

DE BEERS BENEFIT SOCIETY

MINUTES OF THE ONE HUNDRED AND THIRTIETH ANNUAL GENERAL MEETING OF MEMBERS HELD IN THE DE BEERS CONSOLIDATED MINES BOARD ROOM, 36 STOCKDALE STREET, KIMBERLEY ON 15 MAY 2019 AT 12H00.

WELCOME

The Chairperson of the Society, Mr C J Blanckenberg, presided. He welcomed all present.

QUORUM

The necessary quorum being present, the meeting was declared properly constituted by the Chairperson.

APOLOGIES

Apologies were received from: Mr W Smerdon, Mr Z Astrie, Mr D Kerspuy, Mr H Endersby, Mr H Gastrow, Mr R Ketley and Mr A Erasmus.

NOTICE OF MEETING

It was resolved that the notice convening the meeting be taken as read following a proposal by the Chairperson which was seconded by Mrs H 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. He noted that he held one valid proxy.

MINUTES

The minutes of the 129th Annual General Meeting held on 16 May 2018 were unanimously approved (Proposed by Mrs K Muller and seconded by Ms M Moeti).

REPORTS AND ACCOUNT

It was resolved that the Annual Financial Statements, the Board's annual review and the auditor's report as tabled for the year ended 31 December 2018, be taken as read (Proposed by the Chairperson, Seconded by Mr C Wiese).

The Chairperson highlighted the following aspects in his report to the members after noting the remarkable achievement of the Society's 130th birthday:

2018 was a difficult year for markets worldwide, with the South African All Share Index (ALSI) achieving a negative return of 8.5% for the year. These challenging investment conditions left their mark on the financial performance of the Society, with the investments achieving a net positive return of only 4.0% for the year under review (2017: 11.0%).

Relevant healthcare expenditure expressed as a percentage of contributions for the year increased to 112.7% (2017: 105.6%) and the Society reflected a total comprehensive loss for the year of R18.9 million (2017: total comprehensive income of R34,8 million), this after incorporating investment and other income.

During the year under review, the Society's reserves decreased to R536.7 million (2017: R555.6 million). Its solvency ratio as at 31 December 2018 decreased to 144.4% (2017: 152.6%).

The Chairperson noted that the Board was aware of the fact that the Society's solvency ratio is substantially higher than the minimum of 25% required by the Act. It was 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 reassuring, given the current regulatory framework, a rapidly evolving South African healthcare environment, the ongoing corporate activity within De Beers, the increasing average age of beneficiaries of 48.2 years (2017: 47.1) and the pensioner ratio of 29.8% (2017: 27.4%). It was important to note the significantly lower industry averages for both the age of beneficiaries (33.2 years against the Society's 48.2 years) and the pensioner ratio (8.4% against the Society's 29.8%).

The Society experienced a further decrease in membership during the year under review, in particular as a result of the closure of the Voorspoed Mine. The dependant ratio also reduced, mainly as a result of the ongoing corporate activity within De Beers and member choice in relation to the registration of dependants.

During 2018, the Society provided benefits to an average of 9 977 beneficiaries (2017: 10 456) located primarily in the Northern Cape (28%), Western Cape (22%), Gauteng (16%) and Limpopo (17%). The remaining beneficiaries are spread across the rest of South Africa and abroad (17%).

The Society had 5 048 (2017: 5 206) principal members as at 31 December 2018, with a monthly average of 5 133 for the year (2017: 5 291). The dependant ratio as at 31 December 2018 was 1:0.93 (2017: 1: 0.97).

Since the membership of the Society was directly affected by corporate activity within De Beers, the Board had continued to monitor developments in this regard and to interact with the participating employers to evaluate the potential impact of such activity on the Society's membership.

The Actuary had assisted the Society in identifying and assessing risks and establishing claiming patterns by conducting regular actuarial modelling. The Actuary was also required to calculate the outstanding claims provision, the Society's post-employment healthcare benefits obligation and the amount of the employer grant, and generally provided advice to the Board in relation to the operation of the Society. In addition, the Actuary is consulted to determine and model the benefits and contribution levels for each benefit year.

The Society's certificate of compliance with administration standards applicable to self-administered schemes was renewed by the Council for Medical Schemes (the Council) during 2017, subject to an on-site evaluation to be conducted during 2018. The Council issued a certificate of compliance subject to certain conditions on 1 November 2018 (being the date of accreditation). This certificate expires on 9 December 2019. The accreditation was subject to compliance with certain conditions within a period of six months from the date of accreditation. The Society had met these conditions.

Following the publication of the King IV Code on Corporate Governance, and in line with the Board's commitment to good corporate governance, the Society undertook a comprehensive review to assess the Society's application of King IV and to identify opportunities for improvement. Overall the review did not indicate significant shortcomings and the Board was satisfied that, following implementation of the

agreed actions, the Society's governance would be aligned to the King IV practices, philosophies and governance outcomes that are applicable to the Society. In due course the Society's King IV Application Report would be published on the Society's website.

The Society had continued to operate in uncertain times and in a regulatory and healthcare industry environment that was rapidly evolving with increasing cost pressures caused by new technologies and treatments on the one hand, and the ongoing corporate activity within De Beers (which results in membership reductions) on the other hand.

The high level of accumulated funds (with reserves exceeding R500 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 interests of all members, were the main reasons why the Society remained financially stable and sustainable for the time being.

It was, however, becoming clear that the Society may well find itself in a position at some point in the future where it would be compelled to implement significant changes in response to the ever-changing environment in which it operates. Any developments in this regard would be communicated to members as and when appropriate.

Important information had regularly been communicated to members directly by letter and through the Society's publication Benefit Beat. Information sharing sessions had also been held with groups of members from time to time.

Members with access to the internet were reminded of the variety of useful, up-to-date and relevant information that was available on the Society's new website.

The Chairperson noted that Board was indebted to the management and staff of the Society for their commitment to the efficient and cost-effective running of the business and affairs of the Society during these challenging times. Their teamwork, loyalty and the personal touch they display in dealings with members and the affairs of the Society in general, had played a key role in ensuring the Society's on-going success. Undoubtedly 2019 would be another year in which the Society would have to face challenges from a number of sources, but the Board believed that the Society was well positioned to deal with these.

The Chairperson thanked the Trustees, Board Committee members, staff and service providers of the Society for their support, guidance, co-operation and dedication during the year under review and, in advance, for the year that lay ahead.

Attendees were invited to ask any questions that they may have had with regard to the Chairperson's overview, the Annual Review, the Auditors Report and the Annual Financial Statements.

Following a proposal by the Chairperson seconded by Ms A Joseph, the meeting unanimously **RESOLVED** that:

- the annual financial statements and the Board's annual review as tabled at this meeting be adopted and approved;
- the auditor's report be noted;
- 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 seconded by Ms T Snyders the meeting unanimously **RESOLVED** to re-appoint PricewaterhouseCoopers as the Society's auditors for the ensuing year.

APPROVAL OF THE TRUSTEE REMUNERATION POLICY

Following a proposal by the Chairperson seconded by Mrs N August the meeting unanimously **RESOLVED** to approve the Trustee Remuneration Policy as tabled.

ALLOWANCE FOR ELIGIBLE TRUSTEES

Following a proposal by the Chairperson seconded by Mrs W Chan Yan the meeting unanimously **RESOLVED** to increase the attendance fee payable to eligible Trustees in accordance with Rule 18.25 by 6.5% to R4 690 per meeting attended effective from 1 January 2019 as recommended by the Board of Trustees. The Chairperson noted that, in terms of the Trustee Remuneration Policy as approved by the meeting, Board Committee members who were not employed by the Principal Employer or an Associated Employer would be remunerated at the same rate as that approved for eligible Trustees.

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

CONFIRMED: _____

CHAIRPERSON: _____

SECRETARY: _____