

DE BEERS BENEFIT SOCIETY

MINUTES OF THE ONE HUNDRED AND THIRTY SECOND ANNUAL GENERAL MEETING OF MEMBERS HELD ON 19 MAY 2021 AT 12H00 AS A VIRTUAL MEETING OVER THE INTERNET ON THE GOTOWEBINAR PLATFORM

INTRODUCTION

Mr Beangstrom (the Society Manager) explained in detail how the virtual meeting would be conducted, including how those present could participate in the meeting, put questions and comments and participate in voting when called upon to do so. It was noted that a recording of the proceedings would be made available to all members following the conclusion of the meeting.

WELCOME

The Chairperson of the Society, Mr C Coltman, presided. He welcomed all present to the second Annual General Meeting (AGM) to be held virtually over the internet as determined by the Board of Trustees following certain Rule changes.

QUORUM

The Chairperson advised the meeting that, as he held 11 valid signed proxy forms and as there were 27 registered members present online at the start of the meeting, the necessary quorum existed and that the meeting was accordingly duly constituted in terms of the amended rule change requested by the Council for Medical Schemes for the quorum to be increased to 30.

NOTICE OF MEETING

It was **RESOLVED** that the notice convening the meeting be taken as read following a proposal by the Chairperson that was seconded by Mrs Moodaley. The Chairperson noted that no motions had been lodged in terms of Rule 26.1.5 and that the Agenda as circulated would therefore remain unchanged.

MINUTES

The minutes of the 131st Annual General Meeting held on 22 June 2020 were approved by the members following a proposal by the Chairperson that was seconded by Mr Wiese.

ACCOUNTS, REPORTS AND CONFIRMATION OF TRUSTEE ACTIONS

It was **RESOLVED**, following a proposal by the Chairperson that was seconded by Ms Cader, that the Annual Financial Statements, the Board of Trustees' Annual Review and the Auditor's Report for the year ended 31 December 2020, as tabled at the meeting, be taken as read.

The Chairperson then delivered the following overview of the Society's activities during 2020 and its position as at the end of that year:

“We certainly are living in unusual times as we participate in this, the second virtual Annual General Meeting of the De Beers Benefit Society in the 132nd year of our existence.

As we continue to battle the Coronavirus pandemic, we cannot predict what the final impact COVID-19 will have on the Society and our members. With developed countries across the world reeling under the onslaught of this virus, we are all uncertain about what the future holds for us as a country, as a medical scheme and as individuals.

The one thing that I am certain of amid this pandemic is that our Society will do whatever it reasonably can to make the working environment safe for our staff and to continue to serve our members as we have done in the past.

Impact of COVID-19

The Covid-19 pandemic has caused hardship on multiple fronts and has severely impacted many businesses and economies around the world, but the road ahead – thanks to the successful development of vaccines worldwide and the extensive research that has taken place around the health effects of this novel coronavirus – seems a bit less uncertain than a year ago. As at 28 February 2021:

- 1 919 Covid-19 tests have been performed at a cost of R1.6 million; this represents 21% of our beneficiaries
- 15.8% of these tests have returned positive results; and
- 27 deaths have been reported.

Our deepest condolences to those bereaved families that have lost loved ones. As a Society, we look forward to being there for you during the rest of this journey, including the imminent vaccine roll-out. In the meantime, we urge you to not only do your best to avoid contracting the virus, but also to use this pandemic as inspiration to focus on your general health and wellbeing.

Financial Results

Relevant healthcare expenditure, expressed as a percentage of contributions for the year, decreased to 94.1% (2019: 109.4%). This compares very favourably with the industry average as per the Council for Medical Schemes' (the Council) 2019 Annual Report of 90.6% across all schemes. The Society reflected a total comprehensive income for the year of R48.1 million (2019: R21.0 million) after incorporating investment and other income. The return on our investments was 6.3% (2019: 9.3%). The main reason for the improved relevant healthcare expenditure year on year can be ascribed to the Covid-19 pandemic in that members avoided planned procedures where possible resulting in lower claims for the period under review. This trend is expected to continue well into 2021.

Accumulated Funds and Solvency Ratio

The Society's accumulated funds have increased to R605.8 million (2019: R557.7 million). Its solvency ratio as at 31 December 2020 increased to 182.1% (2019: 162.4%).

The Board is cognisant of the fact that the Society's solvency ratio is

substantially higher than the minimum of 25% required by the Medical Schemes Act of South Africa (the Act). It is also in excess of the Society's risk-based capital requirement, as determined by the Actuary based on the Society's specific risk profile.

This is particularly reassuring, given:

- the current regulatory framework,
- a rapidly evolving South African healthcare environment,
- the current COVID-19 pandemic,
- corporate activity within the De Beers Group,
- the increasing average age of beneficiaries of 49.8 years (as against 49.2 in 2019 and the industry average of 33 years), and
- the increasing pensioner ratio of 33.9% (as against 32.0% in 2019 and the industry average of 9%).

Membership

During 2020 the Society provided benefits to an average of 9 142 (2019: 9 491) beneficiaries located primarily in the Northern Cape (27%), Western Cape (23%), Gauteng (16%) and Limpopo (18%). The remaining beneficiaries are spread across the remainder of South Africa and abroad (16%).

The Society has experienced a further decrease in its membership and dependant ratio during the year under review because of the on-going organisational restructuring within the De Beers Group of Companies (De Beers) and member choice in relation to the registration of dependants.

The Society had 4 739 (2019: 4 898) principal members as at 31 December 2020, with a monthly average of 4 823 (2019: 4 962) for the year. The dependant ratio as at 31 December 2020 was 1: 0.89 (2019: 1: 0.91).

Since the membership of the Society is directly affected by any corporate activity within De Beers, the Society continues to monitor any announcements made in this regard and interacts with the principal employer to evaluate the potential impact of such activity on the Society's membership. We are currently not aware of any corporate activity that would potentially have a significant impact on the Society in the short-term.

Governance and Compliance

We are fully committed to the application of those practices, philosophies and governance outcomes contained in the King IV Code of Corporate Governance (King IV) that are applicable to the Society.

As previously communicated, aligned to the Society's commitment to good corporate governance, the Society has subscribed to the Governance and Compliance Instrument launched by the Global Platform for Intellectual Property in collaboration with the Council to continuously assess its application of the principles of King IV insofar as they are applicable to medical schemes. Overall, the assessment did not indicate any significant shortcomings and following the implementation of the agreed actions the Society's governance practices are aligned to the King IV principles and associated practices, where relevant. The Society's King IV Application Report, which is available on the Society's website, explains:

- how the Society has applied or not applied the principles set out in King IV;
- what actions are still required in terms of applying a specific principle; and
- where it is impossible to implement a practice or where such implementation is inappropriate.

Sustainability of the Society

While the Society remains sustainable with good benefits for the time being, it continues to face challenges from our deteriorating demographics, with more elderly than younger members. The Society also faces the challenge of dealing with the above-inflationary increases in the costs of diagnostic technologies, medicines and treatments, both in and out of hospital, as well as with the abuse of benefits and fraud on the part of some members and service providers. The Society has various controls in place to mitigate the above risks, including but not limited to pre-authorisation requirements for expensive diagnostic technologies, formularies and price checking on medicine claims, pre-authorisation for in hospital treatment and out of hospital where appropriate and regular retrospective reviews on claim trends and patterns to detect fraud and abuse besides the normal system based financial and price checking controls.

In addition to the increasing cost pressures caused by new technologies, medicines and treatments on the one hand and the Society's ongoing reduction in membership on the other hand, the Society continues to operate in uncertain times brought about by the COVID-19 pandemic and a rapidly evolving regulatory and healthcare industry environment.

The Society employs various strategies to limit costs, such as contracts with Designated Service Providers. The better it can control costs with the active cooperation of its members, the better the Society will be able to maintain the benefits that it offers.

The high level of accumulated funds (with reserves exceeding R600 million) and the initiatives that have been implemented by the Society over the years to manage the utilisation of benefits more efficiently in the best interest of all members, are the main reasons why the Society remains financially stable and sustainable for the time being.

Our members are privileged indeed to be served by individuals who take pride in a culture of service excellence. It is clear from feedback received from members that the commitment and dedication of the Society's staff (which are highly rated) are ensuring that the reasonable expectations of members and beneficiaries are being met and that they are being treated fairly.

The Society may well find itself in a position at some point in the future where it will be compelled to implement changes in response to the ever-changing environment in which it operates. The Benefit Society BOT is monitoring any developments in this regard and will communicate to members as and when appropriate.

Communication

Important information is regularly communicated to members directly by letter and through the Society's publication Benefit Beat. Additional electronic communication via the Newsflashes has been introduced to communicate information in a quick and efficient manner to members who have an email address.

Members with access to the internet are reminded of the variety of useful, up-to-date and relevant information that is available on the Society's website (www.dbbs.co.za).

In Conclusion

Undoubtedly 2021 will be another year in which the Society will have to face challenges from several sources, but I believe that the Society is well positioned to deal with these.

I deeply appreciate the advice, guidance and support that I have received from my fellow Trustees, from the senior management of the Society and from the Society's service providers during the past year. To all of them I offer my sincere thanks.

I would now like to invite you to ask any questions you may have regarding my overview, the Annual Review of your Trustees and the Annual Financial Statements."

Attendees were invited to ask any questions and to make any comments concerning the Chairperson's overview, the Annual Review, the Auditors' Report and the Annual Financial Statements.

Nothing was raised by the members present.

Following a proposal by the Chairperson that was seconded by Ms Langenhoven, the meeting **RESOLVED** that:

- the Annual Financial Statements, the Board's Annual Review, the Auditors' Report and the Chairperson's Report be noted; and
- all matters undertaken and discharged by the Trustees during the year under review on behalf of the Society be confirmed and ratified.

APPOINTMENT OF AUDITORS

Following a proposal by the Chairperson that was seconded by Ms Chan Yan, the meeting **RESOLVED** to re-appoint PricewaterhouseCoopers as the Society's auditors for the ensuing year.

APPROVAL OF THE TRUSTEE REMUNERATION POLICY

The Chairperson noted that by approving the Trustee Remuneration Policy, the members would also be approving the attendance fee payable to eligible Trustees per meeting attended.

Following a proposal by the Chairperson that was seconded by Mr Borraine, the meeting **RESOLVED** to approve the Trustee Remuneration Policy as tabled thereby approving an increase in the attendance fee payable to eligible Trustees in accordance

with Rule 18.25 by 5.0% to R5 175 per meeting attended effective from 1 January 2021 as recommended by the Board of Trustees.

CLOSURE

In conclusion the Chairperson thanked those present for their attendance and closed the meeting.

CONFIRMED: 18 May 2022 _____

CHAIRPERSON: _____

SECRETARY: _____