Minutes of the 25th Annual General Meeting of the Discovery Health Medical Scheme ("DHMS"/"Scheme") held on 20 June 2019, at The Hilton Conference Room, The Hilton Hotel, 138 Rivonia Road, Sandton at 09:00

1. Welcome and Quorum

The Chairperson of the Board of Trustees, Mr Neil Morrison, welcomed all present to the 25th Annual General Meeting ("AGM") of Discovery Health Medical Scheme ("DHMS" / "the Scheme").

The Chairperson called upon Ms Boitumelo Lekoko from PricewaterhouseCoopers Advisory Services (Pty) Ltd ("PwC"), the Independent Electoral Body to the Scheme to declare the meeting quorate.

Ms. Lekoko addressed the meeting and indicated that, in order for the meeting to be duly constituted and quorate in terms of Scheme Rule 25.1.4 at least 15 members need to indicate that they are present in person. Ms. Lekoko proceeded to call out the following people, who each indicated their presence by show of hands:

- Suhayl Haffajee
- Carol Zimmerman
- Adriaan Theron
- Shaun Osner
- Johannes Fourie
- Natasha Roopa
- Nicky Lakay
- Martin Van Rooyen
- Hlengiwe Masika
- Ronald Wheelan
- Marilyn Vella
- Shobha Chauhan
- Senele Mbatha
- Michelle Culverwell
- Candice Lortan
- Rishana Singh

Ms Lekoko confirmed that there was a quorum present.

The Chairperson proceeded to declare the meeting and voting open. The Chairperson welcomed Mr Diniso from the Council for Medical Schemes ('CMS") to the meeting. The Chairperson commented that in order to ensure the elections are free, fair and impartial, PwC was appointed by the Board of Trustees as the Independent Electoral Body, whose activities are overseen by an independent Nomination Committee. The Chairperson requested Ms. Lekoko to address the meeting on the voter registration process and voting.

Ms. Lekoko addressed the meeting as follows with regards to the voting processes:

- Ms. Lekoko advised the members present that the voter registration is separate from the AGM registration, and that PwC electoral officers would be available to guide members to the voter registration room where they would be required to provide positive identification together with a membership card. The digital membership card on the Discovery app is also acceptable.
- There are three ballots in a sealed envelope as follows:
  - Election of Trustees;
  - 2019 Trustee Remuneration and
  - Non-binding Advisory vote on the Scheme's Trustee Remuneration Policy.

- Ms. Lekoko advised the meeting that a nominee candidate has withdrawn and is no longer available for election. The candidate is still in the ballot due to the withdrawal taking place after the ballots had already been printed. The name of the member that withdrew is Ms Thando Nkosi. Ms. Lekoko requested members to not vote for that candidate as she is would no longer be standing for election.
- After registration, members will be guided to the voting room in order to cast their votes. Ms. Lekoko advised candidates that all three ballots that will be handed to members in an envelope during voter registration and all three ballots should then be inserted into the ballot box.
- Ms. Lekoko asked the members to refrain from engaging other members in the voting room, and if members had any questions when in the voting room, those questions should be directed to PwC employees for assistance.
- Every ballot and envelope has a unique serial number, which will be recorded as having been assigned to respective individual voting principal members in good standing.
- Members should only vote for a maximum of three candidates. Any submitted ballot forms that have more than the three votes, would be deemed invalid. Members should indicate their vote for a specific candidate by placing their mark inside of the available space created on the ballot form. Any marks made outside of the available space or not clearly marked, would render the ballot forms as being invalid.
- If an error was made or changes were required on one ballot paper, all three ballot papers would need to be replaced and if assistance in this regard is required, the PwC electoral officers would be available to assist. The first set of ballot forms would be cancelled and new ballot forms issued for all three ballots.

Confirmation of the Agenda

The Chairperson presented the agenda for the meeting and requested confirmation thereof. Suzette van Rooyen proposed the approval of the agenda, and Dr. Jonathan Broomberg seconded the proposal. The agenda was thus duly confirmed.

The agenda for the meeting was as follows:

1. Welcome and quorum
2. Minutes of the 2018 Annual General Meeting – for approval
3. Tabling of the 2018 Integrated Report, including the Scheme's Annual Financial Statements for the financial year ended 31 December 2018
   3.1. Presentation by the Principal Officer of Discovery Health Medical Scheme
   3.2. Presentation by the CEO of Discovery Health (Pty) Limited, the Administrator of Discovery Health Medical Scheme
4. Governance
   4.1. Discovery Health Medical Scheme Trustee Remuneration Policy and approval of the 2019 Trustee Remuneration
   4.2. Appointment of Auditors
5. Motions
6. General
7. Voting and closure of the AGM
   7.1. Election of Trustees
   7.2. 2019 Trustee Remuneration
   7.3. Non-binding Advisory vote on the Trustee Remuneration Policy
   7.4. Motions
8. Member Engagement

2. Confirmation of the Minutes of the 2018 Annual General Meeting (for the financial year ended 31 December 2018)

The Chairperson referred the members to the copy of the Minutes of the 2018 AGM, as included in the meeting pack given to principal members upon registration and which were also published on the Scheme's website.

Mr. Eric Dabbs proposed the approval of the minutes, and Mr. Martin van Rooyen seconded the proposal. The minutes were thus duly approved.

3. 2018 Annual Financial Statements

The Chairperson announced that the principal officer Dr Nozipho Sangweni was absent from the meeting as she was undergoing a medical procedure. As a result of that, the Scheme's Chief Medical Officer Dr Unati Mahlati will present on the medical aspects of the principal officers' report and Charlotte Sanqela, the Chief Financial Officer will present on the financial aspects of the report.

3.1 Presentation by the Discovery Health Medical Scheme

A video highlighting the focus areas of the Scheme Office preceded the presentation, and Dr Unati Mahlati thereafter commenced with the Principal Officer's presentation on behalf of Dr Nozipho Sangweni.

- Dr Mahlati commented that the AGM was taking place at a time of slow economic growth and increasing affordability pressures which impact all consumers including Scheme members, which is why the Scheme Office and the Trustees are focused on enhancing value for members and ensuring that members funds are appropriately used to principally fund healthcare needs.
- Dr Mahlati further highlighted the cost drivers for the Scheme in 2018 noting that 52% of total claims were paid for hospitals admissions. Another focus area for the Scheme was reported as screening and prevention as this enables early detection of disease and allows for treatment to commence, thus potentially mitigating costly complications downstream. In 2018 the scheme funded more than 375 000 health checks.
- R18.4 billion was paid in respect of claims from healthcare providers which includes 6.4 million general practitioner visits.

Charlotte Sanqela presented that the Scheme's focus was to provide sustainable access to the best healthcare at the lowest possible costs and highlighted the key components for delivering value for the Scheme, whilst also ensuring that the Scheme maximises the value that members receive and the following aspects highlighted:

- This is top of mind for the Board of Trustees particularly as they execute on their fiduciary responsibility of protecting member's contributions. She mentioned that the Scheme continuously assesses the value it derives from Discovery Health (Pty) ("DH") Ltd which assessment is independently verified by Deloitte Touche Tohmatsu Limited. For the 2017 financial year, for every R1 spent by the Scheme, value of R2.02 has been generated by DH. This has resulted in an incremental growth in the value generated by DH for the benefit of the Scheme on a year on year basis since 2014.
- DH provides managed care services to the Scheme and one of the elements of this service is forensic investigations which is an increasing challenge within the healthcare industry, and in particular, for medical schemes. Through interventions, for the 2018 financial period, the Scheme has been able to recover and save R500 million. Further to that, the Scheme has also been able to save a further R500 million through the proactive changes in behaviour of practitioners generally.

- The Scheme continuously interrogates administration expenditure, which entails the administration fees and the costs of running the Scheme. Looking at administration expenditure as a percentage of gross contribution, DHMS is ranked the 6th lowest out of the 21 open schemes in the industry. For the 2018 financial year, administration expenditure amounted to 7.78% of gross contribution income.

3.2 Presentation by Dr Jonathan Broomberg

Dr Broomberg's presentation was preceded by a video providing an overview of some of the services provided to the Scheme. Dr Broomberg commenced by thanking members for attending and explained that his presentation would provide perspectives on the performance of the Scheme over the last year and highlighted the following:

1. Review of 2018 Performance
    - The economy is in tough times and the total environment is not growing, however DHMS continues to grow. Over the period from 2012 to 2017 DHMS added 200 000 lives.
    - In 2018, the Scheme's net growth in beneficiaries was 41 193 and it hold 57% share of the open scheme market.
    - DH continue to work through various channels to ensure that DHMS continues to grow.
    - DHMS is gaining approximately 75% of all new business every year in the corporate market, and in the individual consumer market, approximately 85% of new joiners are joining DHMS.

2. Key Trends Impacting DH and DHMS in 2019 and Beyond
    - DHMS and DH continue to operate in a complex regulatory environment with complicated legislation and regulations which are continuously changing.
    - The Health Market Inquiry ("HMI") is run by the Competition Commission which has been studying the reasons for high costs in private health care. A final report is expected in September 2019, and this report will be very important for the Scheme and the industry as a whole.
    - The National Health Insurance ("NHI") Bill is meant to expand access to good quality health care for all South Africans. DHMS and DH firmly believe that medical schemes should continue to exist alongside the NHI. In the United Kingdom, Australia, Canada, Europe and Asia, there are national health insurance systems, but citizens are still free to purchase private health insurance for the same services as would be covered by the relevant national health insurance system.
    - The median household income for the top 10% of South African households has increased from R647 223 in 2012 to R753 346 in 2017, however medical insurance costs have increased by a greater margin, for example where a hospital plan five years ago cost 5% of the household income it now costs almost 7%.
    - The Scheme is faced with challenges related to adverse selection is where people with more illness, or with knowledge that they need certain treatment, are more likely to join a medical scheme than healthy people, which is a concern as schemes lose critical cross subsidies between the healthy and the sick.
    - Clear evidence of substantial adverse selection are the oncology rates within the Scheme, which is currently 237 per 100 000 lives, being higher than the average South African rates of 187 per 100 000 lives and child birth on KeyCare where 35% of all births on the plan occur within 18 months of joining.
    - Between 2010 and 2016, total scheme lives increased by 7.4%, but private hospital beds increased by almost 41%.

3. 2019 Strategic Objectives
    - DH together with DHMS are working on strategies to try and address these challenges as follows:
        - Lowering Health Care Costs.
            - Average annual inflation for the Scheme is running at over 11%. Part of that inflation of 6.1% but the rest is due to increased usage of the health system by members as a result of chronic disease.

- Due to hospital admissions in South Africa being very high, the Scheme and DH have introduced onsite hospital benefit managers in almost 52 hospitals to review the admission requests of all non-emergency and non-booked cases.
- The leadership of the CMS has taken on fraud as a big concern and convened a summit earlier this year. There has been a lot of pushback recently in the media, by a small group of professionals who have accused various medical schemes, including DHMS and various administrators, including Discovery Health of using racial profiling, in identifying people to investigate for fraud.
- DHMS receives claims from approximately 35 000 health professionals every year of which only 10% are investigated each year. 53% of the investigations conducted every year arise from tip offs and the balance are identified through sophisticated data analytics that are conducted. The Scheme and DH have fraud risk rating tools which run through the claims constantly. Approximately 1% of all the 35 000, either repeatedly defraud the scheme or refuse to engage with the Scheme or DH (once investigated).
- Overall, the actuaries calculate that the Scheme saved approximately R6.8 billion in 2018 as a result of the various risk management and claims management activities of DH. The Scheme paid DH R1.65 billion for this work, the return on this investment is 316%.

  - Superior Quality of Care
    - The Scheme and DH are developing networks of centres of excellence. One of these is the hip and knee replacement network. It now has 334 surgeons operating in 94 centres of excellence.
  - Making Members Healthier
    - Vitality is a separate product, and falls outside the bounds of DHMS, however approximately two thirds of the members of the Scheme have voluntarily become members of Vitality. The Scheme benefits enormously from those members who are taking better care of their health and data shows that there has been a total saving of almost 15% in claims, through a combination of 12% as a result of risk management and managed care activities, and 3.4%, due to Vitality.

Governance

4. Governance

4.1 Discovery Health Medical Scheme Trustee Remuneration Policy and Trustee Remuneration

The Chairperson invited the Chairperson of the DHMS Remuneration Committee, Mr Dave King, to present the DHMS Trustee Remuneration Policy and the proposed 2019 Trustee Remuneration.

Mr King commenced his presentation and explained that there were three aspects which would be discussed as follows:

- Remuneration Governance
  - The remuneration committee consists of trustees and independent members who have been delegated by the Board to develop policy around remuneration.
  - REMCO uses independent expert consultants and independent market benchmarking to assist the Committee in terms of best remuneration practices.
  - Trustee remuneration disclosure occurs in 3 forums:
    - At the AGM
    - To the regulator, being the CMS
    - In the Scheme's Integrated Annual Report

- Remuneration Policy
    - Trustee remuneration is based on a professional hourly rate, discounted to take into account that the Scheme is a non-profit entity. For 2019 this hourly rate is R5 073.73 (professional fee) less 30%, which is R3 551.61. This is the building block of all Trustee and Board Committee remuneration and is the rate which members are required to vote on via ballot.
    - The objective of the remuneration policy for the Board and Board Committees is to provide a legal and policy framework against which all remuneration decisions are made, validated, implemented, approved and reported by the Scheme.
    - The Remuneration Policy is based on the requirement as set out by the CMS in Circular 41 of 2014 and was presented to members for the first time at the 2014 AGM, where it was approved by a majority of members in attendance.
    - The total annual fees payable to Trustees and Board Committee members is calculated based on the number of planned Board and Board Committee meetings as per the annual meeting plan and is split into:
        - "Annual Base Fee" (70% of the total annual fees, paid as a quarterly retainer).
        - "Fee per Meeting" (30% of the total annual fees, paid at the end of the month in which the meeting took place).
    - Trustee and/or Board Committee Member fees are exclusive of VAT. Where Trustees and/or Board Committee members are registered for VAT, they issue a tax invoice to the Scheme clearly reflecting the VAT element in addition to their total fees for the period.
    - Furthermore, the following points were highlighted as important for members to note:
        - The remuneration methodology for Trustees is consistent with prior years
        - Trustees are NOT paid for attending training or conferences over and above the training fees, travel costs, accommodation and subsistence costs.
        - Trustees are NOT paid any consulting fees.
        - Trustees do not participate in any incentive programmes.
        - Trustees are reimbursed all reasonable expenses incurred by them in the performance of their duties as a Trustee.
    - An overview was provided of the practical applications of the remuneration methodology.

- The motion for the trustee remuneration for 2019.
    - Mr King concluded with the following proposals:
        - The 2019 Trustee Remuneration, as recommended by the Remuneration Committee, and approved by the Board, be approved for the 2019 financial year.
        - The Scheme members were encouraged to express their views on the Scheme's Remuneration Policy for Trustees as recommended by the Remuneration Committee and approved by the Board. The Trustee Remuneration Policy will be put to the meeting for a non-binding advisory vote.

Members were invited members to ask any questions they may have relating to the material presented. There were no questions or comments in relation to the above presentation and related content.

The Chairperson thanked Mr King for his presentation.

4.2 Appointment of the Auditors

The Chairperson proposed that PricewaterhouseCoopers South Africa be appointed as auditors for the 2019 financial year on recommendation by the Audit Committee and as approved by the Board. Mr Kobus Laubscher approved the proposal, which approval was seconded by Mr. Gary Ballantine.

Motions

5. Motions

The Chairperson commented that no valid motions were received by the Principal Officer in terms of Rule 25.1.6 and 25.1.7.

General and Closure

6. General

6.1 Carol Zimmerman asked if Discovery still has a walk-in centre. Dr. Broomberg confirmed that there was indeed a walk-in centre at the new Discovery head office at 1 Discovery Place, as well as in various Discovery regional branches.

6.2 Ms "Londiwe" commented that while the ratio of administration expenses (to contribution income) has been decreasing, it is only the 6th lowest in the industry. She asked why mammograms were permitted only every two years, and whether this was going to be reviewed. She also asked whether the value calculation could be improved any further.

Dr. Mahlati addressed the screening question by confirming that the Scheme's breast cancer screening funding policy is based on evidence-based medicine and international best practice guidelines. The current mammography benefit differentiates between members with average and high risk of developing breast cancer; the former group has access to the benefit once every two years, and the latter group an annual and enhanced benefit. Dr. Mahlati offered to explain the factors that differentiate high risk cases from other cases to the member after the AGM.

6.3 Dr. "Nurosin" asked why there was a four-month prescription period within which a claim needed to be submitted. Mr Snoyman of DHMS responded that the four-month rule was the minimum period as per the provisions of the Medical Schemes Act. The Scheme has settled on this four-month period in the interest of efficiency of processing and reimbursement of claims.

6.4 Mr Rulof Van Der Merwe commented that in his experience, every event with the Scheme has been troublesome. Claims and authorisations are difficult. Some doctors do not want to deal with the Scheme, and there are several issues with Vitality. He requested that Discovery (generally) decrease the "hassle".

Dr. Broomberg apologised for the members experience and stated that Discovery Health Medical Scheme receives close to 400 000 claims per day, and there are approximately 700 000 hospital admissions per month, the vast majority of which are paid almost immediately. There are complex rules to consider in certain circumstances, e.g. a portion of a given claim may be paid in accordance with the billing protocols and Scheme Rules, however a portion may fall outside the provisions of said Rules, and would thus have to be settled between the member and the practitioner. Vitality, however, is a completely separate product and falls outside the Scheme and its offerings. Mr. Van Der Merwe further enquired how he would know about these (billing) rules and in response Dr. Broomberg asked that the member provide adequate details after the meeting that would allow the Administrator, Discovery Health to follow up.

6.5 "Sello" asked several questions, namely:

6.5.1 Why are members not able to vote online;

6.5.2 Why the notice to attend the meeting does not include proxy forms;

6.5.3 What the strategy is for new member acquisition (for instance through adding members through large employer groups); and he also stated that

6.5.4 There seem to be difficulties with day surgeries.

The Chairperson addressed 6.5.1 in saying that the Board of Trustees has examined the possibility of online voting, specifically as regards feasibility and security. The examination is ongoing and will be considered by the new Board post the AGM.

Ms. Lekoko addressed 6.5.2 in saying that the existing process is an anti-fraud mechanism, ensuring that a serialised proxy form is issued to a specific person.

Dr. Broomberg addressed 6.5.3 in saying that Discovery Health works incredibly hard on new member acquisition, and that the two corporates mentioned by the member were part of restricted schemes, and therefore not necessarily able to join DHMS. Discovery Health works very closely with brokers, and also has a sophisticated direct access to consumer channel. The growth rate is healthy but is naturally offset by the lapse rate.

Dr. Broomberg addressed 6.5.4 indicating that more than 90% of procedures that can be performed at day clinics are duly performed at such facilities. There is also a reduced risk of superbugs at day clinics.

6.6 Sash Chetty asked why there was no Vitality representation and commented that the Scheme seems to be utilising the medical savings accounts ("MSAs") of members. Dr. Broomberg responded that this is an AGM of DHMS, not Vitality, which is a completely separate entity. Consultants were available outside the AGM venue to assist with general queries. In terms of the MSA, Dr. Broomberg responded saying that claims are debited against MSAs according to the approved Scheme Rules. For example, vaccines are generally paid from the MSA, save for a specific subset, namely pneumococcal vaccines which may pay from the risk benefit where appropriate.

6.7 Shayne Ramsey asked whether, in light of the increasing frequency of type II diabetes, DHMS would change dietary guidelines to align with a diet of "low carb, high fat". Dr. Broomberg responded that DHMS per se does not have dietary guidelines, but Vitality does and further commented that there is insufficient scientific evidence to recommend a low carb, high fat diet.

6.8 Dr. Mohamed asked whether the 375 000 screenings were in respect of just DHMS beneficiaries, or whether that figure also included Vitality. Dr. Mahlati answered that the figure relates only to screening of DHMS beneficiaries, and that all attempts are being made to increase the utilisation of this benefit.

6.9 Kerishne Naicker asked (a) what underwriting tools and constraints can be applied to combat anti-selection, and (b) whether the list of candidates standing for Trustee election should be shortened in future years, possibly to include only those candidates most qualified for the position.

Dr. Broomberg answered (a) above in that the Scheme applies waiting periods as strictly prescribed by applicable regulations, either in the form of a three-month general waiting period and / or a twelve-month condition specific waiting period. Mr. Morrison answered (b) in saying that the opportunity to stand as a prospective Trustee is open to all Principal Members, and that this was the right thing to do.

6.10 Shobha Chauhan asked whether the NHI would have a negative impact on the member base and the contributions. Dr. Broomberg answered that nobody is in a position to provide an answer because material components of the policy have yet to be finalised. It is believed that the majority of DHMS members would elect to retain their Scheme membership, even if NHI is implemented, but a more substantive answer would only be possible upon further NHI pronouncements by government.

6.11 "Masitse" commented that the optometry benefits are not sustainable and do not consider individual circumstances.

6.12 Neville Song asked whether or not in acknowledging that there may be different methods of applying co-payments, members could pay their co-payments on prescribed medication without accumulating to the self-payment gap. Dr. Broomberg responded that the answer was quite technical and offered to meet the member after the AGM to explain it.

6.13 Mrs. Lambert referred to DHMS as a money-spinning scheme, and asked for statistics of providers that had "opted out" of Discovery Health Medical Scheme, as well as whether DH undertook any canvassing of diabetic patients before "interfering" with the Centre for Diabetes and Endocrinology (CDE). She was of the view that codes change randomly and professionals don't have the time to interpret them. She also asked why the AGM was at the Hilton given the cost.

Dr. Broomberg corrected the incorrect impression of DHMS being a "money-spinning scheme" and stated that it is in fact a non-profit organisation. Executive and Comprehensive plans are in fact loss making, as opposed to money spinners. He confirmed that there are over 200 000 diabetics on DHMS and that changes are duly made to the formulary from time to time, and Mrs. Lambert's question seems to relate to one specific change to CDE. Dr. Mahlati added that in some circumstances medication that was previously funded but is not included in the DHMS formulary may continue to be funded in certain limited circumstances. She suggested further engagement with Mrs. Lambert after the closing of the AGM to discuss Mrs Lambert's specific concerns.

6.14 Garth Fleming asked if even more money could be put into anti-fraud measures, whether DHMS / DH lays charges against those involved in fraud, and whether there is co-operation with other schemes in this regard.

Dr. Broomberg answered that the more DH invests in anti-fraud measures, the more they seem to recover. DHMS and DH do comply with all reporting requirements. The SAPS investigate approximately 5% of cases that DH reports, and the HPCSA investigates approximately 10% of cases reported by DH.

The AGM was closed at 12:03.