Discovery Investor Relations Communication

Group Capital Management Strategy

18 SEPTEMBER 2017

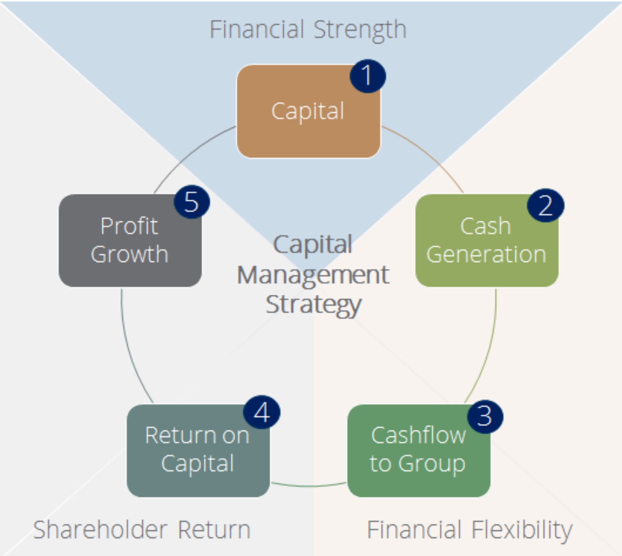
1. Introduction

This note describes the key components of the Discovery Group Capital Strategy.

This note is targeted at knowledgeable investors and investment analysts and assumes previous knowledge of Discovery's Annual Financial Statements. It has not been externally reviewed or audited.

2. Capital Management Strategy

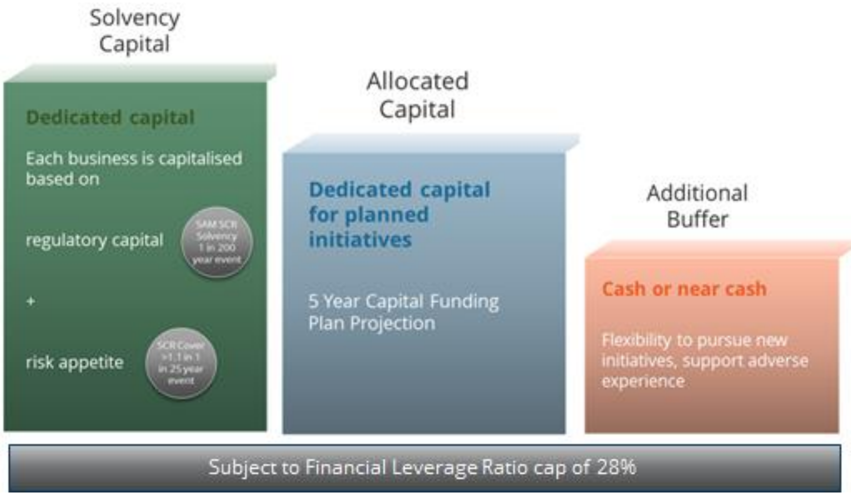
The following diagram summarises the key components of the Group capital management strategy:



The capital management strategy is designed to achieve three capital objectives, namely Financial Strength, Shareholder Return and Financial Flexibility. To achieve these objectives, the strategy has identified five key areas which will be discussed in turn under the following sub-headings.

2.1. CAPITAL

The Group capital management philosophy is well established and depicted in the following diagram:



The Group manages the Additional Buffer to be in the range of R1bn to R2bn.

2.2. CASH GENERATION

The cash generation of each business is managed within the context of two principles set out in the following diagram:

1 New Business Cash Flow Requirement

- Minimum cash generation standard for new business (new products and new initiatives)
- Life insurance: Discounted Payback Period < 10 Years
- Other: Discounted Payback Period < 5 Years
- Discounted Payback Period @ Group Cost of Equity

2 Distributable Cash Flow Requirement

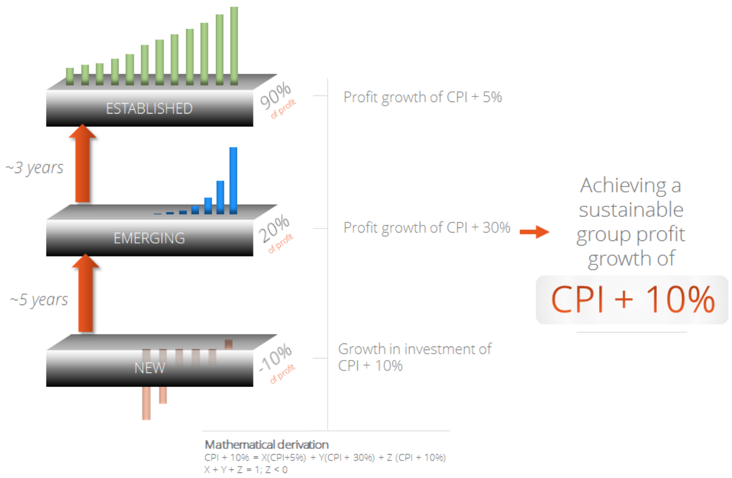
- Cashflow to Group from each business should be sustainable
- Within a Financial Year:
  - Distributable Cashflow > Cashflow to Group
- Distributable Cashflow is the cash generated by a business in a period

2.3. CASHFLOW TO GROUP

The Group has an established framework for the expected cashflow to the Group. The framework allows for the maturity of the relevant business and any possible regulatory constraints. The framework allows for regulated business to build capital resources and all business to invest in new business.

2.4. PROFIT GROWTH

The Group profit growth philosophy is well established and depicted in the following diagram:



2.5. RETURN ON CAPITAL

The return on capital target for the Group overall is well established at Risk Fee + 10%. The following diagram sets out the robust, multi-dimensional view the Group uses to measure return on capital:

1 What return on capital has been achieved since inception?	2 What is the expected return on capital going forward?
Retrospective	Prospective
Shareholder Return on Investment > Risk Free + 10%	***New Business IRR > Risk Free + 10%***

The Shareholder Return on Investment is defined as the IRR calculated using historic capital invested in a business (net of dividends paid from a business) and returning the value of the business at the valuation date. The value is based on an appraisal value calculation allowing for future new business.

The in period return for each business is assessed against the Risk Free + 10% target based on metrics consistent with those set out above, taking into account the nature of the business.