



HIGHLIGHTS FROM THE 2020 ANNUAL FINANCIAL STATEMENTS AND NOTICE OF AGM

2020 AT A GLANCE



4 823

Average principal members

(2019: 4 962)



9 142

Average lives covered

(2019: 9 491)



R613.2m

Total investments

(2019: R559.8 million)



R33.5 m

Net investment income

(2019: R49.1 million)



R605.8m

In reserves

(2019: R557.7 million)



R331.1m

Total contributions received

(2019: R317.7 million)



182.1%

Solvency ratio

(2019: 162.4%)



R307.7m

Total benefits paid

(2019: R344.2 million)



Chairperson's Report

At the time of my writing this report, I have been at the helm of the Society for nine months – and what a whirlwind time it has been.

Before I reflect on the chaos that 2020 held, I would like to thank Colin, who served as Chairperson for ten years, for his exceptional contribution to the Society. I am extremely grateful that he has been willing to continue serving as a Trustee to ensure a smooth transition.

Of course, the Society had already been established when the Spanish Flu broke out in 1918. During that pandemic, South Africa was one of the hardest hit countries in the world, and I find it comforting that the Society was already then playing an important role helping De Beers Group of Companies (De Beers) employees and their dependants (beneficiaries) in covering their medical expenses.

More than a century later, we have seen astounding medical progress, and we are now able to save many lives that would have been lost in an earlier age. But, as the Covid-19 pandemic has also shown us, such medical intervention comes at a cost. A patient who must be treated for a considerable time in a high-care unit, and who must be ventilated, could easily incur costs of more than R350 000 during that single private hospital admission.

During 2020, we supported around 90 beneficiaries at a cost of approximately R9 million, when they needed various levels of hospital care in their fight against Covid-19. Looking at the Society's claims reports since the beginning of this year, especially with the second wave that peaked during January, it seems unavoidable that the figures for 2021 will be even higher.

It will be up to each and every one of us to limit further damage – in financial terms, but especially in terms of lives – by remaining vigilant in our efforts to avoid contracting and spreading this novel coronavirus. I am hopeful that by the time you are reading this report, especially our older beneficiaries and those with co-morbidities will already have received (or will be close to receiving) their vaccines. (Just a reminder that the Society will cover the cost of Covid-19 vaccines in full, so please don't delay getting your vaccine when the roll-out of your applicable group takes place.)

As important to us as the continued health of our beneficiaries, is that of the Society. In this regard, I am pleased to report that the recent annual audit conducted by the Society's auditors (PWC) has given the Society a clean bill of health. To me, this indicates excellent internal controls and systems at the Society.

I would therefore like to commend the Society Management for their diligence and excellent delivery during a particularly difficult year, and also thank my fellow Trustees for their incredible support. Finally, a word of thanks to you, our members, for your continued support – you remain the reason for the existence of the Society, and we will do our best to be there for you when you need it most.

Craig Coltman

Chairperson

25 March 2021



Principal Officer's Report

Although our Chairperson has already reflected on the Covid-19 pandemic in his report, I would like to touch on some of the financial effects we have seen from the pandemic so far.

While there were significant claims for Covid-19 related healthcare costs (such as Covid-19 tests), 2020 and its long lockdown periods had a definite suppressive effect on the overall healthcare costs incurred, especially in relation to elective surgeries/procedures and hospital admissions. With many beneficiaries not utilising non-critical healthcare services (such as dental check-ups and eye examinations) and opting not to visit their doctors/specialists as frequently as in the past, claims for 2020 were lower than for a typical year. This is the main reason for the Society reflecting a R48.1 million surplus for the year ended 31 December 2020.

Unfortunately, despite this 'positive' result, we simply cannot become complacent. With the second and larger Covid-19 that peaked in January, and a third wave predicted for our autumn/winter months, it is likely that we will see an increase in the costs for 2021.

We can also not discount the fact that many of the elective surgeries/procedures that did not take place in 2020 have been postponed indefinitely, which means that we may see a sharp increase in such surgeries/procedures during the latter part of 2021.

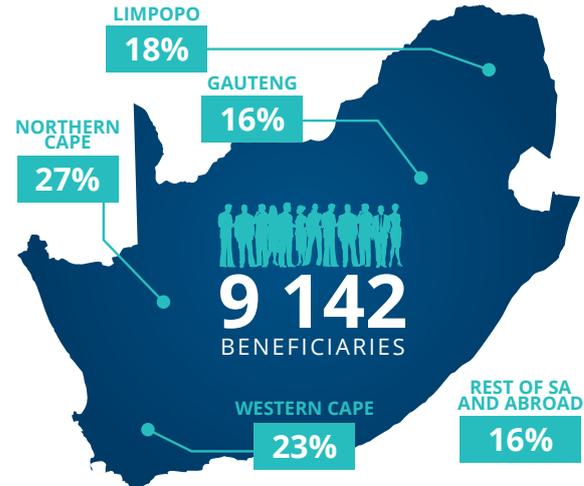
For now, however, I would like to reflect on our results for 2020.



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%).

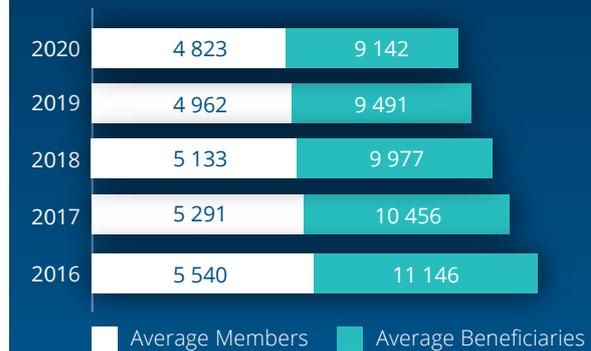
The Society has experienced a further decrease in its membership and dependant ratio during the year under review because of the on-going organisational restructuring within the De Beers Group of Companies (De Beers) and member choice in relation to the registration of dependants.



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 the De Beers, the Society continues to monitor any announcements made in this regard and interacts with the participating employers 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.

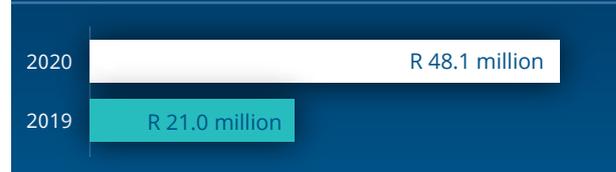
AVERAGE MEMBERSHIP



FINANCIAL RESULTS FOR THE YEAR

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%).

TOTAL COMPREHENSIVE INCOME

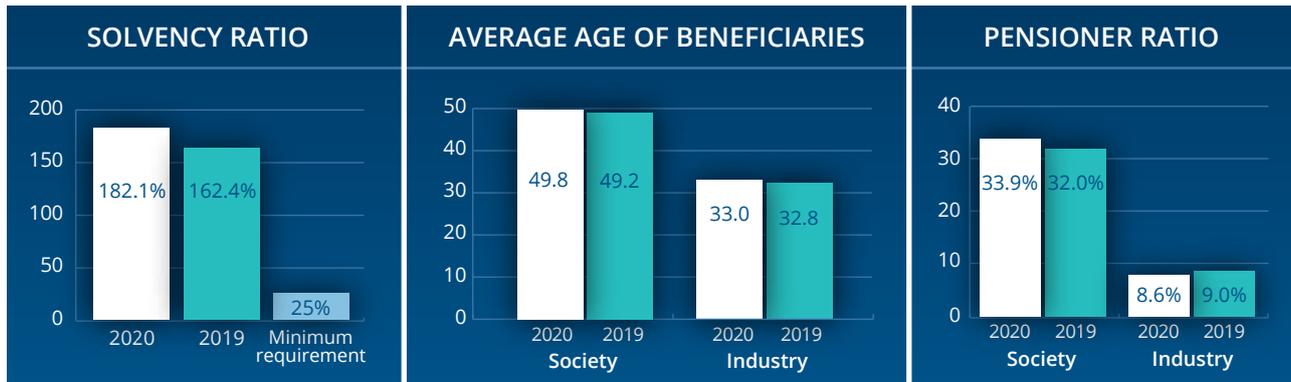


ACCUMULATED FUNDS AND SOLVENCY RATIO

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%).

We remain cognisant of 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 Society Actuary based

on the Society's specific risk profile. This is reassuring in view of Covid-19, the current regulatory framework, a rapidly evolving South African healthcare environment, the on-going corporate activity within De Beers, as well as the increasing average age of beneficiaries of 49.8 years (2019: 49.2) and the pensioner ratio of 33.9% (2019: 32.0%), both of which are significantly higher than the industry average of 33.0 years (2019: 32.8) and 8.6% (2019: 9.0%), respectively.

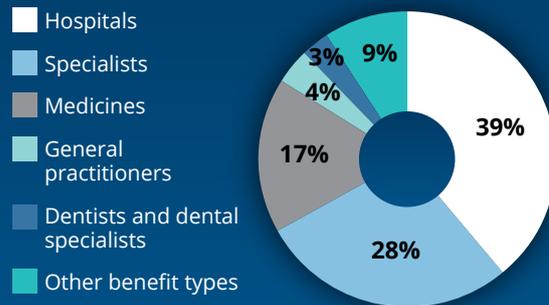


RELEVANT HEALTHCARE EXPENDITURE

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, and especially when measured against the 89.3% average for open schemes.

Of the total net claims incurred in 2020, hospitals comprised 39% (2019: 40%), specialists 28% (2019: 28%), medicines 17% (2019: 16%), general practitioners 4% (2019: 4%), dentists and dental specialists 3% (2019: 3%) and other benefit types 9% (2019: 9%).

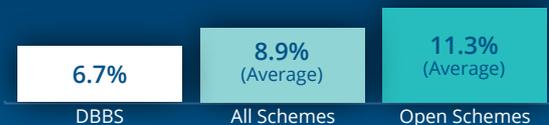
NET CLAIMS ANALYSIS



NON-HEALTHCARE EXPENDITURE

During 2020, the Society spent only 6.7% (2019: 6.9%) of contributions on non-healthcare expenses (administration), compared with the industry average as per the Council's 2019 Annual Report of 8.9% for all schemes and 11.3% for open schemes.

NON-HEALTHCARE EXPENDITURE



EMERGENCY MEDICAL TRANSPORT AND EVACUATION SERVICES

The Society maintains a fixed-fee capitation agreement with ER24 providing for emergency medical transport and evacuation services. The Society paid a premium of R3.1 million (2019: R3.0 million) to ER 24 for the year. The total cost for emergency medical transport and evacuation services recovered in terms of this agreement amounted to R2.5 million (2019: R2.8 million) for the year. Had this agreement not been in place, the total cost for emergency medical transport and evacuation services,

based on the ER24 private client rates, would have been R3.3 million (2019: R3.6 million).



EMPLOYER GRANT IN RESPECT OF PENSIONERS

The employer grant relates to a subsidy which is payable by DBCM in terms of agreements reached with DBCM following the termination of the membership of the Finsch Mine and Kimberley Mines employees (and the retention in the Society of the pensioner members associated with these mines) following the sale of the mines in September 2011 and January 2016, respectively. In terms of the agreements DBCM agreed to subsidise

any annual cross-subsidy deficit that may arise, to offset the associated negative impact on the Society.

The subsidy is calculated annually by the Society Actuary in terms of an agreed methodology. The total subsidy payable by DBCM for the year in terms of these agreements amounted to R15.5 million (2019: R22.1 million).

EMPLOYER-APPOINTED TRUSTEES

Following the resignation of Mr Z Astrie on 2 October 2020 and the end of Mr W J B Smerdon's term of office on 20 May 2020, Mr J H van der Walt and Ms G Lekalakala were appointed as Trustees, with effect from 25 November 2020 and 21 May 2020, respectively.

ELECTION OF MEMBER-ELECTED TRUSTEES

As previously communicated, the member-elected Trustees' terms of office ended during 2020. The process to elect new Trustees commenced in September 2019, with the Society receiving five valid nominations, and voting ended on 30 April 2020. The election results were announced at the 131st Annual General Meeting (AGM) of members and the following member-elected Trustees commenced their five-year term office on 23 June 2020:



Mr D Bhana



Mr A P Hewett



Mr R W Ketley



Mr W J B
Smerdon



Mr C J
Blanckenberg



Mr C W Coltman



Ms G
Lekalakala



Mr J H van
der Walt

We wish to thank Messrs W Endersby, AP Erasmus and N J Soyizwaphi, whose terms of offices ended on 13 May 2020, for their contribution to the Society, and wish them well for the future.

The member-elected Trustees serve along with the following employer-appointed Trustees:

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON

The position of Vice-Chairperson became vacant when Mr W J B Smerdon's term of office ended on 20 May 2020 and Mr C J Blanckenberg resigned as Chairperson of the Board on 9 July 2020. At the same meeting Messrs C W Coltman

and W J B Smerdon were elected as Chairperson and Vice-Chairperson, respectively, in terms of the Rules of the Society (the Rules).

COMPLIANCE AND GOVERNANCE

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 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.

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 (21% of beneficiaries) Covid-19 tests have been performed at a cost of R1.6 million;
- 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, and especially the 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.



ACKNOWLEDGMENTS

I wish to thank the Trustees, Board Committee members, staff and service providers of the Society for their support, guidance, co-operation and dedication in the dealings with members and the affairs of the Society during the year under review and, in advance, for the year that lies ahead.

LOOKING AHEAD

As we have already experienced, 2021 will no doubt be another year in which we will have to face various challenges from several sources, but I believe that the Society is well positioned to tackle these head-on.

Take care and stay safe.

Stanley Mathonzi

Principal Officer

25 March 2021

FINANCIALS

FINANCIAL POSITION AS AT 31 DECEMBER 2020

	2020 R'000	2019 R'000
ASSETS		
Non-current assets	585 292	520 420
Property, plant and equipment	220	160
Intangible assets	58	76
Investments	585 014	520 184
Current assets	72 351	91 066
Investments	28 173	39 578
Trade and other receivables	19 697	26 177
Cash and cash equivalents	24 481	25 311
Total assets	657 643	611 486
FUNDS AND LIABILITIES		
Members' funds	605 805	557 734
Non-current liabilities		
Retirement benefits obligations	16 131	16 960
Current liabilities	35 707	36 792
Trade and other payables	18 534	16 418
Outstanding claims provision	17 173	20 374
Total funds and liabilities	657 643	611 486

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 R'000	2019 R'000
Contribution income	331 146	317 659
Relevant healthcare expenditure	(311 583)	(347 572)
Net claims incurred	(307 699)	(344 152)
Accredited managed healthcare services	(3 365)	(3 220)
Net expense on risk transfer arrangement	(519)	(200)
<i>Risk transfer arrangement premiums paid</i>	(3 051)	(2 964)
<i>Recoveries from risk transfer arrangement</i>	2 532	2 764
Gross healthcare results	19 563	(29 913)
Administration expenditure: Benefit management services	(195)	(191)
Administration expenditure	(21 185)	(20 800)
Post-employment healthcare benefits	(848)	(995)
Net impairment (write-offs) / reversals on healthcare receivables	(13)	68
Net healthcare result	(2 678)	(51 831)
Other income	55 201	72 666
Investment income	39 588	50 487
Sundry income	15 613	22 179
Other expenditure	(2 818)	(3 289)
Asset management and monitoring costs	(2 771)	(3 263)
Foreign currency translation differences	(47)	(26)
Net surplus for the year	49 705	17 546
Other comprehensive (loss) / income	(1 634)	3 501
<i>Items that will be reclassified to profit or loss</i>		
Post-employment healthcare benefits	1 677	1 886
Fair value through other comprehensive income adjustments	(3 311)	1 615
Total comprehensive income for the year	48 071	21 047

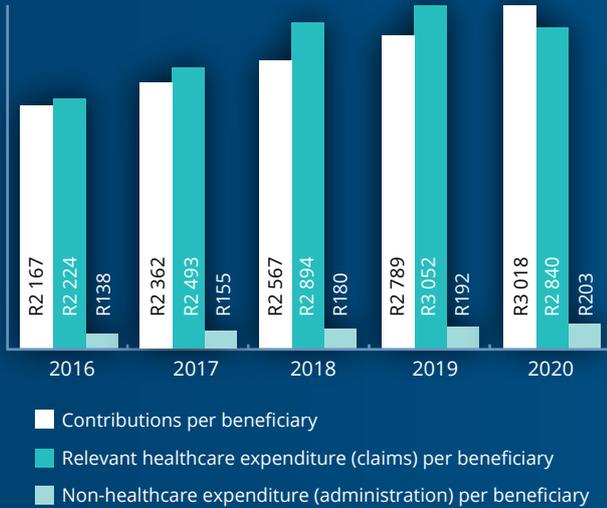
INVESTMENT ANALYSIS

	2020 R'000	2019 R'000
Linked insurance policies / Collective investment schemes	489 446	432 664
Nedgroup Structured Life Taquanta Enhanced Income Fund	468 989	356 874
Nedgroup Investments Core Income Fund	20 457	-
Alan Gray Life Domestic Balance Portfolio	-	75 790
Segregated portfolios (Managed by Taquanta on behalf of the Society)	123 741	127 098
Debt instruments	33 089	52 057
Listed property instruments	2 955	3 023
Money market instruments	87 697	72 018
Cash and cash equivalents	24 481	25 311
Total investments	637 668	585 073

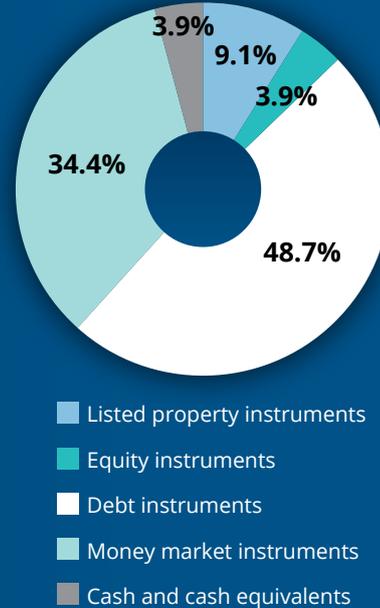
SOLVENCY RATIO

	2020 R'000	2019 R'000
Accumulated funds per Statement of Financial Position	605 806	557 734
Less: Unrealised gains	(2 811)	(41 758)
Accumulated funds per Regulation 29	602 995	515 976
Net contributions	331 146	317 659
Solvency ratio	182.1%	162.4%
Accumulated funds per member at 31 December	128	114

INCOME VS. EXPENDITURE RATIO PER BENEFICIARY PER MONTH



INVESTMENTS - UNDERLYING HOLDINGS' ECONOMIC EXPOSURE





NON-COMPLIANCE

2020
AT A GLANCE

CHAIRPERSON'S
REPORT

PRINCIPAL
OFFICER'S REPORT

FINANCIALS

NON-
COMPLIANCE

NOTICE
OF AGM

MORE
INFORMATION

The following instances of non-compliance with the Act were identified during the year:

FINANCIAL SOUNDNESS OF BENEFIT OPTION

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance.

Cause

During the year the Society incurred a net healthcare deficit of R2 678 109 (2019: R51 830 863). This result is expected and is aligned with the Society's reserve management strategy of ensuring the financial stability and viability of the Society over the foreseeable future. The strategy also takes account of the need for the Society to remain competitive in relation to benefits provided, contribution levels and administration costs.

Corrective action

The Society is financially sound in terms of Section 35, as confirmed by the current level of accumulated funds and the Society's solvency ratio of 182.1% (2019: 162.4%). The financial soundness and sustainability of the Society is carefully considered and managed by the Board on an on-going basis, in consultation with the Actuary. It is not

the strategy of the Society to make a profit and its net investment income and the employer grant enables it to target a break-even position and to ameliorate any net healthcare deficit.

The Board monitors the financial results to ensure that the net healthcare deficit is in line with the budget and any material variances are analysed and corrective action taken, where necessary.

PAYMENT OF CLAIMS WITHIN 30 DAYS

In terms of Section 59(2) of the Act, a medical scheme is required to pay a valid claim submitted to the scheme within 30 days after the day on which the claim was received.

Cause

The Society endeavours to pay all claims within 30 days of receipt, but the processing of some claims is occasionally delayed due to unforeseen circumstances. Delays can, for example, occur when providers fail to supply the Society with their banking details or when claims are referred for clinical auditing or other investigations.

Corrective action

Claims that are not paid within 30 days are actively monitored to ensure effective on-going management of this issue.

CONTRIBUTION INCOME NOT RECEIVED WITHIN THREE DAYS OF BECOMING DUE.

In terms of Section 26(7) of the Act, contribution income must be received within three days of becoming due in terms of the Rules.

Cause

There were an insignificant number of instances where the Society did not receive contributions from members within three days of these becoming due.

This was mainly because of members having insufficient funds in their bank accounts at the time of collection, members exiting without informing the Society and reconciling discrepancies between participating employers and the Society. The risk of default is however small because of the restricted nature of the Society and participating employer base.

Corrective action

Contributions not received within three days are actively pursued and the suspension policies are rigorously applied.

INVESTMENTS IN PARTICIPATING EMPLOYERS, OTHER MEDICAL SCHEMES, ADMINISTRATORS OR ASSOCIATED COMPANIES

Section 35(8) of the Act states that a medical scheme shall not invest any of its assets in other medical schemes, any administrator, any participating employer or any companies associated with the afore-mentioned.

Cause

The Society through its holdings in the Nedgroup Structured Life Taquanta Enhanced Income Fund (linked insurance policy) and its segregated portfolio managed on behalf of the Society by Taquanta Asset Managers holds investments in companies associated with other medical schemes, administrators and participating employers. The investment manager has full discretion over the investment decisions relating to the pooled investment and segregated portfolio.

Corrective action

The Society has re-applied for an exemption from this section of the Act on 19 March 2021. A response is awaited from the Council.

CLAIMS PAID AFTER TERMINATION DATE

Section 28(c) of the Act states that no person shall claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme of which he or she is a member.

Cause

The termination notifications in respect of two members were received late by the Society resulting in claims with service dates after the members' termination dates being paid. As at 31 December 2020 the claims had not been reversed against the members' debtor accounts for recovery.

Corrective action

The claims relating to the late notifications were reversed against the members' debtor accounts for recovery during January 2021 and March 2021 respectively. Internal processes will be reviewed in order to avoid a re-occurrence.

PRESCRIBED MINIMUM BENEFITS (PMBS) AND BENEFIT PAYMENTS

Section 26(1)(b) of the Act states that any medical scheme registered under the Act shall assume liability for and guarantee the benefits offered to its members and their dependants in terms of its rules.

Regulation 8(1) of the Act states that subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions.

Cause

There were a limited number of instances where the Society did not pay claims within the scope and level of PMBs. This was as a result of claims being incorrectly processed as non-PMBs during the assessment of the claims. There were also a limited number of instances where benefits were paid based on incorrect pre-authorisations and not based on the actual claims received.

Corrective action

The medical administration system and associated processes will be reviewed and the required system and/or process enhancements implemented to avoid a re-occurrence and ensure compliance.

AGM AND TERM OF OFFICE OF TRUSTEES

The Rules provide that the AGM of members shall be held not later than 31 May of each year and in person. The Rules further provide that member-elected Trustees shall serve their term of office from the date of their appointment at the AGM following their election and that all Trustees shall serve terms of office of five years which shall be calculated, in the case of member-elected Trustees, from the date on which they were appointed.

Cause

Due to the Covid-19 pandemic the Society was not able to hold its AGM before 31 May 2020. As a result of the postponement of the AGM the terms of office of the previous member-elected Trustees expired prior to the appointment of the newly elected Trustees.

Corrective action

On 8 May 2020 and 26 May 2020, the Society made applications to the Council to hold the AGM at a later date and virtually. The Society received exemption from the Council to hold the AGM virtually on 8 July 2020.

NOTICE OF AGM

Due to the COVID-19 pandemic, this year's Annual General Meeting (AGM) will again be hosted virtually.

For further information in this regard visit the website www.dbbs.co.za.



132nd Annual General Meeting of the members of the De Beers Benefit Society



Wednesday, 19 May 2021



12h00

2020
AT A GLANCE

CHAIRPERSON'S
REPORT

PRINCIPAL
OFFICER'S REPORT

FINANCIALS

NON-
COMPLIANCE

NOTICE
OF AGM

MORE
INFORMATION

AGENDA

The purpose of this meeting will be to:

1. approve the minutes of the 131st Annual General Meeting held on 22 June 2020;
2. receive and adopt the annual financial statements of the Society, the report of the Board of Trustees and the report of the auditors for the year ended 31 December 2020;
3. consider the re-appointment of auditors for the year ending 31 December 2021, as provided for in terms of Rule 25.1;
4. approve the Trustee Remuneration Policy;
5. approve that the remuneration payable per meeting attended by Trustees and Board Committee members who are not employees of the Employer or Associated Employers, be increased from R4 929 to R5 175 effective from 1 January 2021, as provided for in Rule 18.25; and
6. transact such business as may be transacted at the Annual General Meeting, subject to the Rules of the Society.

PROXY

Should any principal member wish to be represented at the Annual General Meeting by proxy, such member should contact the Society for an official proxy form. Completed proxy forms should reach the Society's offices by the close of business on 18 May 2021.

NOTICES OF MOTION

Please take note that, in terms of Rule 26.1.5, notices of motion to be placed before the Annual General Meeting must reach the Principal Officer no later than seven business days prior to the date of the meeting.

By order of the Board of Trustees.

S MATHONZI PRINCIPAL OFFICER

25 March 2021



WOULD YOU LIKE TO KNOW MORE ABOUT THE 2020 ANNUAL FINANCIAL STATEMENTS?

These highlights from the annual financial statements are presented in considerably less detail than the audited annual financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS), as defined by IAS 1 and the interpretations issued by the IFRS Interpretations Committee, with guidance from the Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA) and in the manner required by the Act. They contain additional disclosures, such as insurance risk and financial risk management.

For a more comprehensive understanding of the Society's financial position and the result of operations, the highlights from the annual financial statements should be read in conjunction with the audited annual financial statements.

If you would like to obtain a full set of the financials, please do one of the following:



Contact the Society's Secretarial and Communications Department on 053 807 3364 or benefitpost@dbbs.co.za.



Download the full set of the financial statements from the Society's website.

The highlights from the annual financial statements for 2020 were derived from the complete set of audited annual financial statements and were compiled in terms of the Rules of the Society and in accordance with Circular 6 of 2013 issued by the Council.

The purpose of this document is to give the reader a broad overview of the financial position and results of the Society, without providing the level of detail that may be found in the annual financial statements.