supplement.
- 3.1.4. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed, on which Financial Exchange(s) they are to be listed (if applicable) and, if such Tranche of Notes is to be listed on the Interest Rate Market of the JSE, the relevant platform or sub-market of the JSE on which such Tranche of Notes is to be listed.

#### 3.2. Registered Notes

A Tranche of Registered Notes will be represented by (i) Individual Certificates, as contemplated in Condition 3.3 (*Notes issued in certificated form*), or (ii) no Individual Certificate and held in uncertificated form in the CSD, as contemplated in Condition 3.4 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. The CSD will hold the Notes subject to the Financial Markets Act and the Applicable Procedures.

#### 3.3. Notes issued in certificated form

- 3.3.1. Each Tranche of Notes may, subject to Applicable Laws and the Applicable Procedures, be issued in certificated form.

3.3.2. All Notes issued in certificated form will be represented by Individual Certificates and a Register of Noteholders will be maintained.

3.3.3. Registered Notes which are represented by Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

3.4. Notes issued in uncertificated form

A Tranche of Registered Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Registered Notes issued in uncertificated form will (i) be held in the CSD and (ii) not be represented by any certificate or written instrument.

3.5. Beneficial Interests in Notes held in the CSD

3.5.1. A Tranche of Registered Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

3.5.2. The CSD will hold Registered Notes issued in uncertificated form subject to the Financial Markets Act and the Applicable Procedures.

3.5.3. All amounts to be paid in respect of Registered Notes held in the CSD will be paid to the CSD and all rights to be exercised in respect of Registered Notes held in the CSD may be exercised only, in each case, in accordance with the Applicable Procedures.

3.5.4. A holder of an uncertificated Registered Note or Beneficial Interest therein shall only be entitled to exchange such holding for Registered Notes represented by an Individual Certificate in accordance with Condition 20 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

3.6. Currency and Denomination

3.6.1. Notes will be issued in the Specified Currency. Each Note will be issued in the Specified Denomination.

3.6.2. The aggregate Nominal Amount, Specified Currency and Specified Denomination of a Tranche of Notes will be specified in the Applicable Pricing Supplement.

3.7. Recourse to the JSE Guarantee Fund

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE, the JSE Guarantee Fund. Claims against the JSE Guarantee Fund may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and can in no way relate to a default by the Issuer of its obligations under the Notes listed on the Interest Rate Market of the JSE. Any claims against the JSE Guarantee Fund may only be made in accordance with the rules of the JSE Guarantee Fund. Unlisted Notes are not regulated by the JSE.

4. **TITLE**

4.1. Registered Notes issued in certificated form

- 4.1.1. Each holder of Registered Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Registered Notes.
- 4.1.2. Title to Registered Notes issued in certificated form will pass upon registration of transfer in the Register in accordance with Condition 21.2 (*Transfer of Registered Notes Represented by Individual Certificates*).
- 4.1.3. The Issuer, the Transfer Agent and the Issuer Agent shall recognise a holder of Registered Notes represented by an Individual Certificate as the sole and absolute owner of the Registered Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Registered Note may be subject.

4.2. Notes issued in uncertificated form

- 4.2.1. The registered holders of each Tranche of Registered Notes which is issued in uncertificated form will be the Persons recorded in the Uncertificated Securities Register as the registered holders of such Notes.
- 4.2.2. Title to Registered Notes issued in uncertificated form will pass upon registration of transfer in the Register in accordance with Condition 21.1 (*Transfer of title or Beneficial Interests in uncertificated Registered Notes*) of the Terms and Conditions.
- 4.2.3. Each Person recorded in the Uncertificated Securities Register as a registered Noteholder of a particular Tranche of uncertificated Registered Notes will be treated by the Issuer, the Transfer Agent and the Issuer Agent as the holder of

that aggregate Nominal Amount of such uncertificated Registered Notes for all purposes.

4.3. Registered Notes held in the CSD

- 4.3.1. While a Tranche of Registered Notes is held in its entirety in the CSD, each Person (including Participants and, where applicable, clients of Participants) recorded in the Uncertificated Securities Register will be named as the registered Noteholder of the portion of that Tranche of uncertificated Registered Notes so registered in the Person's name in accordance with the Applicable Procedures.
- 4.3.2. Where a Central Securities Account or Securities Account is in the name of a Participant (or its nominee), but is for the benefit of such Participant's client, such Participant is required to maintain Securities Accounts for its clients. Beneficial Interests which are held by clients of Participants will be held indirectly through Participants (or their nominee), and such Participants will hold such Beneficial Interests, on behalf of such clients, through the Securities Accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants.
- 4.3.3. In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Outstanding Nominal Amount of Registered Notes, a certificate, statement or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Outstanding Nominal Amount of such Registered Notes standing to the account of such Person shall be *prima facie* proof of such Beneficial Interest.
- 4.3.4. Title or Beneficial Interests in Uncertificated Notes may be transferred only in accordance with the Applicable Procedures as contemplated in Condition 21.1 (*Transfer of title or Beneficial Interests in uncertificated Registered Notes*). Such transfers will be recorded in accordance with the Applicable Procedures.
- 4.3.5. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of an Uncertificated Note or a Beneficial Interest therein, be a reference to the Participant appointed to act as such by the holder of such Uncertificated Note or Beneficial Interest therein.

## 5. STATUS OF SENIOR NOTES

- 5.1. Application: This Condition 5 (*Status of Senior Notes*) applies only to Senior Notes.
- 5.2. Status of Senior Notes: Unless otherwise specified in the Applicable Pricing Supplement, the Senior Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 10 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and, subject to Condition 10 (*Negative Pledge*) and save for certain debts required to be preferred by law, rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time owing, save for such obligations as may be preferred by provisions of law that are both mandatory from time to time Outstanding and of general application.

## 6. STATUS OF SUBORDINATED NOTES THAT ARE NOT REGULATORY CAPITAL NOTES

- 6.1. Application: This Condition 6 (*Status of Subordinated Notes that are not Regulatory Capital Notes*) applies only to Subordinated Notes that are not Regulatory Capital Notes.
- 6.2. Status of Subordinated Notes that are not Regulatory Capital Notes: Subordinated Notes that are not Regulatory Capital Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank (i) senior to Tier 1 Capital, and (ii) *pari passu* with Tier 2 Capital, without any preference among themselves, save for those which have been accorded preferential rights by law, or as otherwise set out in the Applicable Pricing Supplement.
- 6.3. Subordination: Subject to Applicable Law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, wound-up or placed under business rescue (in each case other than pursuant to a Solvent Reconstruction), the claims of the holders entitled to payment of amounts due in respect of the Subordinated Notes that are not Regulatory Capital Notes, (i) shall be subordinated to all claims in respect of Senior Indebtedness and (ii) shall rank *pari passu* with all other present and future unsecured, subordinated obligations of the Issuer save for those accorded preferential rights by law, and (iii) shall rank senior to all claims in respect of Tier 1 Capital.

## 7. STATUS OF SUBORDINATED NOTES THAT ARE REGULATORY CAPITAL NOTES

- 7.1. Application: This Condition 7 (*Status of Subordinated Notes that are Regulatory Capital Notes*) applies only to Subordinated Notes that are Regulatory Capital Notes.
- 7.2. Status of Subordinated Notes that are Regulatory Capital Notes: Unless specified in the Applicable Pricing Supplement, Regulatory Capital Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank either as (i) Tier 1 Capital or (ii) Tier 2 capital, as specified in an Applicable Pricing Supplement;

### 7.3. Status of Tier 2 Notes

- 7.3.1. Application: This Condition 7.3 (*Status of Tier 2 Notes*) applies only to Tier 2 Notes.
- 7.3.2. Status of Tier 2 Notes: The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 7.3.3 (*Subordination*), subordinated obligations of the Issuer and will rank (i) *pari passu* without any preference among themselves, (ii) save for those which have been accorded preferential rights by law, at least *pari passu* with all claims in respect of Tier 2 Capital including but not limited to subordinated obligations in the form of other Tier 2 Notes and Tier 2 Capital, whether issued before the date of issue of the Tier 2 Notes or thereafter and (iii) behind in priority to all claims of Policyholders and Senior Creditors.
- 7.3.3. Subordination: The claims of holders of Tier 2 Notes entitled to be paid amounts due in respect of the Tier 2 Notes (including any damages or other amounts (if payable)) are subordinated to the claims of Policyholders and Senior Creditors and accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound up or placed under curatorship (in each case other than pursuant to a Solvent Reconstruction):
- 7.3.3.1. no holder of a Tier 2 Note shall be entitled to prove or tender to prove a claim in respect of the Tier 2 Notes in such event to the extent that the claims of the Policyholders and Senior Creditors which are admissible in any such dissolution, insolvency, winding-up or curatorship would not be paid or discharged in full as a result of such proof;
- 7.3.3.2. no other amount due under the Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 2 Notes nor shall any amount due under the Tier 2 Notes be payable to any holder of Tier 2 Notes until the claims of such Policyholders and Senior Creditors which are admissible in any such dissolution, liquidation, winding-up or curatorship have been paid or discharged in full; and
- 7.3.3.3. subject to Applicable Law, a Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount arising out of or in connection with the Tier 2 Notes owed to it by the Issuer and each holder of Tier 2 Notes shall, by virtue of its subscription, purchase or holding of any Tier 2 Notes, (i) be deemed to have waived all such

rights of set-off and (ii) to the extent that any set-off takes place, whether by operation of law or otherwise, between (a) any amount arising out of or in connection with the Tier 2 Notes owed by the Issuer to a Tier 2 Noteholder and (b) any amount owed to the Issuer by such Tier 2 Noteholder, such Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of the Issuer's dissolution, winding-up, liquidation or curatorship (as the case may be), to the liquidator, curator or other relevant insolvency official of the Issuer, to be held in trust by the liquidator, curator or other relevant insolvency official of the Issuer for the benefit of the Policyholders and Senior Creditors until the claims of such Policyholders and Senior Creditors which are admissible in any such dissolution, liquidation, winding-up or curatorship have been paid or discharged in full, and this undertaking will constitute a *stipulatio alteri* in favour of the Policyholders and Senior Creditors.

#### 7.4. Status of Tier 1 Notes

7.4.1. Application: This Condition 7.4 (*Status of Tier 1 Notes*) applies only to Tier 1 Notes.

7.4.2. Status of Tier 1 Notes: The Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 7.4.3 (*Subordination*), subordinated obligations of the Issuer and will rank (i) *pari passu* without any preference among themselves, (ii) save for those which have been accorded preferential rights by law, at least *pari passu* with all other subordinated obligations of the Issuer (other than any subordinated obligations which rank or are expressed to rank senior to the Issuer's obligations under the Tier 1 Notes), including but not limited to subordinated obligations in the form of Tier 2 Notes and Tier 2 Capital, whether issued before the date of issue of the Tier 1 Notes or thereafter and (iii) behind in priority to all claims of Policyholders, Senior Creditors and holders of Junior Debt.

7.4.3. Subordination: The claims of Tier 1 Noteholders entitled to be paid amounts due in respect of the Tier 1 Notes (including any damages or other amounts (if payable)) are subordinated to the claims of Tier 2 Notes, Tier 2 Capital, Policyholders, Senior Creditors and holders of Junior Debt and accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound up or placed under curatorship (in each case other than pursuant to a Solvent Reconstruction):

7.4.3.1. no Tier 1 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 1 Notes in such event to the extent that



the claims of the Issuer's Policyholders, Senior Creditors and holders of Junior Debt which are admissible in any such dissolution, insolvency, winding-up or curatorship would not be paid or discharged in full as a result of such proof;

7.4.3.2. no other amount due under the Tier 1 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Tier 1 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 1 Notes nor shall any amount due under the Tier 1 Notes be payable to any Tier 1 Noteholder until the claims of such Policyholders, Senior Creditors and holders of Junior Debt which are admissible in any such dissolution, liquidation, winding-up or curatorship have been paid or discharged in full; and

7.4.3.3. to Applicable Law, any Tier 1 Noteholder may not exercise or claim any right of set-off in respect of any amount arising out of or in connection with the Tier 1 Notes owed to it by the Issuer and each Tier 1 Noteholder shall, by virtue of its subscription, purchase or holding of any Tier 1 Notes, (i) be deemed to have waived all such rights of set-off and (ii) to the extent that any set-off takes place, whether by operation of law or otherwise, between (a) any amount arising out of or in connection with the Tier 1 Notes owed by the Issuer to an Tier 1 Noteholder and (b) any amount owed to the Issuer by such Tier 1 Noteholder, such Tier 1 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of the Issuer's dissolution, winding-up, liquidation or curatorship (as the case may be), to the liquidator, curator or other relevant insolvency official of the Issuer, to be held in trust by the liquidator, curator or other relevant insolvency official of the Issuer for the benefit of the Issuer's Policyholders, Senior Creditors and holders of Junior Debt until the claims of such Policyholders, Senior Creditors and holders of Junior Debt which are admissible in any such dissolution, liquidation, winding-up or curatorship have been paid or discharged in full, and this undertaking will constitute a *stipulatio alteri* in favour of the Policyholders, Senior Creditors and holders of Junior Debt.

## 8. SET-OFF

Subject to Applicable Law, no Subordinated Noteholder, may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in

connection with the Notes and each Subordinated Noteholder shall, by virtue of being the holder of any Subordinated Note be deemed to have waived all such rights of set-off, compensation or retention.

## 9. GUARANTEE

### 9.1. General

9.1.1. The Issuer has procured that the payment obligations of the Issuer under the Notes designated in the Applicable Supplement as "guaranteed" (the "**Guaranteed Notes**") are guaranteed by the Guarantors on the terms and conditions as contained in the Guarantee, as described in the section of the Programme Memorandum headed "*Terms and Conditions of the Guarantee*", as read with the Applicable Pricing Supplement.

9.1.2. The Guarantors hereby irrevocably and unconditionally, jointly and severally, guarantee to the holders of Guaranteed Notes (the "**Guaranteed Noteholders**") the due and punctual payment by the Issuer of any moneys payable by the Issuer to the Guaranteed Noteholders in respect of the Guaranteed Notes, in the manner and subject to the terms of the Guarantee.

9.1.3. The obligations of each Guarantor under the Guarantee constitute unconditional and unsecured obligations of each of the Guarantors and will rank (subject to any obligations preferred by law) *pari passu* with all other present and future unsecured and unsubordinated obligations of that Guarantor.

### 9.2. Benefit of the Guarantee

Each Guaranteed Noteholder hereby agrees that upon acquisition of any Guaranteed Note, such Guaranteed Noteholder is deemed to have notice of, and accepts the benefit of all the provisions of the Guarantee. The terms of the Guarantee provide that upon the acquisition of the Note by the Guaranteed Noteholder, the Guarantors are deemed to have received notice of acceptance of the benefit of the Guarantee by such Guaranteed Noteholder. Copies of the Guarantee are available for inspection at the Specified Office of the Issuer as specified at the back of this Programme Memorandum.

### 9.3. Unguaranteed Notes

9.3.1. The Issuer may also issue Notes that are not guaranteed by the Guarantors, if so specified in the Applicable Pricing Supplement relating to that particular Tranche of Notes.

9.3.2. In the event that Notes are issued which are not guaranteed by the Guarantors, the provisions relating to the Guarantee in this Programme Memorandum and the

Guarantee, shall not be applicable to such Noteholders nor to the Guarantors, and the remainder of the provisions of this Programme Memorandum shall be construed accordingly, in particular but without limitation, Condition 19 (*Events of Default*). Noteholders of Notes which are not guaranteed by the Guarantors, as specified in the relevant Applicable Pricing Supplement, shall have no claim against any Guarantor of any nature whatsoever.

## 10. NEGATIVE PLEDGE

- 10.1. Application: This Condition 10 (*Negative Pledge*) only applies to Senior Notes and is only for the benefit of Senior Noteholders.
- 10.2. Negative Pledge: For as long as any Senior Notes remain Outstanding, the Issuer undertakes not to create or permit the creation of any Encumbrance (other than permitted Encumbrances) over any of its present or future assets or revenues to secure any present or future Indebtedness without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security as may be approved by Extraordinary Resolution of the holders of those Senior Notes, unless the provision of any such security is waived by an Extraordinary Resolution of the holders of those Senior Notes.
- 10.3. For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 10.1 shall apply *mutatis mutandis* to the Subordinated Notes.
- 10.4. The Issuer shall be entitled but not obliged, to form, or procure the formation of, one or more special purpose vehicle companies, a trust or trusts or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

## 11. INTEREST

If the Applicable Pricing Supplement so specifies, the Notes of any Tranche will bear interest from the Interest Commencement Date at the Interest Rate(s) specified in, or determined in accordance with, the Applicable Pricing Supplement and such interest will be payable in respect of each Interest Period on the Interest Payment Date(s) specified in the Applicable Pricing Supplement. The interest payable on the Notes of any Tranche for a period other than a full Interest Period shall be determined in accordance with the Applicable Pricing Supplement. An announcement will be made on SENS at least 3 (three) Business Days before the relevant Interest Payment Date.

### 11.1. Interest on Fixed Rate Notes

Interest on Fixed Rate Notes will be paid on the Interest Payment Dates specified in the Applicable Pricing Supplement.

11.1.1. Accrual of Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its Outstanding Nominal Amount (or, if it is a Partly-Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrear on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.

11.1.2. Fixed Coupon Amount

The amount of interest payable in respect of each Fixed Rate Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

11.1.3. Calculation of Interest Amount

The amount of interest payable in respect of each Fixed Rate Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Interest Rate to each Specified Denomination, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency, half a sub-unit being rounded upwards or otherwise in accordance with applicable market convention:

11.1.3.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and

11.1.3.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount specified in the Applicable Pricing Supplement unless, upon due presentation, payment of the Applicable Redemption Amount is improperly withheld or refused, in which case it will bear interest in accordance with Condition 11.6 (*Accrual of Interest*).

11.2. Interest on Floating Rate Notes and Indexed Interest Notes

11.2.1. Accrual of Interest on Floating Rate Notes and Indexed Interest Notes

Each Floating Rate Note and Indexed Interest Note bears interest on its Outstanding Nominal Amount (or, if it is a Partly-Paid Note, the amount paid up)

from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date) unless, upon due presentation, payment of the Applicable Redemption Amount is improperly withheld or refused, in which case it will bear interest in accordance with Condition 11.6 (*Accrual of Interest*).

11.2.2. Floating Interest Rate

The floating Interest Rate which is applicable to a Tranche of Floating Rate Notes for an Interest Period will be determined on the basis of Screen Rate Determination or on the basis of ISDA Determination or on such other basis as may be determined by the Issuer and specified in the Applicable Pricing Supplement.

11.2.3. ISDA Determination including fallback provisions

If ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Floating Rate Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Issuer Agent under an interest rate swap transaction if that Issuer Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- 11.2.3.1. the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- 11.2.3.2. the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- 11.2.3.3. the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on ZAR- JIBAR-SAFEX, the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

"Floating Rate", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those expressions in the ISDA Definitions and

"JIBAR" means the average mid-market yield rate per annum for a period of the Designated Maturity which appears on the Reuters Screen SAFEY page at or about 11h00 (South Africa time) on the relevant date (or any successor rate).

11.2.4. Screen Rate Determination including fallback provisions

If Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Notes for each Interest Period will be determined by the Issuer Agent on the following basis:

- 11.2.4.1. if the Reference Rate is a composite quotation or customarily supplied by one entity, the Issuer Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Rate Determination Date); or
- 11.2.4.2. in any other case, the Issuer Agent will determine the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Rate Determination Date;
- 11.2.4.3. if, in the case of Condition 11.2.4.1, such rate does not appear on that page or, in the case of Condition 11.2.4.2, fewer than 2 (two) such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Issuer Agent will:
  - 11.2.4.3.1. request the principal Johannesburg office of each of the Reference Banks to provide the Issuer Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South Africa time) on the Interest Rate Determination Date in question; and
  - 11.2.4.3.2. determine the arithmetic mean (rounded as provided above) of such quotations; and
  - 11.2.4.3.3. if fewer than 3 (three) such offered quotations are provided as requested, the Issuer Agent will determine the arithmetic mean of the rates (rounded as provided above) (being the nearest Reference Rate, as determined by the Issuer Agent) quoted by major banks in the Johannesburg inter-bank market,

selected by the Issuer Agent, at approximately 12h00 (South Africa time) on the first day of the relevant Interest Period for loans in the Specified Currency to leading banks in the Johannesburg inter-bank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time;

(and the Interest Rate for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Issuer Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

11.2.5. Indexed Interest

If the Indexed Interest Note provisions are specified in the Applicable Pricing Supplement as being applicable, the Interest Rate(s) applicable to the Notes for each Interest Period will be determined in accordance with the manner specified in the Applicable Pricing Supplement.

11.2.6. Minimum and/or Maximum Rate of Interest

If the Applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be greater than such Maximum Interest Rate and/or if it specifies a Minimum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be less than such Minimum Interest Rate.

11.2.7. Calculation of Other Amounts

If the Applicable Pricing Supplement specifies that any other amount is to be calculated by the Issuer Agent, the Issuer Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Issuer Agent in the manner specified in the Applicable Pricing Supplement.

11.2.8. Publication

11.2.8.1. The Issuer Agent will cause each Interest Rate and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it, together with any relevant payment date(s), to be notified to the Issuer, the the Transfer Agent (if the Transfer Agent is not the Issuer Agent), the Issuer Agent, any Financial Exchange on which the relevant Floating Rate Notes or Indexed Notes, as the case may be, are for the time being listed and, in the case of uncertificated Floating Rate Notes or Indexed Notes, the CSD, as soon as practicable after their determination but (in the case of each Interest Rate, Interest Amount and Interest Payment Date) in any event not later than (i) where the Interest Rate is determined with reference to the Prime Rate, the last day of the relevant Interest Period; (ii) in respect of Indexed Notes, the date specified in the Applicable Pricing Supplement, and (iii) in all other circumstances, the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions.

11.2.8.2. The Issuer Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. Any such amendment will be promptly notified to the Issuer and to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions and, if the relevant Tranche of Notes is listed on a Financial Exchange, any Financial Exchange on which the relevant Notes are for the time being listed and the CSD.

11.2.9. Notifications etc. to be final

All notifications, communications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 11.2 (*Interest on Floating Notes and Indexed Notes*) by the Issuer Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Transfer Agent, the Issuer Agent and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Issuer Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.



11.3. Interest on Mixed Rate Notes

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that and to the extent that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, as the case may be.

11.4. Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Nominal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

11.5. Interest on Instalment Notes

In the case of Instalment Notes, interest will accrue on the amount Outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Pricing Supplement.

11.6. Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from its Redemption Date unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 24 (*Notices*).

11.7. Business Day Convention

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

11.7.1. the "Floating Rate Business Day Convention", such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 11.2 (*Interest on Floating Rate Notes and Indexed Interest Notes*), be postponed to the next day which is a Business Day unless it would thereby fall

into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or

11.7.2. the "**Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or

11.7.3. the "**Modified Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or

11.7.4. the "**Preceding Business Day Convention**", such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

## 12. PAYMENTS

### 12.1. General

12.1.1. Where any amounts are due and payable under the Senior Notes, such amounts shall be settled in full before any amounts are paid under the Subordinated Notes.

12.1.2. Only Noteholders named in the Register at 17h00 (South Africa time) on the relevant Last Day to Register shall be entitled to payment of amounts due and payable in respect of Registered Notes.

12.1.3. All payments of all amounts (whether in respect of principal, interest or otherwise) due and payable in respect of any Notes shall be made by the Issuer Agent on behalf of the Issuer, on the terms and conditions of the Agency Agreement and this Condition 12 (*Payments*).

12.1.4. Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 17 (*Taxation*).

## 12.2. Payments – Registered Notes

### 12.2.1. Registered Notes issued in uncertificated form

- 12.2.1.1. Payments of principal and/or interest in respect of uncertificated Registered Notes will be made, by the Issuer Agent, on behalf of the Issuer, to the CSD (to the bank account of the CSD) and/or the Participants, as shown in the Register on the Last Day to Register, and the Issuer will be discharged by proper payment to the CSD and/or the Participants, in respect of each amount so paid.
- 12.2.1.2. Following payment to the CSD of amounts due and payable in respect of Uncertificated Notes which are held in the CSD, the relevant funds will be transferred by the CSD to the Participants, for the registered Noteholders and the holders of Beneficial Interest in such Notes in accordance with the Applicable Procedures.
- 12.2.1.3. Each of the Persons reflected in the records of the CSD or the relevant Participant, as the case may be, will look solely to the CSD or the relevant Participant, as the case may be, for such Person's share of each payment so made by the Issuer Agent, on behalf of the Issuer, to or for the order of the CSD or the relevant Participant, as the case may be.
- 12.2.1.4. Neither the Issuer Agent nor the Issuer will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Uncertificated Notes or Beneficial Interests in Uncertificated Notes or for maintaining, supervising or reviewing any records relating thereto.
- 12.2.1.5. Payments of amounts due and payable in respect of Uncertificated Notes in accordance with the Applicable Procedures will be recorded by the CSD, distinguishing between interest and principal, and such record of payments by the CSD, or the Participants, as the case may be, will be *prima facie* proof of such payments.

### 12.2.2. Registered Notes issued in certificated form

- 12.2.2.1. Payments of principal and/or interest in respect of any Registered Note which is represented by an Individual Certificate shall be made to the registered Noteholder of such Registered Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). Such payments will

be made to the bank account of the Person named as the registered Noteholder of such certificated Registered Notes in the Register or, in the case of joint registered Noteholders, according to the method referred to in Condition 12.3 (*Method of Payment*).

12.2.2.2. In addition to the above, in the case of a partial final redemption payment, the holder of the Individual Certificate shall be required to surrender such Individual Certificate in accordance with Condition 12.4 (*Presentation of Notes and surrender of Individual Certificates*).

### 12.3. Method of Payment

12.3.1. Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.

12.3.2. If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding Condition (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "not transferable" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

12.3.3. Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Issuer Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 12.3 (*Method of Payment*).

12.3.4. In the case of joint Noteholders of Registered Notes, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes,

notwithstanding any notice (express or otherwise) which the Issuer and/or the Transfer Agent and/or the Issuer Agent may have of the right, title, interest or claim of any other person to or in any such Registered Notes.

12.3.5. Neither the Issuer nor the Issuer Agent shall be responsible for the loss in transmission of any such funds, and payment of any amount into the bank accounts referred to above, in accordance with this Condition 12.3 (*Method of Payment*), shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the Noteholders under the relevant Registered Notes and the applicable Terms and Conditions.

12.3.6. Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but subject to the provisions of Condition 17 (*Taxation*).

12.4. Presentation of Notes and Surrender of Individual Certificates

12.4.1. Payment of principal in respect of any Registered Note(s) which is/are to be redeemed (or partly redeemed) and which is/are represented by Individual Certificate(s) shall be made to the Noteholder(s) of such Registered Note(s) only if, at least 10 (ten) days prior to the date on which the relevant Tranche of Notes is redeemed (or partially redeemed), such Individual Certificate(s) shall have been surrendered to the Issuer Agent at its Specified Office. This will enable the Issuer Agent to endorse the partial redemption thereon or, in the case of final redemption, to cancel the relevant Individual Certificate.

12.4.2. If the relevant Individual Certificate is not surrendered to the Issuer Agent at its Specified Office as stated in Condition 12.4.1, the amount of principal payable to the Noteholder of the Registered Note(s) represented by that Individual Certificate shall be retained by the Issuer Agent for such Noteholder, at the latter's risk, until such Individual Certificate shall have been surrendered to the Issuer Agent at its Specified Office, and such Noteholder will not be entitled to any interest and/or other payments in respect of any delay in payment occasioned as a result of such failure to surrender such Individual Certificate.

12.4.3. The Issuer shall not be obliged to make or cause to be made any payment in respect of the final redemption of a Registered Note until at least 10 (ten) days have passed since the date on which the Individual Certificate in respect of the Note to be redeemed has been surrendered to the Issuer Agent.

12.4.4. Documents required to be presented and/or surrendered to the Issuer Agent in accordance with these Terms and Conditions shall be so presented and/or

surrendered at the office of the Issuer Agent specified in the Applicable Pricing Supplement.

- 12.4.5. Holders of Uncertificated Notes are not required to present and/or surrender any documents of title.

12.5. Payment Day

If the date for payment of any amount in respect of any Note is not a Business Day and is not subject to adjustment in accordance with a Business Day Convention, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place for payment and shall not be entitled to further interest or other payment in respect of any such delay.

12.6. Interpretation of principal and interest

- 12.6.1. Any reference in the Terms and Conditions to principal in respect of the Notes shall include, as applicable:

12.6.1.1. any additional amounts which may be payable with respect to principal under Condition 17 (*Taxation*);

12.6.1.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;

12.6.1.3. the Optional Redemption Amount(s) (if any) of the Notes;

12.6.1.4. in relation to Instalment Notes, the Instalment Amounts;

12.6.1.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined under Condition 14.6 (*Early Redemption Amounts*)); and

12.6.1.6. any premium and any other amounts which may be payable under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

- 12.6.2. Any reference in these Terms and Conditions to interest in respect of the Notes shall include, as applicable, any additional amounts which may be payable with respect to interest under Condition 17 (*Taxation*).

13. **DEFERRAL OF PRINCIPAL AND INTEREST**

- 13.1. Application: This Condition 13 (*Deferral of Principal and Interest*) applies only to Regulatory Capital Notes.

13.2. Mandatory Deferral of Principal

- 13.2.1. If on the Redemption Date a Solvency Event has occurred or would occur, the payment of principal in respect of that relevant Tranche of Notes shall, unless the Relevant Registrar or the Relevant Regulator determines otherwise, be deferred for as long as the Solvency Event is continuing, provided that in the case where the payment of such principal would itself cause a Solvency Event to occur, the Issuer shall only be obliged to defer the payment of the Solvency Shortfall.
- 13.2.2. The Issuer shall notify the Regulatory Capital Noteholders of the existence of a Solvency Event in accordance with Condition 24 (*Notices*) of the Terms and Conditions not less than 5 (five) Business Days prior to the Redemption Date. Non-payment of principal pursuant to this Condition 13.1 shall not constitute an Event of Default or any other breach by the Issuer of its obligations under the Notes or for any other purpose. Interest will continue to accrue on any amount of principal deferred in accordance with this Condition 13.1 at the Interest Rate applicable to that Tranche of Notes until the date the amount of principal so deferred is paid.

13.3. Deferral of Principal at the Request of the Relevant Registrar

- 13.3.1. If the Relevant Registrar or the Regulator, in relation to a Tranche of Regulatory Capital Notes, requires the Issuer to defer the due date for payment of any principal (or portion thereof) payable in respect of such Regulatory Capital Notes, the Issuer shall, by giving a Deferral Notice to the holders of Regulatory Capital Notes in that Tranche, defer the due date for payment of such principal (or portion thereof) for such period, and subject to such conditions, as are prescribed by the Relevant Registrar or the Regulator.
- 13.3.2. The Deferral Notice shall specify the Deferred Payment Amount and (if a defined period is prescribed by the Relevant Registrar or the Regulator) the Deferred Payment Date. On the giving of a Deferral Notice specifying a Deferred Payment Date, the due date for payment of the Deferred Payment Amount shall be deferred to the Deferred Payment Date. On the giving of a Deferral Notice which does not specify a Deferred Payment Date, the due date for payment of the Deferred Payment Amount shall be deferred to such date in the future on which the Relevant Registrar or the Relevant Regulator confirms to the Issuer in writing that amounts, the payment of which had previously been deferred pursuant to this Condition 13.3, may be paid to the Regulatory Capital Noteholders. The Issuer shall not be obliged to make payment of the Deferred Payment Amount on the date upon which such Deferred Payment Amount, in the absence of this

Condition 13.3, would otherwise have become due and payable, and a deferral of payment in terms of this Condition 13.3 shall not constitute an Event of Default.

- 13.3.3. Interest will continue to accrue on the Deferred Payment Amount, at the Interest Rate applicable to the relevant Tranche of Notes on the date upon which such Deferred Payment Amount, in the absence of this Condition 13.3, would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date.

13.4. Optional Deferral of Interest

- 13.4.1. The Issuer may elect to defer any payment of interest that is otherwise payable on any Optional Interest Payment Date. The deferral of any such interest shall not constitute an Event of Default by the Issuer for any purpose under the Regulatory Capital Notes. If the Issuer elects not to pay interest on an Optional Interest Payment Date, it shall notify the Regulatory Capital Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions) of that election as soon as practicable (and, in any event, not less than 5 (five) Business Days prior to any Optional Interest Payment Date in respect of which payment of interest is deferred) of the amount of such payment otherwise due on that date and the grounds on which such deferral has been made.

- 13.4.2. The Issuer may defer paying interest on each Optional Interest Payment Date until the Redemption Date or any earlier date on which the Notes are redeemed in full.

13.5. Mandatory Deferral of Interest

- 13.5.1. If on any Interest Payment Date a Solvency Event has occurred or would occur, the payment of interest in respect of the Regulatory Capital Notes otherwise falling due on such date shall, unless the Relevant Registrar or the Relevant Regulator determines otherwise, be deferred for as long as the Solvency Event is continuing, provided that in the case where the payment of such interest amount would itself cause a Solvency Event to occur, the Issuer shall only be obliged to defer the payment of the Solvency Shortfall.

- 13.5.2. The Issuer shall notify the Regulatory Capital Noteholders of the existence of a Solvency Event in accordance with Condition 24 (*Notices*) of the Terms and Conditions not less than 5 (five) Business Days prior to the relevant Interest Payment Date. Non-payment of interest pursuant to this Condition 13.5 shall not constitute an Event of Default or any other breach by the Issuer of its obligations under the Regulatory Capital Notes or for any other purpose. Interest will continue



to accrue on any amount of interest deferred in accordance with this Condition 13.5 at the Interest Rate applicable to that Tranche of Regulatory Capital Notes until the date the amount of interest so deferred is paid.

- 13.5.3. All Deferred Payment Amounts which remain unpaid upon the dissolution, winding-up, liquidation or the implementation of business rescue proceedings in relation to the Issuer shall forthwith become due and payable upon the occurrence of any of the foregoing events. If more than one Deferred Payment Amount remains unpaid, payment in part thereof shall be made to the relevant Noteholders pro rata according to the proportion which each Deferred Payment Amount bears to the aggregate of all of the Deferred Payment Amounts in respect of all Notes Outstanding.

#### 14. REDEMPTION AND PURCHASE

##### 14.1. Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below (and subject, in the case of Regulatory Capital Notes, to Condition 13 (*Deferral of Principal and Interest*) of the Terms and Conditions), each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date, subject as provided in Condition 12 (*Payments*) of the Terms and Conditions.

##### 14.2. Redemption following the occurrence of a Tax Event (Gross up) or Tax Event (Deductibility) or Change in Law

14.2.1. Subject, in the case of Regulatory Capital Notes, to the written consent of the Relevant Registrar and/or the Regulator (if required), if so specified in the Applicable Pricing Supplement, the Issuer may redeem any Notes of any Tranche of Notes:

14.2.1.1. at any time (if neither the Floating Rate Note provisions nor the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or

14.2.1.2. on any Interest Payment Date (if the Floating Rate Note Provisions or the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 (thirty) nor more than 60 (sixty) days' (or such other notice period specified in the Applicable Pricing Supplement) notice to the Noteholders and to the Transfer Agent, the Issuer Agent (which notice shall be irrevocable) in accordance with Condition 24 (*Notices*) of the Terms and Conditions, at their Early Redemption Amount together with interest (if any) to the date fixed for redemption, following the occurrence of a Tax Event (Gross up) or Tax Event (Deductibility) or Change in Law, provided, however, that no such notice of redemption shall be given earlier than:

14.2.1.3. where the Notes may be redeemed at any time, 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts (were a payment in respect of the Notes then due) or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities, as the case may be; or

14.2.1.4. where the Notes may be redeemed only on an Interest Payment Date, 60 (sixty) days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts (were a payment in respect of the Notes then due) or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities, as the case may be.

14.2.2. Prior to the publication of any notice of redemption pursuant to this Condition 14.2 (*Redemption following the occurrence of a Tax Event (Gross up) or Tax Event (Deductibility) or Change in Law*), the Issuer shall deliver to the Transfer Agent and the Issuer Agent (i) a certificate signed by 2 (two) authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal or tax advisers (as appropriate) of recognised standing to the effect that a Tax Event (Gross up), Tax Event (Deductibility) and/or Change in Law, as the case may be, has occurred. Upon the expiry of any such notice as is referred to in this Condition 14.2 (*Redemption following the occurrence of a Tax Event (Gross up) or Tax Event (Deductibility) or Change in Law*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 14.2 (*Redemption following the occurrence of a Tax Event (Gross up) or Tax Event (Deductibility) or Change in Law*).

14.3. Early Redemption at the option of the Issuer

14.3.1. Subject, in the case of Regulatory Capital Notes, to the written consent of the Relevant Registrar and/or the Relevant Regulator (if required), if the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given:

14.3.1.1. not less than 30 (thirty) and not more than 60 (sixty) days' (or such other notice period specified in the Applicable Pricing Supplement) notice to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions; and

14.3.1.2. not less than 7 (seven) days before giving the notice referred to in Condition 14.3.1.1, notice to the Transfer Agent and the Issuer Agent,

(which notice shall be irrevocable) redeem all or, if so specified in the Applicable Pricing Supplement, some of the Notes then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement together, if appropriate, with interest accrued up to (but excluding) the Optional Redemption Date(s).

14.3.2. Any such redemption amount must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than a Higher Redemption Amount, both as specified in the Applicable Pricing Supplement, if applicable. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemable Notes**") will be selected:

14.3.2.1. in the case of Redeemable Notes represented by Individual Certificates, individually by lot; and

14.3.2.2. in the case of Redeemable Notes issued in uncertificated form, in accordance with the Applicable Procedures,

and in each such case not more than 30 (thirty) days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

14.3.3. In the case of Redeemable Notes represented by Individual Certificates, a list of the serial numbers of such Individual Certificates will be published in accordance with Condition 24 (*Notices*) of the Terms and Conditions not less than 15 (fifteen) days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemable Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemable Notes as the

aggregate Nominal Amount of Individual Certificates Outstanding bears to the aggregate Nominal Amount of the Notes Outstanding, in each case on the Selection Date, provided that such first-mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemable Notes issued in uncertificated form shall be equal to the balance of the Redeemable Notes. No exchange of Beneficial Interests in Uncertificated Notes for Individual Certificates will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 14.3 (*Early Redemption at the option of the Issuer*) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions at least 5 (five) days prior to the Selection Date.

- 14.3.4. Holders of Redeemable Notes shall surrender the Individual Certificates in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual Certificates is redeemed, the Transfer Agent shall deliver new Individual Certificates to such Noteholders in respect of the balance of the Notes.

14.4. Early Redemption at the option of Noteholders of Senior Notes

- 14.4.1. If the Noteholders of Senior Notes are specified in the Applicable Pricing Supplement as having an option to put any Senior Notes, the Issuer shall, at the option of the Noteholders of such Tranche of Senior Notes, redeem the Senior Notes on the Optional Redemption Date(s) specified in the relevant Put Notice or in the Applicable Pricing Supplement, as the case may be, at the relevant Optional Redemption Amount together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 14.4 (*Early Redemption at the option of Noteholders of Senior Notes*), the Noteholders of such Senior Notes must, not less than 30 (thirty) nor more than 60 (sixty) days before the relevant Optional Redemption Date(s), surrender the Individual Certificates (if any) relating to such Senior Notes with the Issuer Agent in accordance with Condition 24 (*Notices*), together with a duly completed Put Notice (which Put Notice shall, in respect of Notes represented by an Individual Certificate, specify a bank account in South Africa for the purposes of payment of the Optional Redemption Amount to the holder of such Individual Certificate). The redemption amount specified in such Put Notice in respect of any such Note must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as specified in the Applicable Pricing Supplement, if applicable.

- 14.4.2. The redemption of Senior Notes issued in uncertificated form shall take place in accordance with the Applicable Procedures.
- 14.4.3. The delivery of Put Notices shall be required to take place during normal office hours of the Transfer Agent. *Pro forma* Put Notices shall be available from the Specified Office of the Issuer.
- 14.4.4. Any Put Notice given by a holder of any Senior Note pursuant to this Condition 14.4 (*Early Redemption at the option of Noteholders of Senior Notes*) shall be irrevocable except where, after giving the notice but prior to the due date of redemption, an Event of Default shall have occurred and be continuing in which event such Noteholder, at its option, may elect by notice to the Issuer and the Transfer Agent delivered at least 1 (one) Business Day prior to the Optional Redemption Date, to withdraw the notice given pursuant to this Condition 14.4.4 and instead to declare such Senior Note forthwith due and payable pursuant to Condition 19 (*Events of Default*) of the Terms and Conditions.
- 14.4.5. The Issuer shall have no obligation to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder and shall not be liable whatsoever for any claims or losses arising in connection with a defective or invalid Put Notice.

14.5. Early Redemption upon the occurrence of an Event of Default

Upon the occurrence of an Event of Default and receipt by the Issuer of a written notice declaring Notes held by the relevant Noteholder to be forthwith due and payable in accordance with Condition 19 (*Events of Default*) of the Terms and Conditions, such Notes shall become forthwith due and payable at the Early Redemption Amount in the manner set out in Condition 14.6 (*Early Redemption Amounts*), together with interest (if any) accrued to (but excluding) the date of payment, in accordance with Condition 19 (*Events of Default*) of the Terms and Conditions.

14.6. Early Redemption in the event of a loss of the assigned Rating of the Issuer

- 14.6.1. An Issuer Credit Rating Event shall give each Senior Noteholder the option to request the redemption of such Senior Note by the Issuer.
- 14.6.2. Promptly upon the Issuer becoming aware that an Issuer Credit Rating Event has occurred, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions specifying the nature of the Issuer Credit Rating Event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 14.6.1.

- 14.6.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 14.6.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 14.6.1 to redeem such Senior Note, after which the said option shall expire.
- 14.6.4. Each Senior Noteholder shall exercise its option contained in Condition 14.6.1 by delivering a written notice, in terms of Condition 24 (*Notices*) of the Terms and Conditions, to the Issuer to that effect. A failure by a Senior Noteholder to deliver a notice to redeem in the 14 (fourteen) day period described in Condition 14.6.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 14.6.1.
- 14.6.5. Upon receipt by the Issuer of the notice in Condition 14.6.4, the Issuer shall redeem the relevant Senior Note at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Issuer Credit Rating Event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 14.6.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said Issuer Credit Rating Event, provided that in each case the relevant Senior Notes shall not be redeemed later than their Maturity Date.

14.7. Early Redemption in the event of a loss of the assigned Rating of the Senior Notes

- 14.7.1. A Senior Notes Credit Rating Event shall give each Senior Noteholder the option to request the redemption of such Senior Note by the Issuer.
- 14.7.2. Promptly upon the Issuer becoming aware that a Senior Notes Credit Rating Event has occurred, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions specifying the nature of the Senior Notes Credit Rating Event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 14.7.1.
- 14.7.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 14.7.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 14.7.1 to redeem such Senior Note, after which the said option shall expire.
- 14.7.4. Each Senior Noteholder shall exercise its option contained in Condition 14.7.1 by delivering a written notice, in terms of Condition 24 (*Notices*) of the Terms and Conditions, to the Issuer to that effect. A failure by a Senior Noteholder to deliver

a notice to redeem in the 14 (fourteen) day period described in Condition 14.7.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 14.7.1.

14.7.5. Upon receipt by the Issuer of the notice in Condition 14.7.4, the Issuer shall redeem the relevant Senior Note at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such Senior Notes Credit Rating Event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 14.7.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said Senior Notes Credit Rating Event, provided that in each case the relevant Senior Notes shall not be redeemed later than their Maturity Date.

14.8. Early Redemption in the event that the Notes are no longer listed on a Financial Exchange

14.8.1. If the relevant Tranche of Notes listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s), are no longer listed on a Financial Exchange for a period of more than 10 (ten) days, each Senior Noteholder shall have the option to request the redemption of such Senior Note(s) by the Issuer.

14.8.2. Promptly upon the Issuer becoming aware that the relevant Tranche of Notes listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s), are no longer listed on a Financial Exchange for a period of more than 10 (ten) days, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions specifying the nature of such event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 14.8.1.

14.8.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 14.8.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 14.8.1 to redeem such Senior Note, after which the said option shall expire.

14.8.4. Each Senior Noteholder shall exercise its option contained in Condition 14.8.1 by delivering a written notice, in terms of Condition 24 (*Notices*) of the Terms and Conditions, to the Issuer to that effect. A failure by a Senior Noteholder to deliver a notice to redeem in the 14 (fourteen) day period described in Condition 14.8.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 14.8.1.

14.8.5. Upon receipt by the Issuer of the notice in Condition 14.8.4, the Issuer shall redeem the relevant Senior Note(s) at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 14.8.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said event, provided that in each case the relevant Senior Note(s) shall not be redeemed later than their Maturity Date.

14.9. Early Redemption in the event that the Issuer is no longer listed on a Financial Exchange

14.9.1. If the issued share capital of the Issuer is no longer listed on a Financial Exchange for a period of more than 30 (thirty) days, each Senior Noteholder shall have the option to request the redemption of the Senior Note(s) by the Issuer.

14.9.2. Promptly upon the Issuer becoming aware that its issued share capital is no longer listed on a Financial Exchange, the Issuer shall give notice to the Senior Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions specifying the nature of such event and the circumstances giving rise to it and the procedure for exercising the option contained in Condition 14.9.1.

14.9.3. Upon receipt by the Senior Noteholders of the notice referred to in Condition 14.9.2, each Senior Noteholder shall have 14 (fourteen) days thereafter to exercise its option contained in Condition 14.9.1 to redeem such Senior Note, after which the said option shall expire.

14.9.4. Each Senior Noteholder shall exercise its option contained in Condition 14.9.1 by delivering a written notice, in terms of Condition 24 (*Notices*) of the Terms and Conditions, to the Issuer to that effect. A failure by a Senior Noteholder to deliver a notice to redeem in the 14 (fourteen) day period described in Condition 14.9.3 shall be deemed to be an election by such Senior Noteholder not to exercise the option contained in Condition 14.9.1.

14.9.5. Upon receipt by the Issuer of the notice in Condition 14.9.4, the Issuer shall redeem the relevant Senior Note(s) at the Early Redemption Amount together with accrued interest (if any). Such redemption shall occur on the next Interest Payment Date following such event unless the said Interest Payment Date falls within 60 (sixty) days after the close of the 14 (fourteen) day period referred to in Condition 14.9.3, in which case the Issuer shall redeem the said Senior Notes on the second Interest Payment Date following the said event, provided that in each



case the relevant Senior Note(s) shall not be redeemed later than their Maturity Date.

14.10. Early Redemption at the option of the Senior Noteholders in the event of a termination, cancellation or invalidity of the Guarantee.

- 14.10.1. In the event of the termination, cancellation or invalidity of the guarantee provided by the Guarantor in relation to a Tranche of Notes without the prior approval of the Senior Noteholders of such Notes by way of an Extraordinary Resolution.
- 14.10.2. For a period of 30 (thirty) days following termination, cancellation or invalidity of the Guarantee (as described in Condition 14.10.1), after which such option shall expire, any Senior Noteholder may, by written notice to the Issuer at the Specified Office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Note held by that Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 14.12 (*Early Redemption Amount*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that no such action may be taken by a holder of Senior Notes if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

14.11. Clean-Up Call Option

Subject, in the case of Regulatory Capital Notes, to the written consent of the Relevant Registrar and/or the Relevant Regulator (if required), if on any Interest Payment Date on which the aggregate Nominal Amount of Notes Outstanding in respect of a Series is equal to or less than 10% (ten percent) of the maximum aggregate Nominal Amount of Notes of that Series that have been issued at any time, the Issuer may, having given:

- 14.11.1. not less than 30 (thirty) and not more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 24 (*Notices*); and
- 14.11.2. not less than 7 (seven) days before giving the notice referred to in Condition 14.11.1, notice to the Transfer Agent and the Issuer Agent,

(both of which notices shall be irrevocable) redeem all of the Notes then Outstanding in that Series, together with interest accrued up to (but excluding) the relevant Interest Payment Date.

#### 14.12. Early Redemption Amounts

14.12.1. The Early Redemption Amount shall be calculated as follows:

14.12.1.1. in the case of Notes with a Final Redemption Amount equal to the Nominal Amount, at the Final Redemption Amount thereof; or

14.12.1.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price (to be determined in the manner specified in the Applicable Pricing Supplement), at that Final Redemption Amount or, if no such amount or manner is so specified in the Applicable Pricing Supplement, at their Nominal Amount; or

14.12.1.3. in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") equal to the sum of:

14.12.1.3.1. the Reference Price; and

14.12.1.3.2. the product of the Implied Yield (compounded semi-annually) being applied to the Reference Price from (and including) the Issue Date up to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and payable, or such other amount as is specified in the Applicable Pricing Supplement.

14.12.2. Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 (three hundred and sixty-five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

#### 14.13. Instalment Notes

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 14.6 (*Early Redemption Amounts*).

#### 14.14. Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 13 (*Redemption and Purchase*) and the Applicable Pricing Supplement.

14.15. Exchangeable Notes

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise in the manner specified in the Applicable Pricing Supplement. Exchangeable Notes, in respect of which Mandatory Exchange is specified in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder so many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner specified in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

14.16. Purchases

The Issuer or any of its subsidiaries or any subsidiaries of its holding company may at any time purchase Notes at any price in the open market or otherwise. The Issuer shall not have any voting rights on any Notes repurchased or otherwise held by it.

14.17. Cancellation

All Notes which are redeemed or, subject to Condition 14.16 (*Purchases*), purchased by the Issuer or any of its subsidiaries or any subsidiaries of its holding company and, at its election but subject to Applicable Law, cancelled, shall forthwith be cancelled and may not be reissued or resold. Where only a portion of Notes represented by an Individual Certificate is cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

14.18. Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note, pursuant to Condition 14 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 19 (*Events of Default*), is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 14.12.1, as though the references therein to the Applicable Redemption Date or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) where relevant, 5 (five) days after the date on which the full amount of the monies payable has been received by the CSD, and notice to that effect has been given to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions.

14.19. Applicable Procedures

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Financial Markets Act.

15. **EARLY REDEMPTION OF REGULATORY CAPITAL NOTES FOLLOWING THE OCCURRENCE OF A REGULATORY CAPITAL EVENT**

15.1. Redemption

15.1.1. The Issuer may at its option (but subject to the prior written consent of the Relevant Registrar) on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions, which notice shall be irrevocable, redeem all (but not some only) of the Regulatory Capital Notes if a Regulatory Capital Event has occurred and is continuing, if prior to the giving of such notice, the Auditors have in accordance with Condition 15.1.2 determined that a Regulatory Capital Event has occurred and is continuing.

15.1.2. Regulatory Capital Notes redeemed as a result of a Regulatory Capital Event pursuant to this Condition 15 (*Early Redemption of Regulatory Capital Notes following the occurrence of a Regulatory Capital Event*) will be redeemed at their Early Redemption Amount referred to in Condition 14.6 (*Early Redemption Amounts*) of the Terms and Conditions, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

15.1.3. From the date of publication of any notice of redemption pursuant to this Condition 15 (*Early Redemption of Regulatory Capital Notes following the occurrence of a Regulatory Capital Event*), the Issuer shall make available at its Specified Office, for inspection by any holder of Regulatory Capital Notes to be so redeemed, a certificate signed by or on behalf of the Auditors stating that a Regulatory Capital Event has occurred and is continuing as at the date of the certificate.

15.2. Determination of Regulatory Capital Event

If in the opinion of the Issuer, a Regulatory Capital Event has occurred and is continuing and the Issuer wishes to redeem a Tranche of Notes pursuant to Condition 15.1, the Issuer will forthwith notify the Auditors thereof. Forthwith after receipt of such notice by the Auditors, the Issuer will procure that the Auditors determine, in accordance with this Condition 15.2, whether or not, in the reasonable opinion of the Auditors, a Regulatory Capital Event has occurred and is continuing (the "**Determination**"). The Issuer will, promptly after demand

therefor is made by the Auditors, provide the Auditors with all such information and documents as may reasonably be required by the Auditors to make the Determination.

#### 16. **SUBSTITUTION OF THE ISSUER**

Subject to the prior approval by Extraordinary Resolution of the holders of the Regulatory Capital Notes together with the written approval of the Relevant Registrar and/or Regulator, upon the occurrence of a Regulatory Capital Event the Issuer may be substituted as principal obligor under the Subordinated Notes by any Group Company (the "**Substituted Issuer**"), provided that:

- 16.1. the Substituted Issuer provide an indemnity in favour of all holders of Subordinated Notes in relation to any additional tax or duties that may become payable by any subordinated Noteholder solely as a result of such substitution;
- 16.2. the Issuer and the Substituted Issuer have entered into such documents as are necessary to give effect to the substitution and pursuant to which the Substituted Issuer has undertaken in favour of each Subordinated Noteholder to be bound by the Subordinated Note Conditions as the debtor in place of the Issuer; and
- 16.3. the Issuer and the Substituted Issuer have obtained all governmental and regulatory approvals necessary (including, where such Notes are listed on the Interest Rate Market of the JSE or other Financial Exchange, the approval of the JSE or such other or additional Financial Exchange, as applicable) for such substitution and for the performance by the Substituted Issuer of its obligations under the Programme Memorandum.

#### 17. **TAXATION**

- 17.1. A Noteholder whose Notes are redeemed shall pay all Taxes payable in connection with the payment of the Interest Amount, or the redemption of such Notes and/or the payment of the Final Redemption Amount and/or the Optional Redemption Amount and/or the Early Redemption Amount as a result of such redemption. The Issuer is not liable for or otherwise obliged to pay any Taxes that may arise as a result of the ownership, transfer, redemption or enforcement of any Note.
- 17.2. All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future Taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by Applicable Law.
- 17.3. In such event, the Issuer will, subject to the Issuer's right to redeem such Notes in terms of Condition 14.2 (*Redemption following the occurrence of a Tax Event (Gross Up) or Tax Event (Deductibility) or Change in Law*) of the Terms and Conditions, pay such additional amounts

as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction except that no such additional amounts shall be payable with respect to any Note:

- 17.3.1. held by or on behalf of a Noteholder, who is liable for such Taxes or duties in respect of such Note by reason of the Noteholder's having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 17.3.2. held by or on behalf of a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements or requirements of an administrative nature imposed by the South African revenue authorities in force from time to time, including, without limitation, by making a declaration of non-residence or other similar claim for exemption to which it is entitled to the relevant tax authority or the Issuer Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 17.3.3. held by or on behalf of a Noteholder who could lawfully reduce (but has not so reduced) such withholding or deduction by complying with any statutory requirements or requirements of an administrative nature imposed by the South African revenue authorities in force from time to time, including, without limitation, by making a declaration of non-residence or other similar claim for the reduction to which it is entitled to the relevant tax authority or the Issuer Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder), provided that this exceptions shall only apply to that portion of the withholding or deduction which could lawfully have been so reduced; or
- 17.3.4. held by or on behalf of a Noteholder to the extent that such party could lawfully reduce the amount of taxation otherwise levied or leviable upon the principal or interest by virtue of the application of any tax treaty or non-South African tax laws applicable to such Noteholder, whether by way of a Tax credit, rebate deduction or reduction equal to all or part of the amount withheld or otherwise, and whether or not it is actually claimed and/or granted and/or allowed and in these circumstances the additional amount shall only be payable to the extent that such amount could not be so reduced; or
- 17.3.5. where such withholding or deduction is in respect of Taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the income or taxable income (as defined in section 1 of the Income Tax Act) or

capital gain (as contemplated in paragraph 3 of Schedule 8 to the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or

- 17.3.6. more than 30 (thirty) days after the Relevant Date except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such 30<sup>th</sup> (thirtieth) day; or
- 17.3.7. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of disputers or alleged tax defaulters; or
- 17.3.8. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act ("FATCA") or the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor legislation or provisions), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA and/or the aforementioned rules; or
- 17.3.9. where any combination of the scenarios or occurrences contemplated in Condition 17.3.1 to 17.3.8 occurs.

17.4. If the Issuer becomes subject generally at any time to any taxing jurisdiction, authority or agency other than or in addition to South Africa, references in this Condition 17 (*Taxation*) and in the definitions of "Tax Event (Deductibility)", "Tax Event (Gross up)", "Tax Law Change" and "Taxes" shall be read and construed as references to South Africa and/or to such other jurisdiction, authority or agency.

17.5. Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

## 18. PRESCRIPTION

The Notes will prescribe unless presented for payment of principal and interest within a period of 3 (three) years after the Relevant Date, save that any Individual Certificate constituting a "*bill of exchange or other negotiable instrument*" in accordance with section 11 of the Prescription Act, 1969 (as amended from time to time) will prescribe unless presented for payment of principal and interest within a period of 6 (six) years from the Relevant Date.

## 19. EVENTS OF DEFAULT

19.1. Senior Notes

If, for any particular Series of Notes, one or more of the following events ("**Events of Default**") shall have occurred and be continuing:

- 19.1.1. the Issuer fails to pay any Nominal Amount due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or
- 19.1.2. the Issuer fails to pay any interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 3 (three) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or
- 19.1.3. the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this clause 19.1 (*Senior Notes*)) under or in respect of any of the Senior Notes giving rise to a Material Adverse Effect and such Material Adverse Effect continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from the Senior Noteholders (in accordance with Condition 24 (*Notices*)) in respect of such failure specifying the failure and requesting the Issuer to remedy same; or
- 19.1.4. the Issuer fails to remedy a breach of Condition 10 (*Negative Pledge*) within 30 (thirty) calendar days of receiving written notice from the Senior Noteholders demanding that such breach be remedied; or
- 19.1.5. the Issuer or any Material Subsidiary, as the case may be, defaults in the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by the Issuer or any Material Subsidiary, as the case may be, when and as the same shall become due and payable and where notice has been given to the Issuer or any Material Subsidiary, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal or other obligation has not been effectively extended or if any such obligations constituting a Material Indebtedness of, or assumed or guaranteed by, the Issuer or any Material Subsidiary, as the case may be, shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default thereunder; or



- 19.1.6. any action, Condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its material obligations under the Notes is not in place or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other obligations in terms of the Notes and the Issuer fails to remedy such circumstances within 7 (seven) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 19.1.7. the granting of an order by any competent court or authority for the liquidation, winding-up or dissolution of the Issuer, whether provisionally (and not dismissed or withdrawn within 30 (thirty) days thereof) or finally, or the placing of the Issuer under voluntary liquidation or curatorship, but excluding (i) where such liquidation, curatorship, winding-up or dissolution is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Discovery Group or (ii) where such liquidation, winding-up or dissolution is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement the terms of which were approved by Extraordinary Resolution of Senior Noteholders before the date of the liquidation, winding-up or dissolution; or
- 19.1.8. the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, business rescue, liquidation, winding-up or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any Material Subsidiary, as the case may be, to consider a proposal for business rescue or an arrangement or compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to the Issuer or any of its Material Subsidiaries and is for the purposes of an internal reconstruction or reorganisation within the Discovery Group; or
- 19.1.9. if a person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them in both instances following a judgement against the Issuer or any Material Subsidiary, as the case may be, by a court of

competent jurisdiction and such is not discharged within 21 (twenty one) Court Days; or

- 19.1.10. the Issuer or any Material Subsidiary, as the case may be, ceases to carry on the whole or a substantial part of its business, or otherwise as approved by an Extraordinary Resolution of the Senior Noteholders and the Issuer or any Material Subsidiary, as the case may be, stops payment of, or is unable to, or admits to being unable to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts (or any class of its debts) pursuant to or for the purposes of any Applicable Law; or
- 19.1.11. any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement,

then any Senior Noteholder may, by written notice to the Issuer at the Specified Office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Note held by that Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 14.2 (*Early Redemption Amount*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that no such action may be taken by a holder of Senior Notes if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

- 19.2. No default: For the purposes of Condition 19.1 (*Senior Notes*), non-payment of capital and/or interest (as applicable), pursuant to the provisions of Condition 13 (*Deferral of Principal and Interest*) shall not constitute an Event of Default or any other breach by the Issuer of its obligations under the Senior Notes or for any other purpose.
- 19.3. South African Rand: For the purposes of Condition 19.1.5, any Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.
- 19.4. Subordinated Notes
  - 19.4.1. If the Issuer defaults in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 19.1.7 occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings

against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation or winding up proceedings (see Condition 19.4.2 below), to pay any sum or sums sooner than the same would otherwise have been payable by it.

19.4.2. In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the Senior Creditors of the Issuer have been paid in full.

19.4.3. For so long as no Tranche of Senior Notes remains Outstanding, the provisions of Condition 19.1 (*Senior Notes*) shall apply *mutatis mutandis* to the Subordinated Notes.

19.5. No default: For the purposes of Condition 19.4 (*Subordinated Notes*), non-payment of capital and/or interest (as applicable), pursuant to the provisions of Condition 13 (*Deferral of Principal and Interest*) shall not constitute an Event of Default or any other breach by the Issuer of its obligations under the Senior Notes or for any other purpose.

19.6. Notification of Event of Default: If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 24 (*Notices*), and shall further notify (i) to the extent that there are any Uncertificated Notes Outstanding, the CSD and (ii) if and for so long as any Notes are listed on a Financial Exchange, such Financial Exchange, of such details.

## 20. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES

### 20.1. Exchange of Beneficial Interests

20.1.1. The holder of Uncertificated Notes or a Beneficial Interest therein may, in terms of the Applicable Procedures and in accordance with section 34(e) of the Financial Markets Act, read together with, section 54 of the Companies Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such holding be exchanged for Notes in definitive form represented by an Individual Certificate (the "Exchange Notice"). The Exchange Notice shall specify (i) the name, address and bank account

details of the holder of the Uncertificated Notes or Beneficial Interest therein and (ii) the day on which such holding is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) days after the day on which such Exchange Notice is given (the "Exchange Date").

- 20.1.2. The holder's nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Uncertificated Notes or Beneficial Interest therein for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period, to the Participant acting on behalf of the holder of the Beneficial Interest being converted, at the Specified Office of the Transfer Agent; provided that joint holders of an Uncertificated Note or Beneficial Interest therein shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.
- 20.1.3. In the case of the exchange of an Uncertificated Note or Beneficial Interest therein:
- 20.1.3.1. the CSD shall, prior to the Exchange Date, surrender (through the CSD system) such Uncertificated Notes to the Transfer Agent at its Specified Office;
- 20.1.3.2. the Transfer Agent will obtain the release of such Uncertificated Notes from the CSD in accordance with the Applicable Procedures; and
- 20.1.3.3. an Individual Certificate shall, in relation to an interest in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

20.1.4. Subject always to Applicable Laws and the Applicable Procedures, upon the replacement of an Uncertificated Note or Beneficial Interest therein with Notes in definitive form represented by an Individual Certificate in accordance with this Condition 20 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions, such Notes (now represented by an Individual Certificate) will no longer be held in the CSD and will cease to be capable of being traded on the Financial Exchanges. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

20.2. Replacement

If any Individual Certificate is worn out, mutilated, defaced, stolen, destroyed or lost, it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Worn out, mutilated or defaced Individual Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

20.3. Death and sequestration or liquidation of Noteholder

Any Person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 20.3 (*Death and Sequestration or liquidation of Noteholder*) or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 20.3 (*Death and Sequestration or liquidation of Noteholder*) and Condition 21 (*Transfer of Notes*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any Person is so entitled until such Person shall be registered as aforesaid or shall duly transfer the Notes.

20.4. Costs

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all Taxes and any and all governmental charges or insurance charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other Persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer.

## 21. TRANSFER OF NOTES

### 21.1. Transfer of title or Beneficial Interests in uncertificated Registered Notes

- 21.1.1. Title to Uncertificated Notes will pass on transfer thereof by electronic book entry in the Central Securities Accounts maintained by the CSD in accordance with the Financial Markets Act and the Applicable Procedures.
- 21.1.2. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the Securities Accounts maintained by the Participants for their clients (and in the Central Securities Account, where applicable), in accordance with the Applicable Procedures.
- 21.1.3. Such transfers will be recorded in accordance with the Applicable Procedures.

### 21.2. Transfer of Registered Notes represented by Individual Certificates

- 21.2.1. In order for any transfer of Registered Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
  - 21.2.1.1. the transfer of such Registered Notes must be embodied in a Transfer Form;
  - 21.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Registered Notes and the transferee, or any authorised representatives of that registered Noteholder or transferee; and
  - 21.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Individual Certificate representing such Registered Notes for cancellation.
- 21.2.2. Registered Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- 21.2.3. Subject to this Condition 21.2 (*Transfer of Registered Notes represented by Individual Certificates*), the Transfer Agent will, within 5 (five) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Registered Notes represented by an Individual Certificate (or the relevant portion of such Registered Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of

the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Registered Notes transferred reflecting the Nominal Amount Outstanding of the Registered Notes transferred.

- 21.2.4. Where a Noteholder has transferred a portion only of Registered Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, a new Individual Certificate representing the balance of the Registered Notes held by such Noteholder.
- 21.2.5. The transferor of any Registered Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 21.2.6. Before any transfer of Registered Notes represented by an Individual Certificate is registered in the Register, all relevant transfer Taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 21.2.7. No transfer of any Registered Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 22 (*Register*) of the Terms and Conditions.
- 21.2.8. If a transfer of any Registered Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 21.2.9. In the event of a partial redemption of Notes under Condition 14.3 (*Early Redemption at the Option of the Issuer*), the Transfer Agent shall not be required in terms of Condition 14.3 (*Early Redemption at the option of the Issuer*), to register the transfer of any Notes during the period beginning on the 10<sup>th</sup> (tenth) day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

## 22. REGISTER

- 22.1. The Register shall be kept at the Specified Office of the Transfer Agent or such other Person as may be appointed for the time being by the Issuer to maintain the Register (or in respect of the Uncertificated Securities Register, be kept, administered and maintained by a Participant, or the CSD, as determined in accordance with the Applicable Procedures). The Register shall reflect the number of Registered Notes issued and Outstanding and the date upon which each

of the Noteholders was registered as such. The Register shall contain the name, address, and bank account details of the Noteholders of Registered Notes. The Register shall set out the Nominal Amount of the Notes issued to such Noteholders and shall show the date of such issue. The Register shall show the serial number of Individual Certificates issued in respect of any Notes. The Register shall be open for inspection during the normal business hours of the Issuer to any Noteholder or any Person authorised in writing by any Noteholder. The Transfer Agent shall not be obliged to record any transfer while the Register is closed. The Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject. The Register shall be closed from the Last Day to Register until each payment date of principal and interest in respect of the Notes, as the case may be.

- 22.2. The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of an Individual Certificate of which it is notified in accordance with these Terms and Conditions.
- 22.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Registered Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

### 23. THE TRANSFER AGENT AND THE ISSUER AGENT

- 23.1. Any third party appointed by the Issuer as Transfer Agent and/or Issuer Agent shall act solely as the agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 23.2. If the Issuer elects to appoint another entity (not being the Issuer) as Transfer Agent and/or Issuer Agent, that other entity, on execution of an appropriate agency agreement or an appropriate accession letter to the Issuer Agency agreement, as the case may be, shall serve in that capacity in respect of the Notes. The Issuer shall notify the Noteholders in the manner set out in Condition 24 (*Notices*) of the Terms and Conditions of any such appointment and, if any Notes are listed on the Interest Rate Market of the JSE, the Issuer shall notify the JSE of any such appointment.
- 23.3. The Issuer is entitled to vary or terminate the appointment of the Transfer Agent, the Issuer Agent and/or appoint additional or other agents and/or approve any change in the Specified Office through which any such agent acts, provided that there will at all times be a Transfer Agent and an Issuer Agent with an office in such place as may be required by the Applicable Procedures.



23.4. To the extent that the Issuer acts as the Transfer Agent, Issuer Agent, all references in these Terms and Conditions to:

23.4.1. any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and

23.4.2. requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent or Issuer Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

## 24. NOTICES

### 24.1. Notice by the Issuer to Noteholders holding certificated Notes

24.1.1. All notices to Noteholders in respect of Registered Notes issued in certificated form shall be sent by registered mail or delivered by hand to their addresses appearing in the Register. Any such notice shall be deemed to have been given on the 7<sup>th</sup> (seventh) day after the day on which it is mailed and on the day of delivery if delivered.

24.1.2. In the event of there being any Individual Certificates in issue, notices to such Noteholders shall be published:

24.1.2.1. in an English language daily newspaper of general circulation in South Africa; and

24.1.2.2. for so long as the Notes are listed on the Interest Rate Market of the JSE or such other Financial Exchange, a daily newspaper of general circulation in the city in which the JSE or such other Financial Exchange is situated or any electronic news service of general distribution,

and any such notices shall be deemed to have been given on the date of first publication.

### 24.2. Notices by the Issuer to Noteholders holding uncertificated Notes

For as long as any of the Notes are issued in uncertificated form and are held in their entirety in the CSD, all notices in respect of such Notes shall be by way of delivery by the Issuer to the CSD, the Participants and the JSE or such other Financial Exchange on which the Notes are listed for communication by them to holders of Beneficial Interests in such Notes in accordance with the Applicable Procedures. Each such notice shall be deemed to have been received by the holders of Beneficial Interests on the day of delivery of such notice to the CSD.

24.3. Notice by the Noteholders to the Issuer

A notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Individual Certificate at the office of the Transfer Agent specified in the Applicable Pricing Supplement. For so long as any of the Notes are issued in uncertificated form, notice may be given by any holder of a Beneficial Interest in such Notes to the Issuer via the relevant Issuer Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Issuer Agent may approve for this purpose. Such notices shall be deemed to have been received by the Issuer, if delivered by hand, on the second Business Day after being hand delivered, or, if sent by registered mail, 7 (seven) days after posting.

24.4. Notice in relation to Notes listed on the Interest Rate Market of the JSE

In addition to the provisions of Conditions 24.1, 24.2 and 24.3, for so long as any Notes are listed on the Interest Rate Market of the JSE, all notices in respect of such JSE-listed Notes, shall be made by way of an announcement on SENS.

25. **MEETINGS OF NOTEHOLDERS**

25.1. Convening of meetings

The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes, and shall be obliged to do so upon the request in writing of Noteholders holding not less than 10% (ten percent) of the aggregate Nominal Amount of all Notes or Notes in that Series, as the case may be, for the time being Outstanding (a "**requisition notice**"). Should the Issuer fail to requisition a meeting within 30 (thirty) days of such a requisition notice being delivered to the Specified Office of the Issuer, the Noteholders requesting such a meeting may convene such meeting by written notice to the Issuer and the relevant Noteholders to which such meeting applies in accordance with Condition 24 (*Notices*) of the Terms and Conditions. A meeting so convened must be held within 90 (ninety) days from the date of the requisition notice and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. All meetings of Noteholders shall comply with the mandatory provisions of the law strictly in accordance with the Companies Act and the JSE Debt Listings Requirements in force from time to time.

25.2. Notice

25.2.1. Unless the holders of at least 100% (one hundred percent) of the aggregate Nominal Amount of the Notes Outstanding or relevant Series of Notes Outstanding, as the case may be, agree in writing to a shorter period, at least 21 (twenty one) days' prior written notice (exclusive of the day on which the notice is given and of the day on which the relevant meeting is to be held) specifying the

date, time and place of the meeting shall be given to the Noteholders and the Transfer Agent (with a copy to the Issuer). Every such meeting shall be held at such time and place as the Transfer Agent may approve. The notice shall set out the nature of the business for which the meeting is to be held, the full text of any resolutions to be proposed and shall state that a Noteholder may appoint a proxy (as defined below) by delivering a form of proxy (as defined below) to the Specified Office of the Transfer Agent by no later than 24 (twenty-four) hours before the time fixed for the meeting.

25.2.2. A requisition notice by Noteholders requesting a meeting of Noteholders pursuant to Condition 25.1 (*Convening of meetings*) may consist of several documents in like form, each signed by one or more requisitioning Noteholders. Such a requisition notice will be delivered to the Specified Office of the Issuer.

### 25.3. Proxy

25.3.1. A Noteholder may by an instrument in writing (a "**form of proxy**") signed by the Noteholder or, in the case of a juristic person, signed on its behalf by an attorney or a duly authorised officer of the juristic person, appoint any Person (a "**proxy**") to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders. A Person appointed to act as proxy need not be a Noteholder.

25.3.2. Any Noteholder which is a juristic person may by resolution of its directors or other governing body authorise any Person to act as its Representative in connection with any meeting or proposed meeting of the Noteholders.

25.3.3. Any proxy or Representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.

### 25.4. Chairperson

The chairperson (who may, but need not, be a Noteholder) of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 25 (*Meetings of Noteholders*). Should the Noteholder requisition a meeting, and the Issuer fail to call such a meeting within 30 (thirty) days of the requisition, then the chairperson of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in Person, by Representative or by proxy. The chairperson of an adjourned meeting need not be the same Person as was chairperson of the original meeting.

25.5. Quorum

25.5.1. At any such meeting one or more Noteholders present in Person, by Representative or by proxy, holding in aggregate not less than 30 (thirty) percent of the Nominal Amount of Notes held by the applicable Class of Noteholders for the time being Outstanding, shall form a quorum for the consideration of an Ordinary Resolution.

25.5.2. The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more Noteholders of that Class of Noteholders present or represented by proxies or Representatives and holding or representing in the aggregate a clear majority in Nominal Amount of the Notes held by the applicable Class of Noteholders for the time being Outstanding.

25.5.3. No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

25.5.4. If within 1 (one) hour after the time fixed for any such meeting a quorum is not present, then:

25.5.4.1. in the case of a meeting requested by Noteholders, it shall be dissolved; or

25.5.4.2. in the case of any other meeting, it shall be adjourned for such period (which shall be not less than 14 (fourteen) days and not more than 21 (twenty one) days and to such time and place as the chairperson determines and approved by the Transfer Agent; provided, however, that the meeting shall be dissolved if the Issuer so decides.

25.6. Adjournment of meetings

25.6.1. Subject to the provisions of this Condition 25 (*Meetings of Noteholders*), the chairperson may, with the consent of (and shall if directed by) any Noteholders, adjourn a meeting of Noteholders or a Class of Noteholders from time to time and from place to place.

25.6.2. No business shall be transacted at any adjourned meeting except business left unfinished, and which might lawfully have been transacted, at the meeting from which adjournment took place.

25.7. Notice following adjournment

25.7.1. Condition 25.2 (*Notice*) shall apply to any meeting which is to be resumed after adjournment for want of a quorum save that:

25.7.1.1. 7 (seven) days' notice (exclusive of the day on which the notice is given and of the day on which the relevant meeting is to be held) shall be sufficient; and

25.7.1.2. the notice shall state that that one or more Noteholders present in Person, by Representative or by proxy whatever the Nominal Amount of the Notes held or represented by them will form a quorum for the purpose of considering any resolution, including an Extraordinary Resolution.

25.7.2. It shall not be necessary to give notice of the resumption of a meeting which has been adjourned for any other reason.

25.8. Participation

The following may attend and speak at a meeting:

25.8.1. Noteholders present, by Representative or by proxy provided that no such Person shall be entitled to attend and speak (or vote) unless he provides proof acceptable to the Issuer that he is a Noteholder, its Representative or proxy if so required by the Issuer to do so;

25.8.2. any officer or duly appointed representative of the Issuer and every other Person authorised in writing by the provided that such Person shall not be entitled to vote, other than as a proxy or Representative;

25.8.3. the legal counsel to the Issuer;

25.8.4. the Transfer Agent;

25.8.5. any other Person approved by the Noteholders at such meeting; and

25.8.6. every director or duly appointed representative of the Issuer and every other Person authorised in writing by the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or Representative.

25.9. Poll

Except where otherwise provided, every resolution proposed to be passed at a meeting shall be decided in the first instance on a poll. Any resolution proposed on the election of the chairperson or on any question of adjournment shall be taken at the meeting without adjournment.

25.10. Show of hands

A demand for a vote by show of hands shall be valid if it is made by the chairperson, the Issuer or one or more Noteholders present, by Representative or by proxy (whatever the Nominal Amount of Notes held or represented by them). Unless a resolution has already been validly passed on a poll, the chairperson's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. A valid demand for a vote by show of hands shall not prevent the continuation of the relevant meeting for any other business as the chairperson directs.

25.11. Votes

25.11.1. Every Noteholder present in Person, by Representative or by proxy and who provided proof acceptable to the Issuer of his entitlement to vote, if so required by the Issuer, shall have one vote per Specified Denomination (or the nearest rounded off multiple thereof) of the relevant Series of Notes Outstanding held or represented by him.

25.11.2. The holders of Beneficial Interests in Notes must vote in accordance with the Applicable Procedures. Notwithstanding any other provision contained in this Condition 25 (*Meetings of Noteholders*), the Noteholder in respect of Uncertificated Notes shall vote on behalf of holders of Beneficial Interests in such Notes in accordance with the instructions from the holders of Beneficial Interests conveyed through the Participants in accordance with the Applicable Procedures.

25.11.3. In the case of a voting tie, the chairperson shall have a casting vote.

25.11.4. Unless the form of proxy states otherwise, a Representative or proxy shall not be obliged to exercise all the votes which he is entitled or cast all the votes which he exercises in the same way.

25.12. Validity of votes by proxies

Any vote by a proxy in accordance with the form of proxy shall be valid even if such form of proxy or any instruction pursuant to which it was given has been amended or revoked,

provided that the Transfer Agent or the Issuer at its Specified Office has not been notified in writing of such amendment or revocation by the time which is 24 (twenty four) hours before the time fixed for the relevant meeting. Unless revoked, any appointment of a proxy under a form of proxy in relation to a meeting shall remain in force in relation to any resumption of such meeting following an adjournment.

25.13. Powers

25.13.1. A meeting of Noteholders will have the power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:

25.13.1.1. by Ordinary Resolution of the Noteholders to give instructions to the Issuer in respect of any matter not covered by the Terms and Conditions (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Terms and Conditions or imposing obligations on the Issuer not imposed or contemplated by the Terms and Conditions or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions); and

25.13.1.2. by Extraordinary Resolution:

25.13.1.2.1. to sanction any compromise or arrangement proposed to be made between the Issuer and the Class of Noteholders or any of them; or

25.13.1.2.2. assent to any modification of the provisions contained in the Terms and Conditions which shall be proposed by the Issuer.

25.13.2. Unless other specified, resolutions of Noteholders will require an Ordinary Resolution to be passed.

25.14. Binding effect of resolutions

Any resolution passed in accordance with the provisions hereof and agreed to by the Issuer shall be binding upon all Noteholders whether or not present at such meeting and whether or not voting (or whether or not they signed any written resolution, as the case may be), and each Noteholder shall be bound to give effect thereto.

25.15. Notice of the result of voting on any resolution

Notice of the result of the voting on any resolution (including any Extraordinary Resolution) duly considered by the Noteholders shall be given to the Noteholders within 14 (fourteen) days

of the conclusion of the meeting in accordance with Condition 24 (*Notices*) of the Terms and Conditions. Non-publication shall not invalidate any such resolution.

25.16. Minutes

Minutes shall be made of all resolutions and proceedings of meetings by the Transfer Agent and duly entered in books to be provided by the Issuer for that purpose. The chairperson shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such meeting in respect of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

26. **MODIFICATION**

- 26.1. Subject to the Companies Act, any regulations promulgated under the Companies Act, the listings requirements of the JSE and the listings requirements of any other applicable Financial Exchange, as the case may be, the Issuer may effect, without the consent of the relevant Class of Noteholders, any modification of the Terms and Conditions which is of a technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated and the governing law in accordance with which Notes are issued.
- 26.2. Upon making any modification of the Terms and Conditions which is of a technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law as contemplated in Condition 26.1 above, the Issuer will submit the amended Terms and Conditions to the JSE immediately upon finalising such amendments. Thereafter, the Issuer will release an announcement on SENS, providing a summary of the amendments made, and information regarding where the amended Terms and Conditions will be available for inspection.
- 26.3. Save as provided in Condition 26.1, no amendment, variation or modification of these Terms and Conditions may be effected unless:
- 26.3.1. in writing and signed by or on behalf of the Issuer and by or on behalf of the members of the relevant Class of Noteholders holding not less than 66.67% (sixty six point six seven percent) in Nominal Amount, of the Notes in that Series for the time being Outstanding; or
- 26.3.2. sanctioned by an Extraordinary Resolution of the relevant Class of Noteholders,
- provided that no such amendment, variation or modification shall be of any force or effect unless notice of the intention to make such amendment, variation or modification shall have



been given to all of the relevant Class of Noteholders in terms of Condition 24 (*Notices*) of the Terms and Conditions.

- 26.4. The Issuer shall be obliged to first obtain approval from the JSE prior to seeking the approval of the relevant Noteholders as contemplated in Condition 26.2, or otherwise making any other modification of the Terms and Conditions applicable to Notes listed on the Interest Rate Market of the JSE.
- 26.5. The Issuer shall effect any modification of the Terms and Conditions, strictly in accordance with the JSE Debt Listings Requirements in force from time to time.
- 26.6. Any modification of the Regulatory Capital Terms is subject to the Issuer obtaining the consent of the Relevant Registrar.
- 26.7. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be notified to the relevant Class of Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions as soon as practicable after making such modification.
- 26.8. For the avoidance of doubt:
- 26.8.1. the provision of any rights of security to or for the benefit of any Class of Noteholders in accordance with Condition 10 (*Negative Pledge*) of the Terms and Conditions or the exercise by the Issuer of its rights under Condition 23 (*The Transfer Agent and the Issuer Agent*) shall not constitute a modification of these Terms and Conditions; and
- 26.8.2. it is recorded that the Applicable Pricing Supplement in relation to any Tranche of Notes may specify any other terms and conditions which shall, to the extent so specified or the extent inconsistent with the Terms and Conditions, amend, replace or modify the Terms and Conditions for purposes of such Tranche of Notes. The issuing of any Applicable Pricing Supplement shall not constitute an amendment of these Terms and Conditions requiring the approval of the JSE.

## 27. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes (the "**Additional Notes**") having terms and conditions which are identical to any of the other Notes already issued under the Programme (the "**Existing Notes**") or the same in all respects save for their respective Interest Commencement Dates, Issue Prices, Issue Dates and aggregate Nominal Amounts, so that the Additional Notes shall be (i) consolidated to form a single Series with the Existing Notes and (ii) rank *pari passu* in all respects with the Existing Notes.

**28. GOVERNING LAW**

Unless otherwise specified in the Applicable Pricing Supplement, the provisions of the Terms and Conditions and the Notes are governed by, and shall be construed in accordance with, the laws of South Africa.

**PRO FORMA APPLICABLE PRICING SUPPLEMENT (SENIOR AND SUBORDINATED NOTES)**

Set out below is the form of Applicable Pricing Supplement which will be completed for each Tranche of Senior Notes or Subordinated Notes issued under the Programme:

**DISCOVERY LIMITED**

*(Incorporated in the Republic of South Africa with limited liability under Registration number:  
1999/007789/06)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Under its ZAR10,000,000,000 Domestic Medium Term Note Programme**

**Unconditionally and irrevocably guaranteed, jointly and severally by**

**DISCOVERY HEALTH PROPRIETARY LIMITED**

*(incorporated in the Republic of South Africa with limited liability under Registration  
Number 1997/013480/07)*

and

**DISCOVERY VITALITY PROPRIETARY LIMITED**

*(incorporated in the Republic of South Africa with limited liability under Registration  
Number 1999/007736/07)*

**[Stock Code]**

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "Terms and Conditions") set forth in the Discovery Limited ZAR10,000,000,000 Domestic Medium Term Note Programme Memorandum dated [●] 2017 (the "Programme Memorandum"), as updated and amended from time to time. This Applicable Pricing Supplement must be read in conjunction with such Programme Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

[Prospective purchasers of any Notes should ensure that they fully understand the nature of the Notes and the extent of their exposure to risks, and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial position. Specialist securities involve a high degree of risk, including the risk of losing some or a significant part of their initial investment. Potential investors should be prepared to sustain a total loss of their investment in such Notes. The Notes represent general, unsecured, unsubordinated, contractual obligations of the Issuer and rank *pari passu* in all respects with each other. Purchasers are reminded that the Notes constitute obligations of the Issuer only and of no other person. Therefore, potential purchasers should understand that they are relying on the creditworthiness of the Issuer.]<sup>1</sup>

## PARTIES

1.	Issuer	Discovery Limited
2.	Specified Office	[...]
3.	Guarantor	Discovery Health Proprietary Limited
4.	Specified Office	[...]
5.	Guarantor	Discovery Vitality Proprietary Limited
6.	Specified Office	[...]
7.	If non-syndicated, Dealer(s)	[...]
8.	If syndicated, Managers	[...]
9.	Debt Sponsor	[...]
10.	Issuer Agent	[...]
11.	Specified Office	[...]
12.	Transfer Agent	[...]
13.	Specified Office	[...]
14.	Stabilising manager (if any)	[...]
15.	Specified Office	[...]

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<sup>1</sup> To be included – revised as required – where “specialist securities” as contemplated in section 19 of the JSE Listings Requirements (other than exchange traded funds, asset-backed securities and depository receipts) are issued.

## PROVISIONS RELATING TO THE NOTES

16.	Status of Notes <sup>2</sup>	[Senior Note (see Condition 5 ( <i>Status of Senior Notes</i> ) of the Terms and Conditions)] / [Subordinated Note (see Condition 6 ( <i>Status of Subordinated Notes that are not Regulatory Capital Notes</i> ) of the Terms and Conditions)]  [Secured/Unsecured]
	(i) Series Number	[...]
	(ii) Tranche Number	[...]
17.	Guaranteed	[Yes/No]
18.	Aggregate Nominal Amount of Tranche	[...]
19.	Aggregate Nominal Amount of Notes Outstanding as at the Issue Date	[...] [, excluding this Tranche of Notes but including all other Notes issued on the Issue Date.]
20.	Interest Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed/Partly Paid/Instalment/other] Notes
21.	Form of Notes	[Listed/Unlisted] Registered Notes: [The Notes in this Tranche are issued in uncertificated form and held by the CSD / The Notes in this Tranche are issued in certificated form represented by Individual Certificates]].
22.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	[insert details including date for conversion]
23.	Issue Date	[...]
24.	Business Centre	Johannesburg
25.	Additional Business Centre	[...]

<sup>2</sup> Select whether the Notes to be issued are Senior Notes or Subordinated Notes (other than Regulatory Capital Notes).

26.	Nominal Amount	[...] per Note
27.	Specified Denomination	[...] per Note
28.	Issue Price	[...] per Note
29.	Interest Commencement Date	[...]
30.	Maturity Date	[...]
31.	Specified Currency	[...]
32.	Applicable Business Day Convention	[Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details]
33.	Final Redemption Amount	[...]
34.	Books Closed Period(s)	The Register will be closed from [...] to [...] and from [...] to [...] (all dates inclusive) in each year until the Maturity Date
35.	Last Day to Register	[...], [...], [...] and, [...], or the last day immediately preceding the commencement of the Books Closed Period
36.	Default Rate	[...]

#### FIXED RATE NOTES

37.	(i) Fixed Rate of Interest	[...] percent per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
	(ii) Fixed Interest Payment Date(s)	[...] in each year up to and including the Maturity Date/other
	(iii) Fixed Coupon Amount(s)	[...] per [...] in Nominal Amount
	(iv) Initial Broken Amount	[...]
	(v) Final Broken Amount	[...]
	(vi) Interest Rate Determination Date(s)	[...] in each year

(vii)	Day Count Fraction	[Actual/365] [Actual (ISDA)] [ Actual/Actual (ICMA)]  [Actual/365 (Fixed)]  [Actual/360] [30/360] [30E/360] [Eurobond Basis]
(viii)	Any other terms relating to the particular method of calculating interest	[...]

### FLOATING RATE NOTES

38.	(i)	Interest Rate(s)	Reference Rate plus Margin
	(ii)	Interest Payment Date(s)	[...] with the first Interest Payment Date being [•]
	(iii)	Interest Period(s)	[•]
	(iv)	Definition of Business Day (if different from that set out in Condition 1 ( <i>Interpretation</i> ))	[•]
	(v)	Minimum Rate of Interest	[•] percent per annum
	(vi)	Maximum Rate of Interest	[•] percent per annum
	(vii)	Day Count Fraction	[Actual/365] [Actual (ISDA)] [Actual/Actual (ICMA)]  [Actual/365 (Fixed)]  [Actual/360] [30/360] [30E/360] [Eurobond Basis]
	(viii)	Other terms relating to the method of calculating interest, if different from Condition 11.2 ( <i>Interest on Floating Rate Notes and Indexed Interest Notes</i> ) of the Terms and Conditions (e.g.: Day Count Fraction, rounding up provision)	[•]

- |     |   |   |
|-----|---|---|
| 39. | Manner in which the Rate of Interest is to be determined  | [ISDA Determination / Screen Rate Determination/other – insert details]                       |
| 40. | Margin  | [[...] basis points to be added to / subtracted from the relevant ISDA Rate / Reference Rate] |
| 41. | If ISDA Determination:  |   |
|     | (i) Floating Rate   | [...]   |
|     | (ii) Floating Rate Option   | [...]   |
|     | (iii) Designated Maturity   | [...]   |
|     | (iv) Reset Date(s)  | [...]   |
|     | (v) ISDA Definitions to apply   | [...]   |
| 42. | If Screen Determination:  |   |
|     | (i) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)   | [...]   |
|     | (ii) Interest Rate Determination Date(s)  | [...]   |
|     | (iii) Relevant Screen Page and Reference Code   | [...]   |
| 43. | If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/ Fall-back provisions | [...]   |

#### ZERO COUPON NOTES

- |     |  |   |
|-----|--|---|
| 44. | (i) Implied Yield  | [•]   |
|     | (ii) Reference Price   | Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding] |
|     | (iii) Any other formula or basis for determining amount(s) payable | [...]   |



**PARTLY PAID NOTES**

- |     |       |  |                         |
|-----|-------|--|-------------------------|
| 45. | (i)   | Amount of each payment comprising the Issue Price  | [...]                   |
|     | (ii)  | Dates upon which each payment is to be made by Noteholder  | [...]                   |
|     | (iii) | Consequences (if any) of failure to make any such payment by Noteholder  | [...]                   |
|     | (iv)  | Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments | [...] percent per annum |

**INSTALMENT NOTES**

- |     |   |       |
|-----|---|-------|
| 46. | Instalment Dates  | [...] |
| 47. | Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) | [...] |

**MIXED RATE NOTES**

- |     |  |                     |       |
|-----|--|---------------------|-------|
| 48. | Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:                    |                     |       |
|     | (i)  | Fixed Rate Notes    | [...] |
|     | (ii)   | Floating Rate Notes | [...] |
|     | (iii)  | Index-Linked Notes  | [...] |
|     | (iv)   | [Other Notes        | [...] |
| 49. | The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes |                     |       |

**INDEX-LINKED NOTES**

- |     |     |                            |  |
|-----|-----|----------------------------|--|
| 50. | (i) | Type of Index-Linked Notes | [Indexed Interest Notes / Indexed Redemption Amount Notes] |
|-----|-----|----------------------------|--|

- |        |  |  |
|--------|--|--|
| (ii)   | Code   | [...]  |
| (iii)  | Currency of Index  | [...]  |
| (iv)   | Index Sponsor  | [...]  |
| (v)    | Index/Formula by reference to which Interest Rate / Interest Amount is to be determined                | [...]  |
| (vi)   | Manner in which the Interest Rate / Interest Amount is to be determined                                | [...]  |
| (vii)  | Interest Period(s)   | [...]  |
| (viii) | Interest Payment Date(s)   | [...]  |
| (ix)   | [Base CPI for Indexed-Linked Notes]  | [...]  |
| (x)    | if different from the Issuer Agent, agent responsible for calculating amount of principal and interest | [[Name] shall be the Issuer Agent ( <i>no need to specify if the Issuer Agent is to perform this function</i> )] [Please note: If the performance of an instrument to be listed on the Interest Rate Market of the JSE relates to the performance of an index and/or the calculation thereof, the index Issuer Agent for Debt Securities must be registered as such with the JSE – paragraph 4.11(j) of the JSE Debt Listings Requirements.] |
| (xi)   | Provisions where calculation by reference to Index and/or Formula is impossible or impracticable       | [...]  |
| (xii)  | Definition of Business Day (if different from that set out in Condition 1 ( <i>Interpretation</i> ))   | [...]  |
| (xiii) | Minimum Rate of Interest   | [...] percent per annum  |
| (xiv)  | Maximum Rate of Interest   | [...] percent per annum  |
| (xv)   | Index ground rules documents will be available on the website  | [...]  |

- |        |  |   |
|--------|--|---|
| (xvi)  | Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)   | [...]   |
| (xvii) | Other terms relating to Index-Linked Notes   | [Please Note: Additional JSE requirements may be applicable if Index-Linked Notes are issued. See the JSE guidelines for Acceptable Index Providers and section 19 of the JSE Listings Requirements.] |
| 51.    | Any changes to the index methodology will be published on SENS and communicated to the JSE.                    |   |
| 52.    | All other changes as detailed in the ground rules document will be published on the index calculator's website | [...]   |
| 53.    | The level of the index is published  | [Daily/Monthly]   |
| 54.    | The level of the index will be published on the website  | [...]   |
| 55.    | Indices underlying the index being referenced  | [...]   |
| 56.    | The level of each of the indices underlying the index being referenced is published                            | [Daily/Monthly]   |
| 57.    | The level of each of the indices underlying the index being referenced will be published on the website        | [...]   |

#### DUAL CURRENCY NOTES

- |     |   |  |
|-----|---|--|
| 58. | (i) Type of Dual Currency Notes   | [Dual Currency Interest/Dual Currency Redemption Amount] Notes |
|     | (ii) Rate of Exchange/method of calculating Rate of Exchange  | [...]  |
|     | (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable | [...]  |

- |      |  |       |
|------|--|-------|
| (iv) | Person at whose option Specified<br>Currency(ies) is/are payable | [...] |
|------|--|-------|

#### EXCHANGEABLE NOTES

- |     |   |          |
|-----|---|----------|
| 59. | (i) Mandatory Exchange applicable?              | [Yes/No] |
|     | (ii) Noteholders' Exchange Right<br>applicable? | [Yes/No] |
|     | (iii) Exchange Securities                       | [...]    |
|     | (iv) Manner of determining Exchange Price       | [...]    |
|     | (v) Exchange Period                             | [...]    |
|     | (vi) Other                                      | [...]    |

#### EXTENDIBLE NOTES

- |     |  |       |
|-----|--|-------|
| 60. | (i) Last day to which Redemption Date<br>may be extended | [...] |
|     | (ii) Step-up Margin                                      | [...] |
|     | (iii) Requisite Notice                                   | [...] |
|     | (iv) Other   | [...] |

#### EQUITY-LINKED NOTES

- |     |                 |       |
|-----|-----------------|-------|
| 61. | Instrument name | [...] |
| 62. | ISIN No.        | [...] |
| 63. | Other           | [...] |

#### OTHER NOTES

- |     |   |       |
|-----|---|-------|
| 64. | If the Notes are not Fixed Rate Notes,<br>Floating Rate Notes or Zero Coupon Notes or<br>if the Notes are a combination of any of the<br>aforegoing, set out the relevant description<br>and any additional Terms and Conditions,<br>approved by the JSE, relating to such Notes. | [...] |
|-----|---|-------|

**PROVISIONS REGARDING REDEMPTION / MATURITY**

65. Prior consent of the Relevant Registrar or Regulator required for any redemption [Yes/No]
- If yes: conditions applicable to consent of the Relevant Registrar or Regulator [Insert details/conditions]
66. Redemption at the option of the Issuer: if yes: [Yes/No]
- If yes:
- (i) Optional Redemption Date(s) [...]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [...]
- (iii) Minimum period of notice (if different from Condition 14.3 (*Early Redemption at the Option of the Issuer*)) [...]
- (iv) Redeemable in part: [Yes/No]
- If yes:
- Minimum Redemption Amount(s) [...]
- Higher Redemption Amount(s) [...]
- (v) Other terms applicable on Redemption
67. Redemption at the Option of the Senior Noteholders: [Yes/No]<sup>3</sup>
- If yes:
- (i) Optional Redemption Date(s) [...]
- (ii) Optional Redemption Amount(s) [...]
- (iii) Minimum period of notice (if different from Condition 14.4 (*Early Redemption*)) [...]

<sup>3</sup> This right is only applicable to Senior Notes.

*at the option of Noteholders of Senior Notes)*

- |      |  |          |
|------|--|----------|
| (iv) | If redeemable in part:   |          |
|      | Minimum Redemption Amount(s)   | {...}    |
|      | Higher Redemption Amount(s)  | {...}    |
| (v)  | Other terms applicable on Redemption   | {...}    |
| (vi) | Attach pro forma put notice(s)   |          |
| 68.  | Redemption at the Option of the Senior Noteholders upon the occurrence of an Optional Redemption Event in terms of Conditions 14.6, 14.7, 14.8, 14.9 or 14.10: |          |
|      | (i) Early Redemption in the event of a loss of the assigned Rating of the Issuer   | {...}    |
|      | (ii) Early Redemption in the event of a loss of the assigned Rating of the Senior Notes  | {...}    |
|      | (iii) Early Redemption in the event that the Notes are no longer listed on a Financial Exchange  | {...}    |
|      | (iv) Early Redemption in the event that the Issuer is no longer listed on a Financial Exchange   | {...}    |
|      | (v) Early Redemption at the option of the Senior Noteholders in the event of a termination, cancellation or invalidity of the Guarantee                        | {...}    |
| 69.  | Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required).  | [Yes/No] |
|      | If an amount other than the Early Redemption Amount is payable on redemption for taxation  |          |

reasons or on Event of Default [only complete if "no" elected in item 69 above]:

- (i) Amount payable; or [...]
- (ii) Method of calculation of amount payable [...]

## GENERAL

70. Notes in issue  
As at the date of this issue, the Issuer has issued Notes in the aggregate total amount of ZAR[●] under the Programme.  
  
The aggregate Nominal Amount of all Notes issued under the Programme as at the Issue Date, together with the aggregate Nominal Amount of this Tranche (when issued), will not exceed the Programme Amount.
71. Financial Exchange  
[JSE Limited]/[Specify other or additional Financial Exchange, if applicable]
72. Relevant sub-market of the Financial Exchange  
[Interest Rate Market of the JSE Limited]  
/[Specify relevant sub-market of the Financial Exchange]
73. Additional selling restrictions  
[...]
74. ISIN No.  
[...]
75. Stock Code  
[...]
76. Additional selling restrictions  
[...]
77. Provisions relating to stabilisation  
[...]
78. Method of distribution  
[Dutch auction or other]
79. Governing law (if the laws of South Africa are not applicable)  
[...]
80. Use of proceeds  
[...]

81.	Pricing Methodology	[Standard JSE pricing methodology / other – insert details]
82.	Other provisions	[...]
83.	Rating and issue date thereof	[...]
84.	Date of rating review	[...]
85.	Rating of Guarantor	[...]
86.	Date of rating review	[...]
87.	Rating of Guarantor	[...]
88.	Date of rating review	[...]
89.	Rating Agency	[...]

**DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS**

90. Paragraph 3(5)(a)

The ultimate borrower is the Issuer.

91. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

92. Paragraph 3(5)(c)

The auditor of the Issuer is PriceWaterhouseCoopers Inc.

93. Paragraph 3(5)(d)

As at the date of this issue:

- (i) the Issuer has [not issued any commercial paper]/[already issued ZAR●,000,000 commercial paper (excluding commercial paper relating to this issuance)]; and
- (ii) the Issuer estimates that it may still issue ZAR[●],000,000 of commercial paper (excluding commercial paper relating to this issuance) during the current financial year.



94. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

95. Paragraph 3(5)(f)

There has been no material adverse change in the financial or trading position of the Issuer since the date of its last audited financial statements up to the date of this Programme Memorandum.

96. Paragraph 3(5)(g)

The Notes issued will be [listed/unlisted].

97. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].

98. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are [secured]/[unsecured].

99. Paragraph 3(5)(j)

PriceWaterhouseCoopers Inc., the statutory auditors of the Issuer, have confirmed that [their review did not reveal anything which indicates / nothing has come to their attention to indicate] that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law and the Debt Listings Requirements. The issuer accepts full responsibility for the accuracy of the information contained in the placing document and the annual financial statements and/or the pricing supplements.

The JSE takes no responsibility for the contents of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the

aforementioned documents. The JSE's approval of the registration of the placing document and listing of the debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

Application [is hereby]/[will not be] made to list this issue of Notes [on [•]].

SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20[•]

for and on behalf of

**DISCOVERY LIMITED**

\_\_\_\_\_  
Name:

Capacity: Director

Who warrants his/her authority hereto

\_\_\_\_\_  
Name:

Capacity: Director

Who warrants his/her authority hereto

**PRO FORMA APPLICABLE PRICING SUPPLEMENT (REGULATORY CAPITAL NOTES)**

Set out below is the form of Applicable Pricing Supplement which will be completed for each Tranche of Regulatory Capital Notes issued under the Programme:

**DISCOVERY LIMITED**

*(Incorporated in the Republic of South Africa with limited liability under Registration number:  
1999/007789/06)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Under its ZAR10,000,000,000 Domestic Medium Term Note Programme**

**Unconditionally and irrevocably guaranteed, jointly and severally by**

**DISCOVERY HEALTH PROPRIETARY LIMITED**

*(incorporated in the Republic of South Africa with limited liability under Registration  
Number 1997/013480/07)*

and

**DISCOVERY VITALITY PROPRIETARY LIMITED**

*(incorporated in the Republic of South Africa with limited liability under Registration Number 1999/007736/07)*

**[Stock Code]**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated [•] 2017 and approved by the JSE on [•] 2017, prepared by Discovery Limited in connection with the Discovery Limited ZAR10,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the "Programme Memorandum").

Unless otherwise defined in the Applicable Pricing Supplement, any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the sections of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Regulatory Capital Notes described herein. The Regulatory Capital Notes described herein are issued on and subject to the applicable

Regulatory Capital Requirements and the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

## **PARTIES**

1.	Issuer	Discovery Limited
2.	Specified Office	[...]
3.	Guarantor	Discovery Health Proprietary Limited
4.	Specified Office	[...]
5.	Guarantor	Discovery Health Proprietary Limited
6.	Specified Office	[...]
7.	Specified Office	[...]
8.	If non-syndicated, Dealer(s)	[...]
9.	If syndicated, Managers	[...]
10.	Debt Sponsor	[...]
11.	Issuer Agent	[...]
12.	Specified Office	[...]
13.	Transfer Agent	[...]
14.	Specified Office	[...]
15.	Stabilising manager (if any)	[...]
16.	Specified Office	[...]

**PROVISIONS RELATING TO THE NOTES**

17.	Status of Notes	[Tier [...]] Regulatory Capital Notes (see Condition 7 ( <i>Status of Subordinated Notes that are Regulatory Capital Notes</i> ) of the Terms and Conditions)
		These Regulatory Capital Notes are Unsecured
	(i) Series Number	[...]
	(ii) Tranche Number	[...]
18.	Guaranteed	[Yes/No]
19.	Aggregate Nominal Amount of Tranche	
20.	Aggregate Nominal Amount of Notes Outstanding as at the Issue Date	[...] [, excluding this Tranche of Notes but including all other Notes issued on the Issue Date.]
21.	Interest Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed/Partly Paid/Instalment/other] Notes
22.	Form of Notes	[Listed/Unlisted] Registered Notes: [The Notes in this Tranche are issued in uncertificated form and held by the CSD / The Notes in this Tranche are issued in certificated form represented by Individual Certificates].
23.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	[insert details including date for conversion]
24.	Issue Date	[...]
25.	Business Centre	Johannesburg
26.	Additional Business Centre	[...]
27.	Nominal Amount	[...] per Note
28.	Specified Denomination	[...] per Note

29.	Issue Price	[...] per Note
30.	Interest Commencement Date	[...]
31.	Maturity Date	[...] subject to Condition 7 ( <i>Status of Regulatory Capital Notes</i> ) (and specifically Condition 7.2 ( <i>Subordination</i> ))
32.	Specified Currency	[...]
33.	Applicable Business Day Convention	[Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details]
34.	Final Redemption Amount	.../[The [aggregate outstanding] Nominal Amount (plus accrued interest, if any, to the Maturity Date).] [See item 43 above.], subject to Condition 13 ( <i>Deferral of Principal and Interest</i> )
35.	Books Closed Period(s)	The Register will be closed from [...] to [...] and from [...] to [...] (all dates inclusive) in each year until the Maturity Date
36.	Last Day to Register	..., [...], [...] and, [...], or the last day immediately preceding the commencement of the Books Closed Period
37.	Default Rate	[...]
38.	Additional provisions applicable to Regulatory Capital Notes	[Applicable]/[N/A]  <i>(Specify Additional Conditions (if any) prescribed by the Relevant Registrar/Regulator and those of the applicable Regulatory Capital Requirements (if any) which are not set out in the Note Terms and Conditions.)</i>
39.	Optional Deferral of Interest	[Yes/No], subject to Condition 13.4. [If yes, additional conditions applicable]

**FIXED RATE NOTES**

40. (i) Fixed Rate of Interest [...] percent per annum [payable [annually/ semi-annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Fixed Interest Payment Date(s) [...] in each year up to and including the Maturity Date/other, subject to Condition 13 (*Deferral of Principal and Interest*)
- (iii) Fixed Coupon Amount(s) [...] per [...] in Nominal Amount
- (iv) Initial Broken Amount [...]
- (v) Final Broken Amount [...]
- (vi) Interest Rate Determination Date(s) [...] in each year
- (vii) Day Count Fraction [Actual/365] [Actual (ISDA)] [ Actual/Actual (ICMA)]  
[Actual/365 (Fixed)]  
[Actual/360] [30/360] [30E/360] [Eurobond Basis]
- (viii) Any other terms relating to the particular method of calculating interest [...]

**FLOATING RATE NOTES**

41. (i) Interest Rate(s) Reference rate plus Margin
- (ii) Interest Payment Date(s) [...] with the first Interest Payment Date being [●]
- (iii) Interest Period(s) [●]
- (iv) Definition of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [●]
- (v) Minimum Rate of Interest [●] percent per annum
- (vi) Maximum Rate of Interest [●] percent per annum

(vii) Day Count Fraction	[Actual/365] [Actual (ISDA)] [Actual/Actual (ICMA)]
	[Actual/365 (Fixed)]
	[Actual/360] [30/360] [30E/360] [Eurobond Basis]
(viii) Other terms relating to the method of calculating interest, if different from Condition 11.2 ( <i>Interest on Floating Rate Notes and Indexed Interest Notes</i> ) of the Terms and Conditions (e.g.: Day Count Fraction, rounding up provision)	[*]
42. Manner in which the Rate of Interest is to be determined	[ISDA Determination / Screen Rate Determination/other – insert details]
43. Margin	[...] basis points
44. If ISDA Determination:	
(i) Floating Rate	[...]
(ii) Floating Rate Option	[...]
(iii) Designated Maturity	[...]
(iv) Reset Date(s)	[...]
(v) ISDA Definitions to apply	[...]
45. If Screen Determination:	
(i) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)	[...]
(ii) Interest Rate Determination Date(s)	[...]
(iii) Relevant Screen Page and Reference Code	[...]
46. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen	[...]



Determination, insert basis for determining  
Rate of Interest/Margin/ Fall-back provisions

#### ZERO COUPON NOTES

- |     |       |  |   |
|-----|-------|--|---|
| 47. | (i)   | Implied Yield  | [•]   |
|     | (ii)  | Reference Price  | Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding] |
|     | (iii) | Any other formula or basis for determining amount(s) payable | [...]   |

#### PARTLY PAID NOTES

- |     |       |  |                         |
|-----|-------|--|-------------------------|
| 48. | (i)   | Amount of each payment comprising the Issue Price  | [...]                   |
|     | (ii)  | Dates upon which each payment is to be made by Noteholder  | [...]                   |
|     | (iii) | Consequences (if any) of failure to make any such payment by Noteholder  | [...]                   |
|     | (iv)  | Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments | [...] percent per annum |

#### INSTALMENT NOTES

- |     |   |       |
|-----|---|-------|
| 49. | Instalment Dates  | [...] |
| 50. | Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) | [...] |

#### MIXED RATE NOTES

- |     |   |                     |       |
|-----|---|---------------------|-------|
| 51. | Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for: |                     |       |
|     | (i)   | Fixed Rate Notes    | [...] |
|     | (ii)  | Floating Rate Notes | [...] |

- (iii) Index-Linked Notes [...]
- (iv) [Other Notes [...]

52. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

#### INDEX-LINKED NOTES

53. (i) Type of Index-Linked Notes [Indexed Interest Notes / Indexed Redemption Amount Notes]
- (ii) Code [...]
  - (iii) Currency of the index [...]
  - (iv) Index Sponsor [...]
  - (v) Index/Formula by reference to which Interest Rate / Interest Amount is to be determined [...]
  - (vi) Manner in which the Interest Rate / Interest Amount is to be determined [...]
  - (vii) Interest Period(s) [...]
  - (viii) Interest Payment Date(s) [...]
  - (ix) [Base CPI for Indexed-Linked Notes] [...]
  - (x) if different from the Issuer Agent, agent responsible for calculating amount of principal and interest [[*Name*] shall be the Issuer Agent (*no need to specify if the Issuer Agent is to perform this function*)] [Please note: If the performance of an instrument to be listed on the Interest Rate Market of the JSE relates to the performance of an index and/or the calculation thereof, the index Calculation Agent for Debt Securities must be registered as such with the JSE – paragraph 4.11(j) of the JSE Debt Listings Requirements.]

(xi) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable	[...]
(xii) Definition of Business Day (if different from that set out in Condition 1 ( <i>Interpretation</i> ))	[...]
(xiii) Minimum Rate of Interest	[...] percent per annum
(xiv) Maximum Rate of Interest	[...] percent per annum
(xv) Index ground rules document will be available on the website	[...]
(xvi) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)	[...]
(xvii) Other terms relating to Index-Linked Notes	[Please Note: Additional JSE requirements may be applicable if Index-Linked Notes are issued. See the JSE guidelines for Acceptable Index Providers and section 19 of the JSE Listings Requirements.]
54. Any changes to the index methodology will be published on SENS and communicated to the JSE	
55. All other changes as detailed in the ground rules document will be published on the index calculators website	[...]
56. The level of the index is published	[Daily/Monthly]
57. The level of the index will be published on the website	[...]
58. Indices underlying the index being referenced	[...]
59. The level of each of the indices underlying the index being referenced is published	[Daily/Monthly]

60. The level of each of the indices underlying the index being referenced will be published on the website [...] [...]

#### DUAL CURRENCY NOTES

61. (i) Type of Dual Currency Notes [Dual Currency Interest/Dual Currency Redemption Amount] Notes [...]
- (ii) Rate of Exchange/method of calculating Rate of Exchange [...]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable [...]
- (iv) Person at whose option Specified Currency(ies) is/are payable [...]

#### EXCHANGEABLE NOTES

62. (i) Mandatory Exchange applicable? [Yes/No]
- (ii) Noteholders' Exchange Right applicable? [Yes/No]
- (iii) Exchange Securities [...]
- (iv) Manner of determining Exchange Price [...]
- (v) Exchange Period [...]
- (vi) Other [...]

#### EXTENDIBLE NOTES

63. (i) Last day to which Redemption Date may be extended [...]
- (ii) Step-up Margin [...]
- (iii) Requisite Notice [...]
- (iv) Other [...]

**EQUITY-LINKED NOTES**

64. Instrument Name [...]
65. ISIN No. [...]
66. Other [...]

**OTHER NOTES**

67. If the Notes are not Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions, approved by the JSE, relating to such Notes.

**PROVISIONS REGARDING REDEMPTION / MATURITY**

68. Prior consent of the Relevant Registrar or Regulator required for any redemption [Yes/No]
- If yes: conditions applicable to consent of the Relevant Registrar or Regulator [Insert details/conditions]
69. Redemption at the option of the Issuer: if yes: [Yes/No]
- If yes:
- (i) Optional Redemption Date(s) [...]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [...]
- (iii) Minimum period of notice (if different from Condition 14.3 (*Early Redemption at the Option of the Issuer*)) [...]
- (iv) Redeemable in part: [Yes/No]
- If yes:
- Minimum Redemption Amount(s) [...]

- Higher Redemption Amount(s) [...]
- (v) Other terms applicable on Redemption
70. Redemption at the Option of the Senior Noteholders: [Yes/No]<sup>4</sup>
- If yes:
- (i) Optional Redemption Date(s) [...]
- (ii) Optional Redemption Amount(s) [...]
- (iii) Minimum period of notice (if different from Condition 14.4 (*Early Redemption at the option of Noteholders of Senior Notes*)) [...]
- (iv) If redeemable in part:
- Minimum Redemption Amount(s) [...]
- Higher Redemption Amount(s) [...]
- (v) Other terms applicable on Redemption [...]
- (vi) Attach pro forma put notice(s)
71. Redemption at the Option of the Senior Noteholders upon the occurrence of an Optional Redemption Event in terms of Conditions 14.6, 14.7, 14.8, 14.9 or 14.10: [...]
- (i) Early Redemption in the event of a loss of the assigned Rating of the Issuer [...]
- (ii) Early Redemption in the event of a loss of the assigned Rating of the Senior Notes [...]
- (iii) Early Redemption in the event that the Notes are no longer listed on a Financial Exchange [...]

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<sup>4</sup> This right is only applicable to Senior Notes.

	(iv) Early Redemption in the event that the Issuer is no longer listed on a Financial Exchange	[...]
	(v) Early Redemption at the option of the Senior Noteholders in the event of a termination, cancellation or invalidity of the Guarantee	[...]
72.	Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required).	[Yes/No]
	If an amount other than the Early Redemption Amount is payable on redemption for taxation reasons or on Event of Default [only complete if "no" elected in item 69 above]:	
	(i) Amount payable; or	[...]
	(ii) Method of calculation of amount payable	[...]
<b>GENERAL</b>		
73.	Notes in issue	As at the date of this issue, the Issuer has issued Notes in the aggregate total amount of ZAR[●] under the Programme.  The aggregate Nominal Amount of all Notes issued under the Programme as at the Issue Date, together with the aggregate Nominal Amount of this Tranche (when issued), will not exceed the Programme Amount.
74.	Financial Exchange	[JSE Limited] / [Specify other or additional Financial Exchange, if applicable]
75.	Relevant sub-market of the Financial Exchange	[Interest Rate Market of the JSE Limited] / [Specify relevant sub-market of the Financial Exchange]
76.	Additional selling restrictions	[...]

77.	ISIN No.	[...]
78.	Stock Code	[...]
79.	Additional selling restrictions	[...]
80.	Provisions relating to stabilisation	[...]
81.	Method of distribution	<i>[Dutch auction or other]</i>
82.	Governing law (if the laws of South Africa are not applicable)	[...]
83.	Use of proceeds	[...]
84.	Pricing Methodology	[Standard JSE pricing methodology / other – insert details]
85.	Other provisions	[...]
86.	Rating and issue date thereof	[...]
87.	Date of rating review	[...]
88.	Rating of Guarantor	[...]
89.	Date of rating review	[...]
90.	Rating of Guarantor	[...]
91.	Date of rating review	[...]
92.	Rating Agency	[...]

**DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS**

93. Paragraph 3(5)(a)

The ultimate borrower is the Issuer.

94. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.



95. Paragraph 3(5)(c)

The auditor of the Issuer is PriceWaterhouseCoopers Inc.

96. Paragraph 3(5)(d)

As at the date of this issue:

- (i) the Issuer has [not issued any commercial paper]/[already issued ZAR●,000,000 commercial paper (excluding commercial paper relating to this issuance)]; and
- (ii) the Issuer estimates that it may still issue ZAR[●],000,000 of commercial paper (excluding commercial paper relating to this issuance) during the current financial year.

97. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

98. Paragraph 3(5)(f)

There has been no material adverse change in the financial or trading position of the Issuer since the date of its last audited financial statements up to the date of this Programme Memorandum.

99. Paragraph 3(5)(g)

The Notes issued will be [listed/unlisted].

100. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].

101. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are [secured]/[unsecured].

102. Paragraph 3(5)(j)

PriceWaterhouseCoopers Inc., the statutory auditors of the Issuer, have confirmed that [their review did not reveal anything which indicates / nothing has come to their attention to indicate] that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law and the Debt Listings Requirements. The issuer accepts full responsibility for the accuracy of the information contained in the placing document and the annual financial statements and/or the pricing supplements.

The JSE takes no responsibility for the contents of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the placing document and the annual financial statements and/or\* the pricing supplements and/or\* the annual report of the issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

Application [is hereby]/[will not be] made to list this issue of Notes [on [•]].

SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20[•]

for and on behalf of

**DISCOVERY LIMITED**

\_\_\_\_\_  
Name:

Capacity: Director

Who warrants his/her authority hereto

\_\_\_\_\_  
Name:

Capacity: Director

Who warrants his/her authority hereto

## TERMS AND CONDITIONS OF THE GUARANTEE

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Words used in this section headed "Terms and Conditions of the Guarantee" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

1. Capitalised terms used in this Guarantee shall have the meanings given to them under the Terms and Conditions in the Discovery Limited ZAR10,000,000,000 Domestic Medium Term Note Programme Memorandum dated [●] 2017.
2. The undersigned Guarantors, jointly and severally, hereby irrevocably and unconditionally guarantee (as primary obligors and not merely as sureties) to the Guaranteed Noteholders under the Programme, the due and punctual payment by the Issuer of all amounts payable by the Issuer to the Guaranteed Noteholders in respect of the Guaranteed Notes in the manner hereinafter provided, namely:
  - 2.1. if and whenever the Issuer does not pay any amount when due under or in connection with the Guaranteed Notes, the Guarantors shall forthwith, upon written demand by a Guaranteed Noteholder, pay to the Transfer Agent and/or the Participants, as the case may be, for the benefit and on behalf of the Guaranteed Noteholders, in the relevant currency the amount in respect of which such default has been made; provided that the Guarantors shall not be liable to pay any amounts pursuant to this Guarantee to the extent that the Issuer's failure to pay has resulted from and continues to result from the occurrence of the intervention of, or any action by or against, any Governmental Agency of South Africa which prevents such payment;
  - 2.2. any payment so made shall *pro tanto* cure such default by the Issuer provided that every payment of such moneys as aforesaid made by the Guarantors shall be satisfaction *pro tanto* of this Guarantee;
  - 2.3. payment under this Guarantee shall be made by any or each of the Guarantors no later than 3 (three) Business Days after receipt of a written demand;
  - 2.4. all payments by a Guarantor in respect of the Guaranteed Notes shall be made (i) without set-off or counterclaim and (ii) free and clear of withholding or deduction for or on account of any Taxes imposed or levied by or on behalf of the country of incorporation of such Guarantor or any political sub-division or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of such withholding or deduction being required by law, such Guarantor shall pay such additional amounts as would be necessary in order that the net amounts received by the Guaranteed Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been

receivable hereunder in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

- 2.4.1. to or on behalf of a Guaranteed Noteholder who is liable for such Taxes by reason of his having some connection with the country of incorporation of the relevant Guarantor other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 2.4.2. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions), the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Guaranteed Noteholder would have been entitled to such additional amounts on presenting or surrendering the Individual Certificate on such 30<sup>th</sup> (thirtieth) day; or
- 2.4.3. to or on behalf of a Guaranteed Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Issuer Agent (the effect of which is not to require the disclosure of the identity of the relevant Guaranteed Noteholder); or
- 2.4.4. to or on behalf of a Guaranteed Noteholder who could lawfully reduce (but has not so reduced) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future including, without limitation, by making a declaration of non-residence or other similar claim or filing for the reduction to which it is entitled to the relevant tax authority or the Issuer Agent (the effect of which is not to require the disclosure of the identity of the relevant Guaranteed Noteholder) – to the extent that such Guaranteed Noteholder is eligible to reduce such withholding or deduction but failed to do so; or
- 2.4.5. to or on behalf of a Guaranteed Noteholder in circumstances where such party could lawfully reduce the amount of taxation otherwise levied or leviable upon the principal or interest by virtue of any non-South African tax laws applicable to such Guaranteed Noteholder, whether by way of a tax credit, rebate deduction or reduction equal to all or part of the amount withheld or otherwise, and whether or not it is actually claimed and/or granted and/or allowed; or

- 2.4.6. in respect of any Taxes which are payable otherwise than by withholding from payment of principal or interest, if any, with respect to such Note; or
  - 2.4.7. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the income or taxable income (as defined in section 1 of the Income Tax Act) or capital gain (as contemplated in paragraph 3 of Schedule 8 to the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Guaranteed Noteholder; or
  - 2.4.8. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
  - 2.4.9. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act ("FATCA"), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA; or
  - 2.4.10. where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - 2.4.11. any combination of Conditions 2.4.1 to 2.4.10;
- 2.5. without prejudice to the provisions of Condition 2.4 above, each of the Guarantors shall be liable as if it were the principal debtor and not merely as surety and neither of the Guarantors shall be exonerated or discharged from any liability under this Guarantee by time being given to the Issuer or the Guarantors by the Guaranteed Noteholders (or their representatives), by any other indulgence or concession to the Issuer granted by the Guaranteed Noteholders (or their representatives) or by anything which the Guaranteed Noteholders (or their representatives) may omit or neglect to do or by any other dealing or thing which, but for this provision, might operate to exonerate or discharge any of the Guarantors from this Guarantee or by the illegality, invalidity or unenforceability of or any defect in the provisions of any Note or this Guarantee or any of the Issuer's obligations thereunder or hereunder;
- 2.6. this Guarantee is to be a continuing guarantee and accordingly shall remain in operation until all moneys owing by the Issuer in respect of the Guaranteed Notes issued by it have been paid or satisfied, and is in addition to and not in substitution for any other rights which the Guaranteed Noteholders may have under or by virtue of the provisions of the Guaranteed Notes, and may be enforced without first having recourse to any such rights and without taking any steps, actions or proceedings against the Issuer. In particular, this Guarantee may be

enforced on each and every occasion on which default is made by the Issuer in payment notwithstanding that any call under this Guarantee may have been made previously or that any proceedings may have been commenced against the Guarantors in respect of sums already due under this Guarantee;

- 2.7. the Guaranteed Noteholders may from time to time make any arrangement or compromise with the Guarantors or any of them in relation to this Guarantee which the Guaranteed Noteholders may think fit;
  - 2.8. the Guarantors shall not, without the consent of the Guaranteed Noteholders, at any time after default has been made by the Issuer in the payment of any moneys payable by the Issuer in respect of the Guaranteed Notes or under or pursuant to this Guarantee and so long as any moneys payable by the Guarantors in respect of such defaulted moneys remain unpaid, exercise in respect of any amounts paid under this Guarantee any right of subrogation or any other right or remedy which may accrue to the Guarantors in respect of or as a result of such payment;
  - 2.9. if any payment received by any Guaranteed Noteholders pursuant to the provisions of the Guaranteed Notes or this Guarantee shall, on the subsequent placement under business rescue or bankruptcy or insolvency of the Issuer or the Guarantors, be avoided under any laws relating to business rescue or bankruptcy or insolvency, such payment shall not be considered as having discharged or diminished the liability of the Guarantors, and this Guarantee shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantors shall indemnify the Guaranteed Noteholders in respect thereof; and
  - 2.10. the Guarantors may effect, without the consent of the Guaranteed Noteholders, any amendment of this Guarantee which is of a technical nature or is made to correct a manifest error, or to comply with mandatory provisions of any relevant laws.
3. Upon making any modification of the terms and conditions of this Guarantee which is of a technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law as contemplated in Condition 2.10 above, the Issuer will submit the amended terms and conditions of this Guarantee to the JSE immediately upon finalising such amendments. Thereafter, the Issuer will release an announcement on SENS, providing a summary of the amendments made, and information regarding where the amended terms and conditions of this Guarantee will be available for inspection.
  4. The Issuer shall effect any modification of the terms and conditions of this Guarantee strictly in accordance with the JSE Debt Listings Requirements in force from time to time.
  5. The Guarantors hereby confirm that upon acquisition of any Note by any Guaranteed Noteholder, the Guarantors are deemed to have received notice of the acceptance from the Guaranteed Noteholder(s) of the benefits conferred by, and the provisions of, this Guarantee.

6. The Guarantors acknowledge and agree that each Guaranteed Noteholder shall be entitled to require the Issuer Agent to produce the original of this Guarantee on request and further shall be entitled to require the Issuer Agent, which shall be obliged, to provide a copy of this Guarantee to that Guaranteed Noteholder on request.
7. The Guarantors hereby renounce, jointly and severally, all benefits arising from the legal exceptions "*non numeratae pecunia*" (no money was paid over), "*non causa debiti*" (lack of actionable debt) "*errore calculi*" (mistake in calculation of amount due) and "*beneficia excussionis et divisionis*" (the benefits of excussion and division), with the meaning, force and effect of which the Guarantors hereby declare themselves to be fully acquainted.
8. The Guarantors hereby indemnify the Guaranteed Noteholders against reasonable costs, and any direct loss or direct liability (excluding all indirect and/or consequential loss or liability) suffered by the Guaranteed Noteholder as a direct result of the Guarantee being or becoming invalid, illegal or unenforceable.
9. Any admission made by the Issuer in respect of the Guaranteed Notes shall be binding on each of the Guarantors.
10. Notwithstanding any part payment by the Guarantors or on the Guarantor's behalf, the Guarantors shall have no right to any cession of action in respect of such part payment and shall not be entitled to take any action against the Issuer or against any other surety for the Issuer in respect thereof unless and until the indebtedness of the Issuer to the Guaranteed Noteholders shall have been discharged in full.
11. Each notice, demand or other communication under this Guarantee shall be in writing delivered personally or by recognised courier or email and be deemed to have been given:
  - 11.1. in the case of an email, on this first Business Day following the date of transmission; and
  - 11.2. in the case of a letter, when delivered; and
  - 11.3. be sent to the Guarantors at:

[Address]  
Attention: [insert]  
Email: [insert]

or to such other address in South Africa or email address as is notified from time to time by such Guarantor to the Guaranteed Noteholders in accordance with Condition 24 (*Notices*) of the Terms and Conditions.

12. Each Guarantor chooses the above address as its *domicilium citandi et executandi* for all purposes under this Guarantee, whether in respect of court process, notices or other documents or communications of whatsoever nature.
13. The Guarantors hereby confirm that upon acquisition of any Note by any Guaranteed Noteholder, the Guarantors are deemed to have received notice of acceptance from the Guaranteed Noteholder(s) and/or the Representative(s) of the benefits conferred by, and the provisions of, this Guarantee.
14. A Guarantor may, , subject to the approval by Extraordinary Resolution of the Guaranteed Noteholders or the holders of a Series of Guaranteed Notes, as the case may be, be removed from the Guarantee and/or the Guarantee may be cancelled in respect of such Guarantor, in which event it shall be of no further force and effect against such Guarantor.
15. This Guarantee is, and all rights and obligations relating to this Guarantee are, governed by, and shall be construed in accordance with, the laws of South Africa.
16. Each Guarantor agrees for the benefit of the Guaranteed Noteholders that the High Court of South Africa, Gauteng Local Division, Johannesburg shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes which may arise out of or in connection with this Guarantee and for such purposes, irrevocably submits to the non-exclusive jurisdiction of such court.
17. This Guarantee constitutes the whole agreement relating to the subject matter hereof. No amendment or consensual cancellation of this Guarantee or any provision or term hereof shall be binding unless (i) such cancellation occurs in accordance with the provisions of Condition 9 (*Guarantee*) of the Terms and Conditions; or (ii) it has been approved by Extraordinary Resolution of Guaranteed Noteholders and thereafter recorded in a written document signed by each of the Guarantors. Any waiver or relaxation or suspension given or made shall be strictly construed as relating to the matter in respect whereof it was made or given.
18. In this Guarantee:
  - 18.1. "**Governmental Agency**" means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any central bank or any stock exchange or any self-regulatory organisation established under statute); and
  - 18.2. "**Taxes**" means any present or future taxes, duties, assessments or governmental charges of whatever nature.



SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20[•]

for and on behalf of

**DISCOVERY HEALTH PROPRIETARY LIMITED**  
(as **Initial Guarantor**)

\_\_\_\_\_  
Name:  
Capacity: Director  
Who warrants his/her authority hereto

\_\_\_\_\_  
Name:  
Capacity: Director  
Who warrants his/her authority hereto

SIGNED at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20[•]

for and on behalf of

**DISCOVERY VITALITY PROPRIETARY LIMITED**  
(as **Initial Guarantor**)

\_\_\_\_\_  
Name:  
Capacity: Director  
Who warrants his/her authority hereto

\_\_\_\_\_  
Name:  
Capacity: Director  
Who warrants his/her authority hereto

**USE OF PROCEEDS**

*Words used in this section headed "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

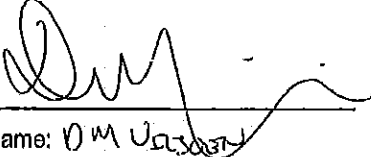
For purposes of the Commercial Paper Regulations published in Government Notice 2172 in Government Gazette 16167 of 14 December 1994 under section 90 of the Banks Act, 1990 (the "Commercial Paper Regulations") it is recorded that the "Ultimate Borrower", as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer.

The proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement, as permitted by the Commercial Paper Regulations.

SIGNED at SANDTON on this 14<sup>th</sup> day of November 2017

for and on behalf of

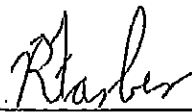
**DISCOVERY LIMITED**



Name: D M UASON

Capacity: Director

Who warrants his/her authority hereto



Name:

Capacity: Director

Who warrants his/her authority hereto

## DESCRIPTION OF THE ISSUER AND GUARANTORS

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*Words used in this section headed "Description of the Issuer and Guarantors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

Capitalised terms used in this section headed "Description of the Issuer and Guarantors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

### 1. INTRODUCTION

Discovery Limited is a company incorporated in South Africa in terms of the South African Companies Act, 71 of 2008 under registration number 1999/007789/06. It is a leading insurance group listed on the Interest Rate Market of the JSE, whose purpose and ambition is achieved through a pioneering business model that incentivises people to be healthier, and enhances and protects their lives. Discovery Limited's shared value insurance model delivers better health and value for clients, superior dynamics for the insurer and a healthier society. The Company's unique approach has underpinned its success globally, with substantial new business growth and an impressive increase in normalised operating profit and headline earnings. Today, Discovery Limited covers almost 10 million clients across 16 (sixteen) countries globally. With a market capitalisation of R92.5bn, the company is one of the Top 40 JSE listed companies. For further information, refer to the Discovery Integrated Annual Report and annual financial statements for the year ended 30 June 2017 on its website ([www.discovery.co.za](http://www.discovery.co.za)). A brief overview of the Guarantors is provided below:

#### 1.1. Discovery Health (Guarantor)

Discovery Health is a company incorporated in South Africa on 14 August 1997 in terms of the Companies Act under registration number 1997/013480/07, with its registered address at 155 West Street, Sandton, 2196. Discovery Health is the leading medical scheme administrator in South Africa providing administration and managed care services to over 3.4 million beneficiaries. The business has a market share of over 40% (forty percent) in the overall medical scheme market in South Africa, and manages 18 (eighteen) restricted medical schemes on behalf of leading corporate clients, as well as Discovery Health Medical Scheme, South Africa's largest open medical scheme. Discovery Health Medical Scheme is a registered medical scheme for the benefit of its members, not part of Discovery Limited and separate to Discovery Health. The Discovery Health Medical Scheme has a Credit Rating of AA+ for its claims paying ability from international rating agency Global Credit Ratings, reported a Solvency ratio of 26.3% (twenty six point three percent), reserves of R14.2 billion and a total surplus of R1.3 billion for the year ended 31 December 2016. Gross inflows under management for Discovery Health were R68.2 billion, of which R61.9 billion related to

collections of behalf of third parties for the year ended 30 June 2017. Normalised profit from operations, before tax, totalled R2.5 billion for the year ended 30 June 2017. On a segmental basis, profit for the year ended 30 June 2017 of R1.826 billion accounted for 41% (forty one percent) of Group Profit for the year .

1.2. Board of Directors of Discovery Health

For detailed CV's of the Board of Directors please refer to the Corporate Governance, Risk and Compliance Report 2017 published on [www.discovery.co.za](http://www.discovery.co.za) under Investor Relations:

- 1.2.1. Hermanus Lambertus Bosman
- 1.2.2. Brian Anthony Brink
- 1.2.3. Lisa Masozi Chiume
- 1.2.4. Richard Farber
- 1.2.5. Adrian Gore
- 1.2.6. Monty Isidore Hilkowitz
- 1.2.7. Hylton David Kallner
- 1.2.8. Neville Stanley Koopowitz
- 1.2.9. Thabane Vincent Maphai
- 1.2.10. Herschel Philip Mayers
- 1.2.11. Tito Titus Mboweni
- 1.2.12. Penelope Mpho Mومakwa
- 1.2.13. Faith Nondumiso Nkosi Khanyile
- 1.2.14. Ayanda Ntsaluba
- 1.2.15. Arthur Leslie Owen
- 1.2.16. Alan Pollard
- 1.2.17. John Maurice Robertson
- 1.2.18. Sonja Emilia Ncumisa de Bruyn Sebotsa
- 1.2.19. Barry Swartzberg

1.2.20. Deon Marius Viljoen

1.2.21. Sindiswa Victoria Zilwa

1.3. Discovery Vitality– (Guarantor)

Discovery Vitality is a company incorporated in South Africa on 16 April 1999 in terms of the Companies Act under registration number 1999/007736/07, with its registered address at 155 West Street, Sandton, 2196. Discovery Vitality, launched in 1997, strategically underpins all the businesses with the Group and supports the broader business by increasing product integration and cross-selling opportunities across the Group's portfolio of products. It is the largest scientifically-based wellness programme globally with more than 1.8 million lives impacted in South African in 2017. It forms the foundation of the global Vitality Shared-Value insurance model. This model, developed through Discovery Limited's experience in wellness and insurance over the past 21 (twenty one) years, acts as a catalyst for change in the insurance industry. It simultaneously provides material benefits to members, insurers and society; and is being scaled through the Global Vitality Network to leading insurers that are using the model in their markets to transform their offerings, and the healthy longevity of their clients. Discovery Vitality has 824,000 (eight hundred and twenty four thousand) members in South Africa and generated fee income of R2.4 billion for the year ended 30 June 2017, almost all of which was utilised to fund rewards benefits paid to its members.

1.4. Board of Directors of Discovery Vitality

For detailed CV's of the Board of Directors please refer to the Corporate Governance, Risk and Compliance Report 2017 published on [www.discovery.co.za](http://www.discovery.co.za) under Investor Relations:

1.4.1. Hermanus Lambertus Bosman

1.4.2. Brian Antony Brink

1.4.3. Richard Farber

1.4.4. Adrian Gore

1.4.5. Monty Isidore Hilkwowitz

1.4.6. Hylton David Kallner

1.4.7. Neville Stanley Koopowitz

1.4.8. Thabane Vincent Maphai

1.4.9. Herschel Philip Mayers

- 1.4.10. Tito Titus Mboweni
- 1.4.11. Faith Nondumiso Nkosi Khanyile
- 1.4.12. Ayanda Ntsaluba
- 1.4.13. Arthur Leslie Owen
- 1.4.14. Alan Pollard
- 1.4.15. John Maurice Robertson
- 1.4.16. Sonja Emilia Ncumisa de Bruyn Sebotsa
- 1.4.17. Barry Swartzberg
- 1.4.18. Deon Marius Viljoen
- 1.4.19. Sindiswa Victoria Zilwa

## 2. **BACKGROUND AND HISTORY**

- 2.1. Discovery Limited was founded in 1992 through the raising of R10 million in ordinary shares by Adrian Gore, Founder and Group Chief Executive Officer. In the same year, RMB Holdings ("RMBH") acquired a stake in the business via the Momentum Group (now part of MMI Holdings Limited).
- 2.2. In 1998, the Momentum Group became part of FirstRand Corporate Centre, after the merger of the financial services interests of Anglo American Corporation of South Africa Limited (now Anglo American plc) and RMBH to achieve the objective of a unified financial services grouping. First Rand Group owned 75% (seventy five percent) of Discovery Limited.
- 2.3. Discovery Limited was successfully listed on the Interest Rate Market of the JSE in October 1999 through a successful initial public offering. During that year, First Rand Group reduced its stake in Discovery Limited to 64% (sixty four percent). In 2003, Discovery Limited raised a further R875 million through a rights issue utilising the funds to expand its SA Life and US operations. In 2013, Momentum Group Limited transferred its investment in Discovery Limited to FirstRand Limited for R740 million.
- 2.4. In November 2007, FirstRand unbundled its entire shareholding in Discovery Limited and allotted the shares of Discovery Limited to its shareholders. This led to RMBH receiving a 25.01% (twenty five point zero one percent) direct stake in Discovery Limited, making it the single largest shareholder. On 7 March 2011, RMBH, Remgro, and FirstRand transferred their insurance assets to Rand Merchant Investment Holdings ("**RMI Holdings**")

and separately listed it on the JSE. This restructure led to the transfer of RMBH's entire stake in Discovery Limited to RMI Holdings.

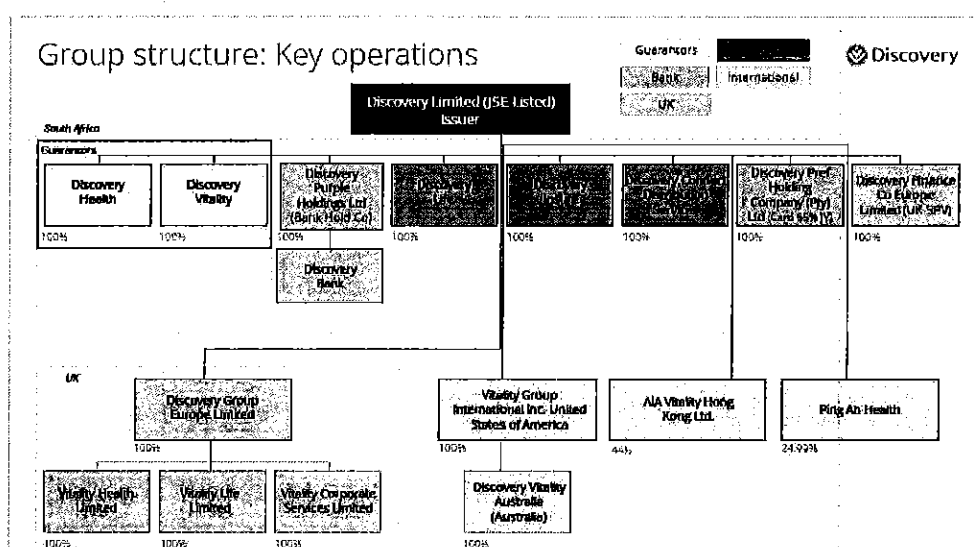
- 2.5. In April 2015, Discovery Limited raised R5 billion through a Rights Issue to fund the purchase of the remaining 25% (twenty five percent) equity interest in the Prudential Health Holdings joint venture, to enable Discovery Limited to pursue strong profitable growth and further opportunities in the UK market, and increase its participation in DiscoveryCard from 20% (twenty percent) to 74.99% (seventy four pint ninety nine percent). Discovery also announced its intention to apply for a banking licence in South Africa.

### 3. OWNERSHIP AND CONTROL

- 3.1. Beneficial ownership in Discovery Limited of 5% (five percent) or more at 30 June 2017 were:

3.1.1.	Rand Merchant Investment Holdings Limited	25.04%
3.1.2.	Government Employees Pension Fund	8.42%
3.1.3.	Adrian Gore	7.67%

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



### 4. REVIEW OF OPERATIONS / DESCRIPTION OF BUSINESS

#### 4.1. Discovery Vitality

- 4.1.1. Vitality is the largest scientifically-validated health-promotion programme globally, with more than 1.8 million lives impacted in South Africa in 2017. Discovery Vitality underpins all Discovery Limited's businesses and supports the

broader business by increasing product integration and cross-selling opportunities across the Discovery Limited portfolio of businesses and products. Vitality was built on the understanding that risk is behavioural, and changes over time. Drawing on behavioural economics to support and incentivise people, Vitality helps people to improve behavioural risks, and subsequently their health.

- 4.1.2. This health-promotion cycle, when integrated with insurance, allows for the continual assessment of insurance risk to dynamically price insurance over time based on engagement with Vitality and the resulting health improvement. Premium discounts and other benefits act as motivation for people to engage more. This model, with Vitality at its foundation, is called Shared-Value Insurance. Developed through Discovery Limited's experience in wellness and insurance over the past 25 (twenty five) years, the model also acts as a catalyst for change in the insurance industry. It simultaneously provides material benefits to clients, insurers and society.
- 4.1.3. As a health-promotion programme, Vitality has developed around three key areas that impact engagement in health improvement, insurance risk and health outcomes in the long term:
  - 4.1.3.1. Vitality partners with networks of health, wellness, travel, technology and other providers. Through these partnerships, the perceived cost barriers to health promotion are lowered. With its foundation in behavioural economics, Vitality has gathered significant amounts of data to measure and improve engagement, behaviour change and health outcomes;
  - 4.1.3.2. understanding behaviour and how it can change, Vitality focuses on developing personalised solutions to address individual health risks, and on motivating people at an individual level to improve their health. This has ensured higher engagement with the health-promotion programme over time. Besides offering clients greater value, this cycle brings about improved mortality and morbidity rates, and lowers the claims and healthcare costs experience of insurers;
  - 4.1.3.3. the rewards for engagement are part of a broader incentive structure that encourages positive change. Changed behaviour creates an actuarial surplus in the business, which is shared with clients through insurance savings and other benefits to motivate further and ongoing engagement in health-promoting activities.



As at 30 June 2017, Vitality covered 823,826 (eight hundred and twenty three thousand eight hundred and twenty six) members, including the Balance members (Balance is a wellness programme for Bankmed Medical Scheme).

Ensuring continued improvements to remain leading-edge

4.1.4. Critical focus areas for the business are:

- 4.1.4.1. To continue to innovate and develop additional products that drive uptake, improve health outcomes and deepen member engagement across Discovery Group products. To achieve this, Vitality is personalising messaging and interaction around physical activity and nutrition, through the development of a Vitality Dashboard and targeted physical activity campaigns.
- 4.1.4.2. To drive ongoing engagement, various successful campaigns in our distribution channel will continue to create added value for more Discovery Group clients. The development of a predictive lapse model also ensures that Vitality can provide members with details of their benefits to mitigate possible lapses and retain high-value members. Targeted engagement and re-engagement campaigns have also been developed and have already shown improvement in ensuring ongoing physical activity and uptake of other Vitality benefits.
- 4.1.4.3. To continue to evolve the Vitality Active Rewards offering and rewards, and to distribute the alternative Vitality options introduced in September 2017. These new Vitality options, Core Vitality, Grad Vitality and Purple Vitality, aim to cater for a specific segment in the market providing a combination of certain Vitality benefits at lower monthly premiums. It is aimed at increasing penetration of Vitality across markets to make health-promotion accessible to even more of Discovery Limited's clients.
- 4.1.4.4. In enhancing its service to the corporate market, a dedicated engagement team has also been established to service Vitality members of Discovery Health's client medical schemes to offer these medical schemes the increased value that Vitality brings about through Vitality Shared-Value Insurance. Another strategy was to incorporate Doctors as part of the solution and during the year it launched Vitality Active Rewards for Doctors.

- 4.1.4.5. To continue to develop rewards and product updates that encourage the right behaviour for health promotion, including maintaining its relationships with Vitality partners and managing cost increases across industries so that every stakeholder can continue to see efficient benefits, while Vitality members derive value.

## 4.2. Discovery Health

- 4.2.1. Discovery Health is the leading administrator and managed care provider for medical schemes in South Africa providing services to over 3.4 million beneficiaries. The business has a market share of over 40% (forty percent) of the overall medical scheme market in South Africa and manages 18 (eighteen) closed medical schemes on behalf of corporate clients, as well as Discovery Health Medical Scheme – the largest open medical scheme with a market share of 55% (fifty five percent). Discovery Health Medical Scheme is owned by its members and does not form part of the Discovery Limited Group of companies.
- 4.2.2. Discovery Health's vision is to deliver an integrated value-driven healthcare system that is centred on meeting members' needs and delivering access to the best-quality care at outstanding value for each of our stakeholders and its client medical schemes. It achieves this vision through a pioneering shared-value healthcare model. The model incentivises people to be healthier. It generates lower claims and higher surplus for its client schemes, and incentivises healthcare professionals through-value based contracting, leading to a healthier society, and more clients selecting Discovery Health.
- 4.2.3. Since its inception in 1992, Discovery Health has led the way in innovation and positive change in healthcare for the benefit of the entire industry and country. Its services go well beyond traditional administration and managed care services and includes ongoing substantial investment in digital innovation, and a significant focus on improving value in healthcare through a focus on both efficiency and quality of care to ensure better health outcomes for its clients.

## 4.3. Discovery Life

- 4.3.1. Discovery Life provides individual and business clients with comprehensive life, capital disability, income protection, severe illness, funeral and other risk protection cover. The business now has more than 466,000 (four hundred and sixty six thousand) individual policy holders and approximately 460,000 (four hundred and sixty thousand) Group Life policyholders.

- 4.3.2. We use data on clients' health, wellness and driving behaviour to dynamically underwrite client risk. This results in clients paying precise premiums that reflect the changing nature of their personal risk profiles and being able to manage them over time. Premiums are offered at the lowest price at policy inception for healthy clients with upfront discounts of up to 31% (thirty one percent) on the standard rate, with further PayBack through client engagement in Vitality and improvements in health and driving behaviour.
- 4.3.3. Over time, providing incentives to promote healthy lifestyles and good driving behaviour has resulted in a significantly positive change in the underlying health of the risk pool and improvements in the policy persistency of clients insured by Discovery Life. Clients become significantly healthier – having a positive impact on claims, while the rewards incentivising this behaviour also result in lower lapses.
- 4.3.4. Discovery Life plays a key role in Discovery's portfolio of businesses, generating significant financial value in South Africa, and in building a platform for the development of a growing network of financial advisers.

#### 4.4. Discovery Invest

- 4.4.1. Discovery Invest aims to be South Africa's premier savings and wealth management solutions provider. It wants to be recognised for Shared-Value in its investment model, which encourages positive savings behaviour through strong financial incentives and client engagement in Vitality. The superior actuarial dynamics underlying this model manifest in above-market long-term outcomes for clients, as well as the sustainable profitability of its business.
- 4.4.2. Discovery Invest's shared-value approach to retirement income provision is unique in today's investment market. It encourages positive behaviour change and does not rely on additional charging structures or fees. It rewards clients for both healthy behaviour and sound financial decisions. Clients are encouraged to select sustainable income drawdowns and maintain a healthy lifestyle. With lower income drawdowns and healthier clients living longer, funds remain invested with Discovery Invest for longer. This allows Discovery Invest to earn additional asset management fees, which enables it to share this persistency surplus with its clients in the form of income boosts.
- 4.4.3. For clients engaging in this system, the impact is significant. Before retirement, they are taking responsibility for their financial future by investing earlier, receiving significant upfront financial boosts, and seeing their investment grow for a longer period. By maintaining a conservative drawdown level in retirement

and engaging in wellness and healthy activities, they are not only increasing their longevity, but also making their savings last longer, while receiving boosts which supplement their income every month.

#### 4.5. Discovery Insure

- 4.5.1. Discovery Insure is a provider of short-term vehicle and home insurance. Its innovative driver-behaviour programme, Vitalitydrive, encourages safer driving through measuring driver behaviour and rewarding good driving.
- 4.5.2. Motor insurance currently represents the greatest segment of the Discovery Insure portfolio. The business also offers comprehensive building, household content and portable possessions insurance with unique safety benefits and quick, fair and efficient claims processing. During the year, significant progress was made on the development of a commercial insurance offering for small and medium enterprises.
- 4.5.3. Since founding the business in 2011, data relating to driving behaviour has been gathered through our continually-evolving telematics technology. This data represents over 5.4 billion kilometres of data and forms the basis of Discovery Insure's efforts to improve driver behaviour. It measures the frequency and severity of accidents based on driver performance, driver awareness and vehicle condition. Clients receive regular feedback and improved driver behaviour is rewarded.
- 4.5.4. Discovery Insure offers rewards of up to 50% (fifty percent) of fuel and Gautrain travel costs in cash back. This enables clients to benefit from rewards that are underpinned by better driving behaviour, rather than price competition alone.
- 4.5.5. Telematics technology is also used to safeguard clients by alerting emergency services in the event of an accident and ensuring emergency support, where necessary. Similarly, in the case of a vehicle hijacking, call centres can detect abnormal driving patterns, based on recorded data, and alert owners to the potential theft of vehicles. A vehicle panic button is also enabled on clients' smartphones.
- 4.5.6. Improvements in driver behaviour have a broader societal impact as it reduces both the human and economic cost of road accidents and fatalities.

#### 4.6. Vitality UK

- 4.6.1. VitalityLife provides individual and business clients with life, capital disability, severe illness and income protection cover. The Serious Illness Cover protects

policyholders for nearly four times as many conditions as other providers. In 2016 VitalityLife paid out 99.4% (ninety nine point four percent) of life insurance claims and 92.7% (ninety two point seven percent) of critical illness claims. Vitality Life is the only life insurer who encourages and rewards policyholders for being healthy through its range of optimiser products.

- 4.6.2. VitalityHealth offers an integrated medical insurance and wellness proposition to individuals and predominantly small and medium enterprise clients. The holistic healthcare solution integrates prevention and health promotion with traditional illness cover. The business has achieved record-level growth through its direct channels.

Both businesses continue to invest in the Vitality brand and the strong delivery of the Vitality Shared-Value Insurance proposition. This has resulted in robust financial and actuarial performance, and the delivery of additional tangible value for clients in the UK.

- 4.6.3. The private medical insurance market in the UK is complex, given that take-up is relatively low (c.11% (eleven percent)) among the general population. In addition, traditional providers of private medical insurance tend to focus on care rather than prevention. Both of these issues can be linked to the ubiquity of the National Health Service in the delivery of healthcare in the UK.

- 4.6.4. These issues necessitate an increase public awareness of health and wellness, and to create greater accountability among consumers for their wellbeing. This informs the products of Vitality UK, the brand, and the marketing approach. From a product perspective, Vitality UK informs people of their risks and reward them for making healthy choices. From a brand perspective, Vitality UK has created a retail franchise around health through its sponsorship assets and marketing campaigns.

#### 4.7. Vitality Group

- 4.7.1. Vitality Group is responsible for the expansion of Vitality Shared-Value Insurance beyond South Africa and the United Kingdom, serving to fully leverage the capabilities of Discovery Limited and the Global Vitality Network beyond its primary markets.
- 4.7.2. Vitality Group operates a business providing wellness solutions to employer groups in the United States and partners with leading Insurers (AIA, Generali, John Hancock, Manulife, Sumitomo Life) across the world to launch and grow

Vitality Shared-Value Insurance in their markets. Vitality Group is also responsible for Discovery Limited's 25% (twenty five percent) equity investment in Ping An Health, the largest comprehensive medical insurer in China. Vitality Group's businesses jointly reach more than four million clients across 16 (sixteen) countries (Australia, Canada, China, France, Germany, Hong Kong, Japan, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, the United States and Vietnam).

4.7.3. Vitality Group was formed at the end of 2016 through the merger of The Vitality Group ("TVG"), in the United States, and Discovery Partner Markets ("DPM"). Vitality Group creates a more competitive international business with a single executive team, executing a unified strategy with a consistent approach to product, technology and partnership development. Vitality Group is a multi-national corporation with its main offices in the United States and South Africa.

4.7.4. Vitality Group is investing in technology to create a single Vitality platform to support the roll-out of Vitality Shared Value insurance across the globe. The new technology, Vitality One, is faster and more cost effective as well as full configurable to the needs of different life and health insurance markets, enabling Vitality Shared Value Insurance to be rolled out to more markets.

4.7.5. In January 2016 Vitality Group was named as a leading health innovator in a report released at the World Economic Forum in Davos. The report, published in collaboration with Willis Towers Watson, features a study analysing data from 100,000 (one hundred thousand) US Vitality members over a 3 (three) year period, and is the first of its kind to show that increases in physical activity can lead to other health-promoting behaviours and improve overall health status. The report sought to highlight the world's best and most-innovative case studies of companies applying behavioural economics to promote health and prevent disease.

4.8. In October 2017 Discovery was granted a banking licence by the Registrar of Banks to operate a bank in the Republic of South Africa, in terms of Section 17 (1) of the Banks Act, Act Number 94 of 1990. Discovery expects to launch the Bank operations during Q2 of 2018. The DiscoveryCard business, currently on the FirstRand Bank licence, will be migrated to Discovery Bank to form the core underpin for the Bank, resulting in the full economic interest of the card business, increased from 74.99%, accounted for in the Bank. It is envisaged that the borrowing and lending operations of the Bank will not form part of this DMTN Programme

## 5. MANAGEMENT STRATEGY

Our strategy will continue to be one of driving strong organic growth by using our repeatable model in adjacent industries and new markets, supported by our Vitality platform and Shared-Value Insurance model. Our 2018 ambition will guide our key focus areas:

5.1. Achieve insurgency and market leadership in all markets where we operate while contributing to a sustainable society

Further develop our emerging and new businesses into market leaders, and continue to, create long-term value for society.

5.2. Achieve significant Vitality engagement, a superior loss ratio and low lapse rates

Continue to leverage the Vitality Shared-Value Insurance model to achieve superior results and drive value in our growing global partnerships with various insurers, academic institutions and technology innovators.

5.3. Achieve a higher value new-business margin

5.3.1. Continue to develop new products and services, as well as data assets that will strengthen our model and ability to attract and retain clients.

5.3.2. Invest in our distribution model to maintain and improve sales.

5.3.3. Continuously review and improve operational efficiencies.

5.4. Design products that meet complex consumer needs and are sustainable in the long term

5.4.1. Maintain our discipline of product innovation and development through an annual product launch cycle.

5.4.2. Encourage our employees to focus on growing innovation and entrepreneurship in their day-to-day jobs to design new solutions that will benefit our clients.

5.5. Deliver exceptional service and attract exceptional talent to the business

5.5.1. Continue to invest in the latest and relevant service-delivery technology.

5.5.2. Track our quality of service and inspire our employees to deliver exceptional service through continued training, employee campaigns and relevant rewards structures.

## 6. RISK MANAGEMENT

6.1. Discovery Limited has employed a Combined Assurance Model. This coordinates and integrates assurance activities across the 3 (three) lines of defence in managing financial statements, and significant risks and key controls that have a material impact on Discovery Limited's strategic objectives. The model works as follows:

6.1.1. Discovery Limited's strategy is core and serves as the basis for the identification and formulation of objectives as part of the drive to implement the strategy;

6.1.2. risks that may impact meeting the objectives are assessed from a top-down and a bottom-up perspective;

6.1.3. risk appetites are defined to influence business decision-making

6.1.4. controls associated with the risks are used and modified to manage risks within appetite levels;

6.1.5. combined assurance is based on the risks and controls that have a material impact on the objectives.

6.2. The strategy, objectives, high inherent and residual risks, and steer from the risk governance committees inform the priorities for inclusion in the Combined Assurance Model. The Combined Assurance Forum (which includes representation from the three lines of defence, chaired by the Group Chief Risk Officer) has the management role of coordinating and reviewing the effective implementation of the Combined Assurance Model. The Forum reports to the Board of Directors through the Audit Committee and the Risk and Compliance Committee.

### 6.3. The Role of the Risk Management Function

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

6.3.1. The group risk management team:

6.3.1.1. assists the Board, the various Board committees and senior management in carrying out their respective responsibilities by co-ordinating risk management activities;

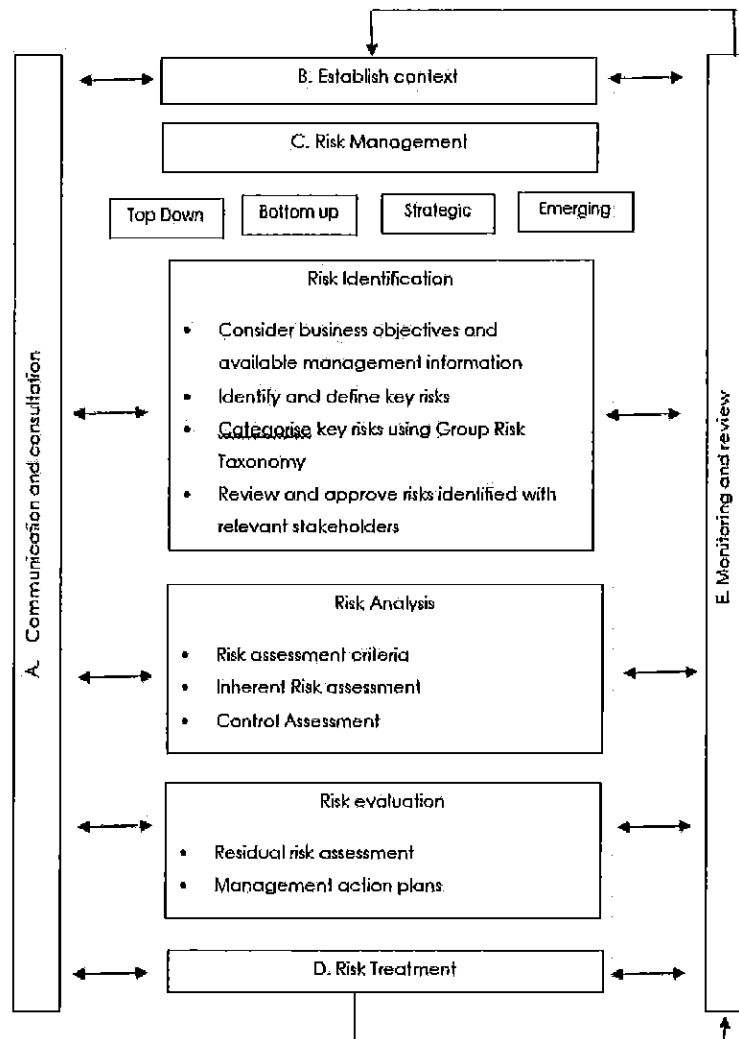
6.3.1.2. facilitates the risk identification process. This is performed through evaluating the internal and external risk environment on an on-going basis to identify current and emerging risks as early as possible. This



may include evaluating risks from different perspectives, such as by territory or by line of business;

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

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



6.5. Discovery Risks

6.5.1. Challenging Economic Environment In Primary Markets

6.5.1.1. The South African political and economic outlook remains uncertain and presents a risk to Discovery Limited's strategic objectives. The sovereign downgrade earlier this year, and the potential for further downgrades, negatively impacts the economy in a number of ways, not least the impact on the cost of borrowing and downside pressure on exchange rates. This exacerbates the expectation of weak growth in GDP (expected to be well below 1% (one percent) this year), low employment growth, weak consumer confidence and a muted outlook for household consumption. In turn these factors elevate the risk to

Discovery Limited of growing its domestic businesses, the potential for higher lapse rates as well as claims rates, and the potential for product downgrades. In the UK the impact and uncertainty of Brexit, together with a low interest rate environment, has had a negative effect on our business.

- 6.5.1.2. Discovery Limited aims to provide best-in-class, innovative insurance solutions, which meet customer needs throughout changing circumstances.
- 6.5.1.3. Product design provides some protection against the level of both interest rates and inflation levels. We have focused on retention strategies and growth initiatives, in both established businesses and in our strategy to diversify into adjacent industries.
- 6.5.1.4. Further, we aim to diversify our business model and income sources internationally.

6.5.2. Availability Of Adequate Funding At A Reasonable Cost To Pursue Strategic Goals

Achievement of Discovery Limited's strategic objectives and growth initiatives present material funding demands, which are sourced both internally and externally, principally through debt and financial reinsurance. The business and economic environment present risks to internally generated profit and cash flow, and to the availability and cost of external sources of funding. A robust capital framework exists to manage and allocate Group capital and to source required funding. Capital and liquidity requirements are modelled and monitored regularly throughout the year and linked to the risk assessment process to ensure quantitative and qualitative aspects of risk and capital are aligned. Comprehensive stress testing and scenario testing provide a deep understanding of the risks to the capital plan and the levers available to respond to change. Access to a range of funding solutions, including retained earnings, short- and long-term debt, and financial reinsurance, ensure that Discovery Limited can pursue its growth agenda in a responsible and well diversified manner. The Capital Allocation Committee provides rigour around new initiatives and well-established metrics for return on capital and cash generation to ensure that both existing and new businesses unite to provide a balanced approach to risk and return. To facilitate diversified and optimised funding structures, Discovery Limited recently engaged with Moody's to obtain a credit rating.

6.5.3. The Impact Of The Pace Of Regulatory Change And Increased Regulatory Complexity

6.5.3.1. The regulatory environment, both locally and internationally, continues to develop and presents challenges and risks to the current and future operating model. Discovery Limited is impacted by:

6.5.3.1.1. The establishment of the risk policy tax fund and its impact on the ability to offer tax efficient investment products.

6.5.3.1.2. The Retail Distribution Review and its potential impact on our product and distribution model.

6.5.3.1.3. The requirements of the Protection of Personal Information Act, Financial Intelligence Centre Act, Anti-Money Laundering regulations, Treating Customers Fairly, and other market-conduct measures brought about by the Twin Peaks regulation.

6.5.3.1.4. The implementation of Solvency Assessment and Management, effective from 2018, and an expanded Group supervisory process.

6.5.3.1.5. In the UK, the impact of General Data Protection Regulation.

6.5.3.1.6. Financial sector codes on transformation and employment equity.

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

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

our business accordingly. Discovery Limited has a zero tolerance for regulatory noncompliance.

6.5.4. Ability To Grow And Deliver Against Ambitious Business Plans For New And Existing Strategic Initiatives

6.5.4.1. We have ambitious plans to grow our business across multiple fronts, including banking, the investment business in the UK, and our commercial insurance offering in South Africa, among others. There is a risk that these business plans will not be achieved due to ineffective strategies, products or services, or due to insufficient management availability and implementation capabilities.

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

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

6.5.5. Insurance Risks, Including Lapse Rates, Mortality, Morbidity, Expenses And Interest Rates

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

6.5.5.2. To manage these risks, we:

6.5.5.2.1. use skilled actuarial resources to understand the risks and implement mitigating actions;

- 6.5.5.2.2. monitor experience and draw on that in the design and pricing of products and the approach to reserving and managing capital;
- 6.5.5.2.3. develop products that contain risk mitigating features;
- 6.5.5.2.4. make use of appropriate reinsurance solutions with financially sound reinsurers;
- 6.5.5.2.5. ensure that underwriting practices follow robust risk policies and are embedded in the business; and
- 6.5.5.2.6. aim to grow each business to a scale to enable effective diversification of the insurance risks.

6.5.6. Information System Performance And Data Security

- 6.5.6.1. Discovery Limited's businesses are supported by the extensive use of technology and face risks associated with the:
  - 6.5.6.1.1. stability and continuity of critical systems and applications, which may negatively impact the client experience and business performance;
  - 6.5.6.1.2. integrity of data which, if not properly maintained, could lead to inappropriate decisions and losses due to poor product design and incorrect claims, payments and collections;
  - 6.5.6.1.3. protection of data, including the risk of cyber-attacks, internal or external theft or misuse, and fraud;
  - 6.5.6.1.4. interconnectivity of multiple systems and dependency on integrated products and services across the Group; and
  - 6.5.6.1.5. accumulation of technical debt related to the pace of change and innovation, and the need to replace ageing systems.

6.5.6.2. Specific actions include:

- 6.5.6.2.1. implementing business-continuity and systems performance management processes;
- 6.5.6.2.2. having a strong technical and risk focus to all aspects of systems and technology;
- 6.5.6.2.3. implementing projects to monitor and manage technical debt and replace legacy technology;
- 6.5.6.2.4. continually updating and upgrading data and systems security measures, using detection and monitoring tools to identify data and access breaches;
- 6.5.6.2.5. monitoring data breaches to ensure they are reported and addressed; and
- 6.5.6.2.6. ensuring a range of data and process quality assurance measures are in place to monitor the integrity of data and systems.

6.5.7. Cross Company Integration Risk Relating To Vitality And Vitality Shared-Value Insurance

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

6.6. Discovery Opportunities

- 6.6.1. Growing economy in South Africa

6.6.1.1. Growing economy in South Africa could support the group in its growth initiatives for its overall non-life insurance business. South Africa is one of the fastest-growing economies in the world and the largest in Africa. Per the International Monetary Fund (IMF), the GDP growth rate of South Africa is expected to reach 2.7% (two point seven percent) in 2019. Moreover, the nation's low interest rates are expected to support the asset purchasing capacity of consumers. Growth in economy encourages people to invest more in financial services. As a provider of financial services in South Africa, the company is well positioned to benefit from the growing economy.

6.6.2. Positive outlook for insurance market in South Africa

6.6.2.1. The company could benefit from the growing trend witnessed in the insurance market in South Africa. Per in-house research, the insurance segment in South Africa is expected to reach ZAR798.5 billion at the end of 2018. Life and non-life insurance segment is expected to reach ZAR625.7 billion and ZAR132.3 billion, respectively, at the end of 2018. Growing economy, rising demand for property insurance, rising automobile sales and expansion in the industrial and commercial construction markets are expected to be the major growth drivers for the industry. As a provider of insurance products in South Africa, it is well positioned to benefit from this positive outlook.

6.6.3. Ensuring continued growth remains a key focus. Shared-Value Insurance and the Ambition 2018 continue to drive business operations. Further growth areas include developing the international business and expansion into additional countries by increasing partnerships and relevant partner networks



## 7. BOARD OF DIRECTORS

Director	Background
<p><b>Adrian Gore (53)</b>  <b>Group Chief Executive</b>            BSc (Hons), FFA, ASA, MAAA, FASSA</p>	<p>Adrian is the founder and Chief Executive Officer of the Discovery Group. He is a 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. He sits on the World Economic Forum Industry Agenda Council on Future Health, on the Columbia University Mailman School of Public Health Board of Overseers, and on the Massachusetts General Hospital Global Health Advisory Board. He has also been invited to sit on the Brookings Institute's International Advisory Council. Alongside these commitments, he works with other leaders to stimulate entrepreneurship in South Africa.</p>
<p><b>Deon Viljoen (52)</b>  <b>Group Chief Financial Officer</b>  <b>Executive Director</b>            BCom Accountancy (cum laude)            BCom (Hons), CA(SA)</p>	<p>Deon joined the Discovery Group in May 2017 as Group Chief Financial Officer. 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 Chief Financial Officer. 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</p>

	<p>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. 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.</p>
<p><b>Alan Pollard (48)</b>  <b>Executive Director</b>  BSc (Hons), FIA, FASSA</p>	<p>Alan, a qualified actuary, joined Discovery in 1994 and was Head of Research and Development where he was responsible for the design and development of Discovery Health products. From 2005, he served as Chief Executive Officer of Discovery Vitality until relocating in 2012 to serve as Chief Executive Officer of The Vitality Group in the US until 2016. Following the restructure of Vitality Group to include the Discovery Partner Market business, Alan serves as President of Product and Innovation of Vitality Group, and continues to be based in the US.</p>
<p><b>Richard Farber (46)</b>  <b>Executive Director</b>  BCom (Hons), CA(SA), FCMA</p>	<p>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 the Chief Financial Officer in 2003 and was appointed as the Financial Director in 2009. Richard relinquished his role as Chief Financial Officer and Group Financial Director in April 2017, but remains executive director.</p> <p>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</p>

	Chartered Institute of Management Accountants.
<p><b>Herschel Mayers (57)</b>  <b>Executive Director</b>  BSc (Hons), FIA, FASSA</p>	<p>Herschel qualified as an actuary in 1986 and is Fellow of the Institute of Actuaries. He joined Liberty Life after qualifying, and as a member of their Executive Committee, served as the Head of Individual and Group Business, Underwriting and 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 Chief Executive Officer of Discovery Life and Discovery Invest. He held this position until December 2015.</p>
<p><b>John Robertson (69)</b>  <b>Executive Director</b>  BCom,CTA,CA(SA),HDipTax</p>	<p>John joined Discovery in 1993 and was responsible for information technology strategy, systems development, information technology infrastructure, and finance. He is currently responsible for technology infrastructure services that support Discovery Group companies in South Africa and internationally. He is also responsible for corporate applications, shared services and facilities.</p>
<p><b>Hylton Kallner (42)</b>  <b>Executive Director</b>  BEconSc, FFA, FASSA</p>	<p>Hylton graduated from the University of the Witwatersrand with a BEconSc in Actuarial Science. In 2000, he was admitted as a Fellow of the Faculty of Actuaries and a Fellow of the Actuarial Society of South Africa. Hylton joined Discovery in October 1996, and has held various positions, including that of Chief Marketing Officer. He was appointed to the Board of Discovery Limited in 2010. In January 2016, he was appointed as Chief Executive Officer of Discovery Life and continues to oversee the Group's Marketing and Distribution divisions.</p>

<p><b>Dr Ayanda Ntsaluba (57)</b>  <b>Executive Director</b>          MBChB, MSc (Lond), FCOG (SA)</p>	<p>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. Ayanda plays an instrumental role in Discovery's overall strategic planning, particularly within the healthcare system and in Discovery's international expansion strategy.</p>
<p><b>Barry Swartzberg (52)</b>  <b>Executive Director</b>          BSc, FFA, ASA, FASSA, CFP</p>	<p>Barry was co-founder of Discovery in 1992 and was involved in developing the Discovery concept. After Discovery Health was launched, he was involved in setting up the administration and systems infrastructure for the company. He is currently CEO of Discovery Partner Markets which focuses on internationalising Discovery's unique intellectual property. He serves on the Boards of Discovery Limited, Discovery Insure, Vitality in the US, and Ping An Health in China.</p>
<p><b>Herman Bosman (48)</b>  <b>Non-Executive Director (Independent)</b>          LL.M (cum laude), CFA</p>	<p>Herman is the Chief Executive Officer of RMB Holdings and Rand Merchant Investment Holdings, having joined the companies in April 2014. Before this, he was Chief Executive Officer of Deutsche Bank South Africa (2006 to 2013) and Head of Corporate Finance at Rand Merchant Bank (2000 to 2006).</p>
<p><b>Robert Enslin (54)</b>  <b>Non-Executive Director (Independent)</b></p>	<p>Robert Enslin is president of the Cloud Business Group and is a member of the Executive Board of SAP SE. He is responsible for all end-to-end cloud business functions. As a member of the Executive Board, Robert provides direct input into SAP's business strategy that fuels the research and development priorities. Robert joined the SAP Executive Board in 2014 while serving as president of Global Customer Operations. Before this, he served as chief operating officer and executive vice president of Fast Growth Markets for the global field organization, and was responsible for</p>

	<p>developing operations in India, Turkey, Brazil, China, and other emerging-market countries. Robert initially joined SAP in 1992 and was instrumental in building a significant SAP presence in South Africa. Before joining SAP, Robert spent 11 (eleven) years in various roles in the IT industry. Other directorships Member of the Board of Directors of Docker in San Francisco, California. Professional body membership Executive Sponsor for SAP's Autism at Work program and honorary global Chairman of the Els for Autism Golf Challenge.</p>
<p><b>Vincent Maphai (65)</b>  <b>Non- Executive Director (Independent)</b>  BA, BA (Hons), M Phil, D Phil, Advanced Management Programme (Harvard University)</p>	<p>Vincent was the Director of Corporate Affairs and Transformation at SAB. Previously, he was the Southern African Chairperson of BHP Billiton. He has accumulated experience of 20 (twenty) years in the academic profession, and 15 (fifteen) years 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.</p>
<p><b>Dr Brian Brink (65)</b>  <b>Non- Executive Director (Independent)</b>  BSc (Med), MBBCh, DMed (Hon)</p>	<p>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 has been closely associated with The Global Fund to Fight AIDS, Tuberculosis, and Malaria since its inception in 2002.</p>
<p><b>Monty Hilkowitz (77)</b>  <b>Non- Executive Chairman (Independent)</b>  FIA</p>	<p>Monty worked for Southern Life Association and Swiss Re before joining Liberty Life in 1971, where he was appointed Managing Director in 1978. He was appointed Chief Executive Officer of Westpac Life in Australia in 1986. Monty has been self-employed since 1989 and</p>

	<p>has been involved in investment management, financial services, and insurance interest in several countries. He is currently a director of Acuvest a specialist financial services company in Ireland and serves as Chairperson of Pioneer International. Monty is Chairperson of the Discovery Board of Directors.</p>
<p><b>Tito Mboweni (58)</b>  <b>Non- Executive Director (Independent)</b>  BA Economics and Political Science (NUL),  MA Development Economics (UEA),  Diploma in International Business  Diplomacy (Georgetown University)</p>	<p>Tito is the former Governor of the Reserve Bank of South Africa (1999 to 2009) and also Chairperson of the Committee of Central Bank Governors. He is the former deputy Head of the ANC Policy Department of Economic Policy (1990 to 1994) and the Head of the ANC Policy Department (1994 to 1998). On the community side, he is a member of the Thabo Mbeki Foundation Council of Advisors and Chairperson and Trustee of the Fundraising Committee for the Nelson Mandela Children's Hospital. He was appointed as the chairman of the Board of the Tourism Business Council of Southern Africa in August 2016.</p>
<p><b>Sonja De Bruyn Sebotsa (45)</b>  <b>Non-Executive Director (Independent)</b>  LLB (Hons), MA, SFA,  Harvard Executive Programme</p>	<p>Sonja is the founder and Principal Partner of Identity Partners, an investment firm which makes equity investments, carries out advisory work, and provides finance for SMEs through the Identity Development Fund. Sonja's areas of study include law, business, and economics. Until 2007, she was an Executive Director of Women's Development Bank (WDB) Investment Holdings where she led the structuring of several of its investment transactions.</p>
<p><b>Faith Khanyile (48)</b>  <b>Non-Executive Director (Independent)</b>  BA Econ, MBA (Finance), HDIP Tax</p>	<p>Faith is a founding member and the CEO of WDB Investment Holdings (WDBIH). She has corporate and investment banking, and strategy development. She held various senior and executive roles with Standard Bank, Corporate and Investment Bank (2001 to 2013). She was</p>

	responsible for strategy, relationship and business development, and served on their Executive and Credit Committees. Before joining Standard Bank, Faith was with Brait Private Equity and seconded to start and manage WDBIH (1995 to 2000).
<p><b>Les Owen (68)</b>  <b>Non-Executive Director (Independent)</b>  BSc (Hons), FIA, FPMI</p>	<p>Les is a qualified actuary with over 40 (forty) 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) and Chief executive of AXA Sun Life in the UK (1995 to 1999). Les brings extensive experience and expertise in international insurance markets to the Board. He is a Non-Executive Director of Computershare Ltd and Royal Mail Plc. Les joined the Board of Discovery in 2007 and is Chairperson of the Discovery Limited.</p>
<p><b>Sindi Zilwa (50)</b>  <b>Non-Executive Director (Independent)</b>  BCompt (Hons), CTA, CA(SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)</p>	<p>Sindi is the Chief Executive Officer of Nkonki, a chartered accountancy firm. 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 by SAPSA and in 2016, she was acknowledged as the Outstanding CEO of the Black Audit Firm's Award.</p>

#### 7.1. Company Secretary

Mr Matthys Johannes Botha is the Group Company Secretary, responsible for the administration of the Board and Board sub-committees by ensuring sound corporate governance procedures are followed and maintained.

## 8. CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

### 8.1. Introduction

Discovery Limited, understands that good corporate governance is fundamental to earning the trust of stakeholders, which is critical to sustaining success and maximising shareholder value within acceptable risk parameters. In line with this philosophy, Discovery Limited is committed to adopting sound governance practices.

### 8.2. Financial Services Board Act, 97 of 1990

The Financial Services Board ("FSB") is a regulatory board, which was established in terms of the Financial Services Board Act, 97 of 1990. The FSB is an independent institution established to oversee the South African Non-Banking Financial Services Industry in the public interest. The FSB is committed to the fair treatment of both users and providers of financial products and services in South Africa.

### 8.3. The Long Term Insurance Act, 52 of 1998

### 8.4. The Short Term Insurance Act, 53 of 1998

### 8.5. The Companies Act, 71 of 2008, as amended ("Companies Act")

Companies Act was signed into law on 8 April 2009 and became operative from 1 May 2011. The Companies Act inter alia provide for the incorporation, registration, organisation and management of companies. The purpose of the Companies Act includes, *inter alia*, to:

- 8.5.1. balance the rights and obligations of shareholders and directors within companies
- 8.5.2. encourage the efficient and responsible management of companies; and
- 8.5.3. provide a predictable and effective environment for the efficient regulation of companies.

### 8.6. The Consumer Protection Act, 68 of 2008, as amended (the "CPA")

8.6.1. The CPA was assented to on 27 April 2009 and commenced on 1 April 2011.

8.6.2. The CPA aims to promote a fair, accessible and sustainable marketplace for consumer products and services and, for that purpose, to establish national norms and standards relating to consumer protection. The CPA applies to the delivery of goods and services, and introduces a formal set of consumer rights into law by referring to eight specific consumer rights, namely the right to:

- 8.6.2.1. equality in the consumer marketplace;



- 8.6.2.2. privacy;
- 8.6.2.3. choose;
- 8.6.2.4. disclosure and information;
- 8.6.2.5. fair and responsible marketing;
- 8.6.2.6. fair and honest dealing;
- 8.6.2.7. fair, just and reasonable terms and conditions; and
- 8.6.2.8. fair value, good quality and safety.

8.7. Protection of Personal Information Act, 2013 ("POPI")

- 8.7.1. POPI was signed into law by the President in November 2013. Although POPI is law, most of its provisions have not yet come into effect and will come into effect on a date to be determined by the President. POPI aims to promote the protection of personal information processed by public and private bodies. When POPI comes into force it should provide for comprehensive regulation of all aspects of the collection, use, disclosure, storage of and access to "personal information.
- 8.7.2. POPI introduces into law 8 (eight) Information Protection Principles, namely:
  - 8.7.2.1. processing limitation;
  - 8.7.2.2. purpose specification;
  - 8.7.2.3. further processing limitation;
  - 8.7.2.4. information quality;
  - 8.7.2.5. openness;
  - 8.7.2.6. security and safeguards;
  - 8.7.2.7. individual participation; and
  - 8.7.2.8. accountability.
- 8.7.3. The proposed Twin Peaks system for regulating the financial sector is designed to make the financial sector safer, and to better protect financial customers in South Africa. It gives effect to the government policy paper published in February 2011, entitled A safer financial sector to serve South Africa better.

8.8. Financial Advisory and Intermediary Services Act, 37 of 2002 as amended ("FAIS")

8.8.1. FAIS legislation impacts on the financial services industry and aims to regulate the giving of advice and intermediary services supplied to consumers. All financial services providers are required to be registered with the FSB.

8.8.2. FAIS aims to protect consumers of financial services and products, as well the industry and intermediaries. Service providers are required to be trained in order to provide appropriate advice to consumers as well as ascertain their financial needs and to also assist consumers in making informed financial choices.

8.9. Financial Intelligence Centre Act, 38 of 2001, as amended ("FICA")

8.9.1. The regulatory framework of FICA requires 'know your client', record-keeping and reporting obligations for institutions. It also requires accountable institutions to develop and implement internal rules to facilitate compliance with these obligations.

8.9.2. The Financial Intelligence Centre was established in order to identify the proceeds of unlawful activities and to combat money laundering activities. The Financial Intelligence Centre aims to meet its objectives by making information collected by it available to investigating authorities (the South African Police Services ("**SAPS**"), the National Prosecuting Authority through the Directorate of Special Operations and the Asset Forfeiture Unit, the intelligence services and the South African Revenue Service ("**SARS**"). The Financial Intelligence Centre will also exchange information with similar bodies in other countries

8.10. National Credit Act, Act No. 35 of 2005, as amended (the "NCA")

8.10.1. The NCA, passed into law in March 2006 and implemented in June 2007, sets out a complete set of regulations governing the extension of credit to consumers, including key practices such as:

8.10.1.1. standards regarding advertising credit;

8.10.1.2. the procedure for granting credit, and financial history/affordability analysis;

8.10.1.3. the documentation required to grant credit;

8.10.1.4. minimum lending criteria;

8.10.1.5. rules regarding the calculation of interest; and

8.10.1.6. maximum allowable interest rate and cost of credit.

8.10.2. Also, included in the NCA are the provisions and procedure relating to debt counselling and debt-restructuring.

8.11. King III and King IV

8.11.1. King III applies to all corporate entities, regardless of nature, size or form of incorporation, and will comprise specific principles in the Code and best practice recommendations in the Report. The governance framework adopted under King III is "apply or explain".

8.11.2. The key principles of King III are leadership, sustainability, corporate citizenship and integration. The key risk and reporting implications centre around integrated reporting, corporate governance, combined assurance, annual review of internal financial statements, risk-based internal audit and IT governance. Together, the Companies Act and King III are set to promote more stringent standards of corporate governance and greater director accountability.

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

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

8.11.5. Discovery Limited complies with the requirements of section 5.7(b) of JSE Debt Listings Requirements with regards to the King Code disclosure as set out in its Corporate Governance, Risk and Compliance Report 2017. In addition Discovery is fully compliant with the specific requirements of section 4.12(h) of the JSE Debt Listings Requirements and outlined in King IV, except for:

Principle 5 of King IV in relation to:	Partially in that:  King IV requires the Social and ethics	The Board is supported and assisted by the Board and management committees. Each
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<ul style="list-style-type: none"> <li>• Audit Committee;</li> <li>• Social and Ethics Committee; and</li> <li>• Remuneration Committee</li> </ul> <p>The composition of such committees must comply with the Companies Act (if applicable) and should be considered in accordance with the recommended practices in the King Code on an apply and explain basis, provided that each committee must comprise of at least three members. A brief description of the committee mandates, the number of meetings held and other relevant information must be disclosed in the annual report.</p>	<p>Committee to have executive and non-executive directors with the majority being non-executive members.</p> <p>The Committee Composition has been reviewed and will consist of Three Independent Non-executive Director and 2 (two) executive Directors.</p>	<p>committee acts within approved terms of reference and their authority is delegated by the Board.</p> <p>The Audit Committee consists of three independent non-executive directors with the required skills and knowledge to perform the responsibilities delegated to the Committee.</p> <p>3 (three) non-executive Directors serve on the Remuneration Committee. The Remuneration Committee with the assistances of the Internal Remuneration Committee, assists the Board in ensuring the organisation remunerates fairly, responsibly and transparently. The Committee oversees the implementation of the Directors Remuneration Philosophy and makes recommendations to the Board regarding the remuneration structure and base fees for Non-executive Directors.</p>
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		<p>Social and ethics Committee is tasked with assisting the Board with the implementation and monitoring of strategies to ensure social and economic development, the integration of ethics and transformation within the Group.</p> <p>Meeting attendance and the mandates of the Committees are contained in the Annual Report.</p>
<p>Principle 14 of King IV in relation to:</p> <ul style="list-style-type: none"> <li>• Remuneration Policy</li> </ul> <p>In accordance with section 3.84(k) of the JSE Listings Requirements:</p> <p>the remuneration policy and the implementation report must be tabled every year for separate non-binding advisory votes by shareholders of the issuer at the annual general meeting;</p> <p>the remuneration policy must record the measures that the board of directors of the issuer</p>	Partially	<p>The remuneration report is tabled voted for a non-binding advisory vote at the Annual general Meeting.</p> <p>The measures to be undertaken in the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% (twenty five percent) or more of the votes exercise will be included to the policy during the next policy review, the measures will be disclosed in the next reporting period.</p>

<p>commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% (twenty five percent) or more of the votes exercised. In order to give effect to the minimum measures referred to in the King Code, in the event that either the remuneration policy or the implementation report, or both are voted against by shareholders exercising 25% (twenty five percent) or more of the voting rights exercised, the issuer must in its voting results announcement pursuant to paragraph 3.91 provide for the following:</p> <p>an invitation to dissenting shareholders to engage with the issuer; and</p> <p>the manner and timing of such engagement.</p>		
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#### 9. BOARD COMMITTEES

The board of directors has delegated specific responsibilities to board committees. The Board Audit Committee and Social and Ethics Committee have their own terms of reference that define their

powers and duties. The board committees meet independently and report back to the board through their chairmen.

#### 9.1. Discovery Limited Operating Board Committee

The role of the Board is:

- 9.1.1. day to day management and co-ordination of the Discovery in accordance with the parameters determined by the Board;
- 9.1.2. prepare draft operating budgets and business plans for Board approval;
- 9.1.3. prepare strategic initiatives for consideration by the Board;
- 9.1.4. identify future opportunities for Discovery Limited (including business and product innovation);
- 9.1.5. resolve operational problems of Discovery Limited;
- 9.1.6. prepare management accounts and operational reports for the Board as well as other reports, data and information that the Board requires to assess the Discovery's activities;
- 9.1.7. review products, systems and market needs of Discovery; and
- 9.1.8. make general recommendations to the Board regarding the Discovery.

#### 9.2. Frequency of meetings

Below is a table illustrating the individual board members:

	Board Meeting	Audit Committee	Risk and Compliance Committee	Actuarial Committee	Social and Ethics Committee	Remuneration Committee
<b>Discovery Non-Executive Directors</b>						
Monty Hilkwitz (Chairman)	•					•
HL Bosman	•		•			•
Dr Brian Brink	•		•		•	
SE Sebotsa	•	•	•			

F Khanyile	•					
TV Maphai	•					
TT Mboweni	•		•			
AL Owen	•	•	•	•		
SV Zilwa	•	•	•	•	•	
R Enslin ( <i>Appointed May 2017</i> )	•					
<b>Discovery Executive Directors</b>						
Adrian Gore	•				•	
D Viljoen ( <i>Appointed May 2017</i> )	•		•	•	•	
R Farber	•		•	•	•	
HD Kallner	•				•	
NS Koopowitz	•					
HP Mayers	•		•	•	•	
Dr A Ntsabula	•				•	
A Pollard	•					
JM Robertson	•		•		•	
B Swartzberg	•			•	•	
<b>Group Executive and Prescribed Officers</b>						
Dr P Moumakwa	•				•	
Dr J Broomberg	•				•	
KS Rabson	•					
<b>Independent Chairman</b>						



C van der Riet (Actuarial)				•		
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### 9.3. Audit Committee

- 9.3.1. The audit committee is tasked with assisting the Board in ensuring the financial reporting throughout the Group is accurate and reliable, including:
- 9.3.1.1. to oversee the appointment, performance assessment, remuneration, disciplinary action against or dismissal of the Chief Audit Executive;
  - 9.3.1.2. to review the approve the Internal Audit Charter, to monitor the performance of the Group Internal Audit Function, to approval the annual internal audit plan;
  - 9.3.1.3. to review any significant matters raised by the internal and external auditors;
  - 9.3.1.4. to examine and review draft interim and annual financial results, announcements and any financial information to be made public and recommend this to the board for approval;
  - 9.3.1.5. review the basis on which the Group has been determined to be a going concern;
  - 9.3.1.6. to review the effectiveness and appropriateness of the Group's system of internal financial controls; and
  - 9.3.1.7. oversee the appointment of external auditors and recommend, with board approval, the appointment of the external auditors to the Annual General Meeting for appointment.
- 9.3.2. The scope of the Audit Committee covers all activities of subsidiaries, joint ventures, partnerships and other business ventures within the Discovery Group, both locally and internationally where the Discovery Group has management control. The Committee has the discretion to rely on the work undertaken by any existing governance structure within the international operations where such separate governance structures are in place to fulfil the governance and oversight responsibilities.
- 9.3.3. The Committee consists of four highly skilled and experienced independent non-executive directors who are elected at the Annual General Meeting on recommendation of the Board. The committee meets at least 6 (six) times a year.

The head of finance, senior management and the internal and external audit attend the meetings.

9.4. Risks and Compliance Committee

9.4.1. The Risk and Compliance Committee ensures the overall systems of risk and compliance management and internal control systems are adequate and effective, including:

9.4.1.1. to oversee the appointment, performance assessment, remuneration, disciplinary action against or dismissal of the Chief Risk Officer and the Chief Compliance Officer;

9.4.1.2. to ensure that independent, effective and sufficiently resourced Risk Management and Group Compliance Functions are established and that these functions operate effectively as part of the second line of defence;

9.4.1.3. to review and assess the adequacy and effectiveness of the risk and compliance management systems across the Group;

9.4.1.4. to review and recommend the approval of the risk management, compliance and governance policies across the Group;

9.4.1.5. to review the effectiveness and appropriateness of the anti-fraud programs within the Group; and

9.4.1.6. to review the effectiveness and appropriateness of the IT Governance and Control Frameworks, to review and approve the business continuity and disaster recovery programs in place.

9.4.2. The scope of the Risk & Compliance Committee covers all activities of subsidiaries, joint ventures, partnerships and other business ventures within the Discovery Group, both locally and internationally where the Discovery Group has management control. The Committee has the discretion to rely on the work undertaken by any existing governance structure within the international operations where such separate governance structures are in place to fulfil the governance and oversight responsibilities.

9.4.3. The Committee consists of six highly skilled and experienced independent non-executive directors and eight members of the executive management, who meet 6 (six) times a year. The Chairperson of the Board, Chairperson of the Actuarial

Committee, executive management team and Internal Audit Function, as well as the external auditors, are attendees of the meeting.

9.5. Actuarial Committee

9.5.1. The actuarial committee is responsible for providing assurance to the board regarding the accuracy of the calculations and the appropriateness of the assumptions underlying the liabilities and the capital of the Group, including:

9.5.1.1. to ensure that all relevant actuarial risks within Discovery are identified and analysed;

9.5.1.2. to consider the financial soundness valuation results of Discovery, including overall methodology and assumptions used to value the assets and liabilities of the Group;

9.5.1.3. to consider the embedded value results of Discovery, including the overall methodology and assumptions used in the embedded value calculation;

9.5.1.4. to review the external disclosure of the embedded value results of Discovery;

9.5.1.5. to consider the capital position of Discovery; and

9.5.1.6. to review all reinsurance arrangements.

9.5.2. Vitality Health, Life in the UK and Discovery Insure have separate actuarial committees that are responsible for actuarial matters relevant to their business

9.6. Social and Ethics Committee

9.6.1. The social and ethics committee actively assists the board in monitoring social and economic development, ethics and transformation within the Group, including:

9.6.1.1. to monitor the Group's standing in terms of the ten principles set out in the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development ("OECD") recommendations regarding corruption and relevant legislative requirements

9.6.1.2. to review and approve for recommendation to the Board the company's stakeholder policy

- 9.6.1.3. to review and approve a framework for Stakeholder Engagement and the stakeholder engagement policy
- 9.6.1.4. to monitor the company's activities in respect of stakeholder relationships, including the company's advertising, public relations and compliance with consumer protection laws
- 9.6.1.5. to monitor the company's performance in relation to good corporate citizenship as well as the environment, health and public safety
- 9.6.1.6. to review and approve the Enterprise Development Policy, the Employment Equity Plan, the Preferential Procurement Policy, the CSI strategy and projects proposed by management
- 9.6.1.7. to review and approve, for recommendation to the Board, the Sustainable Development Strategy and key sustainability indicators
- 9.6.1.8. to consider and review the Ethics framework, the Code of Conduct and any complaints received by the Group
- 9.6.1.9. to make recommendations to the Board regarding any potential conflicts of interest of a material nature

9.6.2. The Committee is constituted by executive directors and the Chairperson is a Non-Executive Independent Director. 2 (two) additional independent non-executive directors were appointed as members of the committee during the year.

## 9.7. External Remuneration Committee

- 9.7.1. The remuneration committee guides advise the Board on the Groups remuneration strategies, principles and employment policies, including:
- 9.7.1.1. to assist the Board in its responsibility for setting and administering remuneration policies in Discovery's long-term interest;
  - 9.7.1.2. to ensure that Discovery's employees are remunerated fairly and equitably considering Discovery's performance and external market trend;
  - 9.7.1.3. to make recommendations to the Board on the remuneration structures of non-executive directors;
  - 9.7.1.4. to ensure that the remuneration of executive directors is sufficient to attract, retain and motivate; and

9.7.1.5. to approve a policy relating to bonus and share incentive schemes.

9.7.2. The Remuneration Committee consists of 3 (three) independent non-executive directors.

## 10. ETHICS

The Ethics Committee assists the Board in monitoring social and economic development as well as ethics and transformation within the Group. Discovery uses the King III framework to guide ethical behaviour within the organisation.

<b>King III Principles:</b>	<b>Commentary</b>
<p><b>Ethical leadership and corporate citizenship</b></p> <p>The board must provide effective leadership based on an ethical foundation.</p>	<p>The Discovery Board is responsible for the performance and strategic direction of the Group and encapsulates its core values into all discoveries operations. The board governs the organisation on a strong ethical foundation and ensures responsible actions in all aspects of the business. Discovery's business is conducted in a fair and sustainable manner such that the needs of all stakeholders are considered. The business is regarded as sustainable mainly due to the balance in terms of the long term, medium term, and short term focus and conduct of the affairs are done in such a manner that the environment or community that Discovery operates in are not exploited.</p>
<p>The Board must ensure the company is and is seen to be a responsible corporate citizen.</p>	<p>Discovery, through the guidance of the social and ethics committee, always ensures that the impact of the Group's operations on society and the environment are conducted in a responsible manner embracing the needs of all stakeholders, while still being compliant with all applicable legislation.</p> <p>Discovery's core values ensure that it always strives to enhance and invest in the wellbeing of the economy, society and environment.</p>

<p>The Board must ensure the company's ethics are managed effectively.</p>	<p>The Ethics Committee, as a subcommittee of the Board of Discovery, assists the Board in discharging its responsibilities in meeting the requirements of transformation, ethics and sustainable development within Discovery.</p> <p>An internal ethics framework is established within the Discovery Group.</p> <p>A dedicated Ethics Office manages ethics in the organisation and the Ethics Office Charter has been reviewed, approved and signed off by the Discovery Board.</p>
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## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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*Words used in this section headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### **Notes listed on the Interest Rate Market of the JSE and/or held in the CSD**

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

#### Clearing systems

Each Tranche of Notes listed on the Interest Rate Market of the JSE and/or unlisted Notes that are held in the CSD will be issued, cleared and settled in accordance with the rules and operating procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid, each Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or unlisted Notes that are held in the CSD will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

#### Participants

The CSD maintains accounts only for Participants. As at the date of the Programme Memorandum, the Participants which are approved by the CSD, in terms of the rules of the CSD, and who act as settlement agents to perform electronic settlement of funds and scrip include, but are not limited to, FirstRand Bank Limited, Nedbank, Citibank N.A., South Africa branch, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

#### Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in its entirety in the CSD, the Register will indicate that the entire Tranche of Notes is held in uncertificated form in the CSD. The party recorded in the Uncertificated Securities Register in

accordance with Applicable Laws and the Applicable Procedures will be named in the Register as the registered Noteholder of that Tranche of Notes. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD (as the registered holder of such Notes named in the Register) will be treated by the Issuer and the Issuer Agent as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes issued in uncertificated form and held in the CSD will be made to the CSD, as the registered holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD, as the registered holder of such Notes.

Payments of all amounts in respect of a Tranche of Notes issued in uncertificated form and held in the CSD will be recorded by the CSD, as the registered holder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD, as the registered holder of such Notes, shall be *prima facie* proof of such payments.

#### Transfers and exchanges

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 20 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

#### Records of payments, trust and voting

Neither the Issuer nor the Issuer Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. None of the Issuer, the Transfer Agent or the Issuer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express,



implied or constructive) to which any Security may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

JSE Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE Guarantee Fund. Claims against the JSE Guarantee Fund may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Guarantee Fund. Unlisted Notes are not regulated by the JSE.

Notes listed on any Financial Exchange other than (or in addition to) the JSE

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

## SUBSCRIPTION AND SALE

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*Words used in this section headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The Dealers have in terms of the programme agreement dated on or about 14 November 2017, as amended, supplemented or restated from time to time (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

### **Selling restrictions**

#### South Africa

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche, and will itself not sell the Notes in that Tranche of Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time. Notes will not be offered for subscription to any single addressee for an amount of less than the Specified Denomination.

#### United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Notes may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Applicable Laws.

#### European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (i) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the

Prospectus Directive and ending on the date which is 12 (twelve) months after the date of such publication;

- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has 2 (two) or more of (a) an average of at least 250 (two hundred and fifty) employees during the last financial year; (b) a total balance sheet of more than €43,000,000 (forty three million Euros) and (c) an annual turnover of more than €50,000,000 (fifty million Euros) as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### United Kingdom

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (i) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any of such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act, 2000 (the "FSMA") by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer;

- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.]

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (i) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and
- (ii) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent(s) that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assume(s) any responsibility for facilitating such subscription or sale.

## SOUTH AFRICAN TAXATION

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*Words used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

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

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

### **Income Tax**

Under current taxation law effective in South Africa, a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (the "Income Tax Act") is subject to income tax on his/her worldwide income. Accordingly, all holders of Notes who are "residents" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

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

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

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

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

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

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

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

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

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

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

### **Capital Gains Tax**

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

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

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

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

#### **Securities Transfer Tax ("STT")**

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

#### **Value-Added Tax**

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

Commission, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute "debt securities" as defined in section 2(2)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 14% (fourteen percent)), except where the recipient is a non-resident.

#### **Withholding tax**

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. However, a withholding tax on interest, imposed at the rate of 15% (fifteen percent) came into effect on 1 March 2015. The interest withholding tax applies to any amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that such amount of interest is from a South African source in terms of the Income Tax Act, and will apply to interest that is paid or that becomes due and payable on or after 1 March 2015. For the purposes of the withholding tax, a "foreign person" is defined as any person that is not a South African tax resident. Accordingly, to the extent that any interest is paid to Noteholders who are South African tax residents, the withholding tax will not apply.

An exemption from the withholding tax on interest applies in respect of any debt listed on a recognised exchange, including any debt listed on the Interest Rate Market of the JSE Limited.

**Definition of Interest**

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



## **SOUTH AFRICAN EXCHANGE CONTROL**

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*Words used in this section headed "South African Exchange Control" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

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

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

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

#### **Blocked Rand**

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

#### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an "emigrant" account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

#### **Non-residents of the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the event that a Beneficial Interest in Notes is held by a non-resident of the

Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a "non-resident" account.

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

#### **Exchange Control – Issuer**

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

## GENERAL INFORMATION

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*Words used in this section headed "General Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the date of this Programme Memorandum have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

### Listing

The Programme Memorandum has been approved by the JSE. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any other Financial Exchange.

### Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the Specified Office of the Issuer as set out at the end of this Programme Memorandum:

- (i) all amendments and supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (ii) the Guarantee executed by each of the Guarantors in favour of the Noteholders;
- (iii) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (iv) all the certificates signed by the Issuer, as contemplated in Condition 9 (*Guarantee*) of the Terms and Conditions; and
- (v) each Rating in relation to, the Issuer, the Guarantors, the Programme or any Tranche of Notes from time to time;
- (vi) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted by SENS, or any other similar service, established by the JSE. This Programme Memorandum will be available on the JSE website, [www.jse.co.za](http://www.jse.co.za), and the annual report of the Issuer and each of the Guarantors incorporating their audited consolidated annual financial statements (including, where applicable, the audited consolidated interim financial statements), together with the reports and the notes attached to or intended to be read with such financial statements of the Issuer and each of the Guarantors for their 3 (three) financial years prior to

the date of such issue as well as for each financial year thereafter ending on the last day of each financial year, currently 30 June in respect of the Issuer and each of the Guarantors are also available on the Issuer's website, [www.discovery.co.za](http://www.discovery.co.za).

**Material Change**

As at the date of this Programme Memorandum, and after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements. As at the date of this Programme Memorandum, there has been no involvement by the auditors in making the aforementioned statement.

**Litigation**

Save as disclosed in this Programme Memorandum, neither the Issuer nor any of its respective consolidated Subsidiaries, nor the Guarantors is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have, in the recent past, being at least 12 (twelve) months, had a material effect on the financial position of the Issuer or its consolidated Subsidiaries.

**Auditors**

PriceWaterhouseCoopers Inc. have acted as the auditors of the financial statements of the Issuer for the financial year ended June 2015, 2016 and 2017 and, in respect of those years, have issued unqualified audit reports.

**ISSUER****Discovery Limited**

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**TRANSFER AGENT**

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**AUDITORS TO THE ISSUER**

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**LEGAL ADVISORS TO THE ISSUER, ARRANGER AND DEALER**

**ENSafrica**

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