This document contains highlights of the Scheme's performance for the year ended 31 December 2017, extracted from the 2017 Integrated Report. The financial information has been extracted from and is in agreement with the Annual Financial Statements, audited by PricewaterhouseCoopers Inc.

The full 2017 Integrated Report is available at www.discovery.co.za/info/DHMSreports.

Discovery Health Medical Scheme (DHMS or the Scheme) is a registered open medical scheme which any member of the public can join, subject to its Rules.1

The Scheme exists to care for our members' health and wellness by engaging the brightest minds and innovative solutions to provide access to affordable, equitable and quality, value-based healthcare that meets their needs now and sustainably into the future.

QUALITY OF CARE IS ONE OF OUR KEY MEMBERSHIP PROPOSITIONS

One of the Scheme's major longer-term strategies is to drive value-based healthcare, which is a delivery model in which providers are reimbursed based on health outcomes, and to promote member access to programmes and providers that are committed to continuous improvement in quality healthcare.

Through Discovery Health, the Scheme is deeply engaged in many quality of care initiatives and ongoing monitoring to ensure that our members have access to the safest, most efficient healthcare available in South Africa. The Scheme also empowers our members with information that is relevant to their needs.

WE MAKE SURE THAT YOUR INVESTMENT IN MEMBERSHIP TAKES CARE OF YOU

The Scheme's income is derived from member contributions and investment returns. The Scheme pools all members' contributions to fund members' claims, and any surplus funds are transferred to Scheme reserves for the benefit of members.

In pricing member contributions for each year, the Scheme's objective is to ensure sufficient contribution income to pay all claims, and to return a modest surplus to meet regulatory requirements as well as to maintain a cushion against unexpected cost increases. This is in accordance with the fundamental operating principles of a non-profit organisation.

The Scheme's income is used to fund activities to support and benefit its members, as well as to ensure the sustainability of DHMS through activities such as innovation, administration, managed care, financial advisers and the daily operations of the Scheme.

Apart from the reserves and these activities, the Scheme's entire income is used to fund claims.

The Scheme works hard with its Administrator and Managed Care Provider, Discovery Health (Pty) Ltd (Discovery Health), to contain the impact of healthcare inflation on our members. This is achieved through a number of initiatives that prioritise quality and cost efficiency measures. For instance, when contracting with service providers, we strive to shift reimbursement agreements towards value-based contracting, thus moving away from the traditional fee-for-service model. This clinical integration improves outcomes and fosters collaboration and innovation in multidisciplinary teams by ensuring the entire cycle of care is contracted for and monitored. We initiated some exciting pilots in this regard in 2017.

Also, to support the ongoing success of the Vested-outsourcing model (Vested model) that emphasises the role of innovation in providing value to our members, the Trustees have established two new operational committees in 2017: an Innovation Committee and a Relationship Management Committee. Respectively, these committees will monitor the work on innovation that Discovery Health engages in on behalf of the Scheme and work to optimise the relationship between the Scheme and Discovery Health.

On the Scheme’s second source of income, the return on members’ funds invested, we achieved excellent results for 2017, with investment income of R1 433 million (2016: R1 257 million). This contributed to the net surplus for the year of R2 450 million (2016: R1 305 million), thereby safeguarding member funds and Scheme sustainability. Investment income was supported, amongst other strategies, by the Scheme’s offshore hedging strategy that provided effective protection from the strong appreciation of the Rand over the year.

During 2017, the Scheme introduced the Essential Smart plan. With this addition, DHMS has created the Smart Plan Series and changed the name of the Smart Plan, which has been available from the start of 2016, to Classic Smart. The Smart Plan Series shows ongoing excellent performance and growth, with both plans attracting young and healthy members to the Scheme.

The healthcare sector in South Africa continues to be a dynamic environment. DHMS is an active member of the Health Funders Association (HFA), an industry body that represents stakeholders in the private healthcare funding environment. The HFA represents 20 medical schemes, which combined, account for 76% of the open medical environment and 53% of the total market. It considers issues affecting all its members and engages with various bodies, institutions and structures to ensure a robust and viable private healthcare industry.

As of 1 January 2018, DHMS amalgamated with the University of the Witwatersrand Staff Medical Aid Fund (Witsmed). Initiated in August 2017, the amalgamation process was conducted in accordance with the requirements of the Medical Schemes Act 131 of 1998, as amended (the Act), its Regulations and the Scheme Rules. The Council for Medical Schemes (CMS) approved the amalgamation after receiving confirmation that the majority of voting members from both schemes were in favour of the amalgamation and any objection received was considered and addressed. The Competition Commission considered and approved the amalgamation as required by the Competition Act 89 of 1998.

All amalgamation proposals are carefully and thoroughly assessed by the Scheme to ensure that the amalgamation would not result in an adverse impact on the member profile, the claims experience and reserves.

As reflected in our material matters detailed in our Integrated Report, the Scheme Office and Trustees are troubled by the recent governance and ethics failures in organisations across the public and private sectors. While the Scheme’s financial exposure to Steinhoff was limited, as part of ongoing adherence to governance and ethical codes, in particular the King IV Report on Corporate Governance for South Africa 2016 (King IV), the Scheme is conducting an extensive review of its internal and external stakeholder environment and is optimising the structure that continually monitors and evaluates related risks.

The governance of the CMS vests in a board appointed by the Minister of Health, referred to as the Council. Dr Clarence Mini has been appointed as the new Chairperson of the Council and we congratulate him and wish him well in this position. The Scheme continues to interact constructively with the CMS and will continue to contribute through the various forums and structures where sector participation is required.

During 2017, the Scheme Office welcomed a new Chief Medical Officer, Dr Unati Mahalali, and bade farewell to its Chief Financial Officer (CFO), Jan van Staden. Mr van Staden departed to pursue his own interests and we wish him well in this. In the interim, the CFO portfolio is managed by our Chief Risk and Operations Officer, Mr Selayen Kahlberg, who has previously managed the portfolio.

At the end of my first year as the Principal Officer of the Scheme, I extend my thanks to the Trustees, independent Committee members and to the Scheme Office team for their unwavering support during this time, which has been a period of great learning and personal development for me. I also welcome the Trustees appointed and elected to the Board during the course of 2017, and express my appreciation for the role in which they have integrated into the Scheme’s governing bodies with great concern for their fiduciary duties and the wellbeing of the Scheme and its members.

DR NOZIPHO SANGWENI
PRINCIPAL OFFICER

For more information refer to our Integrated Report at www.discovery.co.za/info/DHMSreports.
STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

\[ \text{Total member funds at end of the year} = 14,234,461 \]
\[ \text{Total comprehensive income for the year} = 2,449,974 \]
\[ \text{Balance at beginning of the year} = 12,929,011 \]

\[ \text{Derivative financial instruments} = 1,240,063 \]
\[ \text{Outstanding claims provision} = 467,633 \]
\[ \text{Personal Medical Savings Account trust liabilities} = 5,080,460 \]

\[ \text{Current liabilities} = 4,234,461 \]
\[ \text{Net claims incurred} = 40,228,057 \]
\[ \text{Claims incurred} = 40,747,808 \]
\[ \text{Third party claim recoveries} = 143,360 \]

\[ \text{Accredited managed healthcare services (no risk transfer)} = 1,534,311 \]
\[ \text{Net profit/(loss) on risk transfer arrangements} = 14,560 \]
\[ \text{Net claims provision} = 3,065,518 \]

\[ \text{Recoveries from risk transfer arrangements} = 406,583 \]
\[ \text{Gross healthcare result} = 6,954,216 \]
\[ \text{ Broker service fees} = (1,214,205) \]

\[ \text{Other income} = 1,893,686 \]
\[ \text{Investment income} = 548,753 \]
\[ \text{Sundry income} = 1,746 \]

\[ \text{Net surplus for the year} = 2,449,974 \]
\[ \text{Other comprehensive income} = 1,305,450 \]

\[ \text{Net comprehensive income for the year} = 3,755,424 \]

The full Annual Financial Statements, including notes, are available in our Integrated Report at www.discovery.co.za/info/DHMSreports.
At the end of the year 14 005 644
Reconciliation of the balance at the beginning of the year to the balance at the end of the year:
measurement classes as follows:
Financial assets at fair value through profit or loss
The Scheme's financial assets at fair value through profit or loss are summarised by measurement classes as follows:
Funds held in trust at the end of the year 4 656 633
Balance due to members on Personal Medical Savings Accounts
It is estimated that claims to be paid out of members' Personal Medical Savings Accounts in respect of claims incurred in 2017 but not reported will amount to approximately R83 200 000 (2016: R71 100 056).
As at 31 December 2017 the carrying amount of the members' Personal Medical Savings Accounts was deemed to be equal to their fair values, which is the amount payable on demand. The amounts were not discounted, due to the demand feature.
Interest is allocated on these Personal Medical Savings Account balances monthly in accordance with Circular 38 of 2011 and Circular 5 of 2012 issued by the Council for Medical Schemes. The Scheme does not charge interest on negative (overdrawn) Personal Medical Savings Account balances.
These funds represent members' Personal Medical Savings Account assets managed by the Scheme on behalf of its members.
SOLVENCY
The Medical Schemes Act No. 131 of 1998, as amended (the Act) requires the Scheme to maintain accumulated funds of 25% of gross annual contributions for the accounting period, in terms of Regulation 29 (2).
At 31 December 2017, the Scheme's solvency level of 27.44% (2016: 26.33%) of gross annual contributions was R1.5 billion (2016: R719 million) more than the statutory solvency requirement.

<table>
<thead>
<tr>
<th>R'000</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total members' funds per Statement of Financial Position</td>
<td>16 684 435</td>
<td>14 234 461</td>
</tr>
<tr>
<td>Less cumulative unrealised net gain on remeasurement of investments to fair value</td>
<td>(298 722)</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated funds per Regulation 29</td>
<td>16 385 712</td>
<td>14 234 461</td>
</tr>
<tr>
<td>Gross annual contribution income</td>
<td>59 710 735</td>
<td>54 056 212</td>
</tr>
<tr>
<td>Solvency margin</td>
<td>27.44%</td>
<td>26.33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R'000</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Medical Savings Account trust liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Personal Medical Savings Account trust monies managed by the Scheme on behalf of its members)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance on Personal Medical Savings Accounts at the beginning of the year</td>
<td>4 204 043</td>
<td>3 736 659</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Medical Savings Accounts contributions received or receivable</td>
<td>11 008 711</td>
<td>10 429 814</td>
</tr>
<tr>
<td>For the current year</td>
<td>11 008 711</td>
<td>10 429 814</td>
</tr>
<tr>
<td>Interest on Personal Medical Savings Accounts</td>
<td>367 238</td>
<td>287 923</td>
</tr>
<tr>
<td>Transfers received from other medical schemes</td>
<td>31 784</td>
<td>13 691</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims paid to or on behalf of members</td>
<td>(10 602 298)</td>
<td>(9 942 225)</td>
</tr>
<tr>
<td>Refunds on death or resignation</td>
<td>(552 845)</td>
<td>(321 819)</td>
</tr>
<tr>
<td>Balance due to members on Personal Medical Savings Accounts held in trust at the end of the year</td>
<td>4 656 633</td>
<td>4 204 043</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R'000</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents – Personal Medical Savings Account trust assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Monies managed by the Scheme on behalf of members)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST PORTFOLIO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Managed by Aluwani Capital Partners (Pty) Ltd)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>2 071 391</td>
<td>1 832 987</td>
</tr>
<tr>
<td>Net additional investments</td>
<td>55 608</td>
<td>84 040</td>
</tr>
<tr>
<td>Interest Income</td>
<td>177 819</td>
<td>154 364</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>2 304 818</td>
<td>2 071 391</td>
</tr>
<tr>
<td>PERSONAL MEDICAL SAVINGS ACCOUNT TRUST PORTFOLIO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Managed by Taquanta Asset Managers (Pty) Ltd)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>2 071 281</td>
<td>1 834 469</td>
</tr>
<tr>
<td>Net additional investments</td>
<td>61 143</td>
<td>86 660</td>
</tr>
<tr>
<td>Interest Income</td>
<td>171 907</td>
<td>150 152</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>2 304 331</td>
<td>2 071 281</td>
</tr>
<tr>
<td>Total Personal Medical Savings Account trust assets</td>
<td>4 609 149</td>
<td>4 142 672</td>
</tr>
</tbody>
</table>

These funds represent members’ Personal Medical Savings Account assets managed by the Scheme on behalf of its members.
As required by Circular 38 of 2011 and Circular 5 of 2012 issued by the Council for Medical Schemes, these assets have been invested separately from the Scheme’s assets. The difference between total Personal Medical Savings Account assets and Personal Medical Savings Account liabilities is reconciled monthly and arises from timing of cash flows to and from the portfolios. For the year under review the average rate earned on the Personal Medical Savings Account Trust assets was 8.33% (2016: 7.64%).
OPERATIONAL STATISTICS

2017

<table>
<thead>
<tr>
<th></th>
<th>Executive</th>
<th>Classic Comp.</th>
<th>Classic Comp. Zero MSA</th>
<th>Classic Smart</th>
<th>Essential Smart</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential Core</td>
<td>39 494</td>
<td>118 409</td>
<td>6 896</td>
<td>183 647</td>
<td>63 749</td>
<td>39 494</td>
</tr>
<tr>
<td>Essential Saver</td>
<td>81 088</td>
<td>248 249</td>
<td>14 343</td>
<td>471 520</td>
<td>236 693</td>
<td>81 088</td>
</tr>
<tr>
<td>Essential Priority</td>
<td>38 260</td>
<td>113 549</td>
<td>6 930</td>
<td>183 872</td>
<td>63 455</td>
<td>38 260</td>
</tr>
<tr>
<td>Coastal Core</td>
<td>81 367</td>
<td>237 585</td>
<td>14 473</td>
<td>474 184</td>
<td>236 694</td>
<td>81 367</td>
</tr>
<tr>
<td>KeyCare Plus</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>KeyCare Access</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>Cohort</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>Valid</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>KeyCare Access</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>Data</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>Chain</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>Total</td>
<td>1 222</td>
<td>1 224</td>
<td>1 226</td>
<td>1 226</td>
<td>1 226</td>
<td>1 222</td>
</tr>
<tr>
<td>Net healthcare risk</td>
<td>(334 418)</td>
<td>(324 005)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net deficit</td>
<td>1 025</td>
<td>949</td>
<td>627</td>
<td>392</td>
<td>262</td>
<td>417</td>
</tr>
</tbody>
</table>

MATTERS OF NON-COMPLIANCE FOR THE YEAR ENDED 31 DECEMBER 2017

The CMS issued Circular 11 of 2006 (the Circular) that deals with issues to be addressed in the audited financial statements of medical schemes. The Circular requires that all instances of non-compliance be disclosed in the financial statements, irrespective of whether the auditor considers them to be material or not. During the year, the Scheme did not comply with the following Sections and Regulations of the Act.

|| STATUTORY SCHEME SOLVENCY

Under the Act, medical schemes are required to hold a minimum of 25% of gross annual contribution income as a reserve or accumulated funds (also known as the solvency ratio). The solvency ratio is a measure of a scheme's ability to absorb unexpected changes in claims experience, demographics (e.g. average age, chronic profile, prevalence and legislative environment), and therefore reflects a scheme's financial strength.

During 2017, the Scheme's solvency level dropped below 25% during January. In January, the drop was attributable to the impact of annual contribution increases (schemes are required to hold reserves equal to annualisation-adjusted contributions from the first day of the financial year).

At 31 December 2017, the Scheme's accumulated funds expressed as a percentage of gross annual contributions was 27.44% (2016: 26.33%), exceeding the statutory solvency requirement of 25%.

**SUSTAINABILITY OF BENEFIT PLANS**

In terms of Section 33 (2) of the Act, each benefit plan is required to be self-sufficient in terms of membership and financial performance, and be financially sound.

For the year ended 31 December 2017 the following plans did not comply with Section 33 (2).

<table>
<thead>
<tr>
<th>Benefit plan (R'000)</th>
<th>Net healthcare risk</th>
<th>Net deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>(324 005)</td>
<td>(334 418)</td>
</tr>
</tbody>
</table>

### INVESTMENT IN EMPLOYER GROUPS AND MEDICAL SCHEME ADMINISTRATORS

Section 35 (b) and (c) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any investment association associated with the Scheme. DHMS has investments in certain employer groups and companies associated with medical scheme administration within its diversified investment portfolio. This situation occurs across the industry. The CMS granted DHMS an exemption from these sections of the Act up to 21 April 2018 and the Scheme will be applying for a further extension to this exemption.

The Scheme has no investments in Discovery Limited, the holding company of Discovery Health (Pty) Ltd.

### INVESTMENTS IN OTHER ASSETS OUTSIDE SOUTH AFRICA

The Scheme's offshore bond managers utilise derivative instruments to aid with efficient portfolio construction and management, and to reduce the overall risk within our portfolios. The derivatives used are highly liquid and are either exchanged trade or governed by International Swaps and Derivatives Association agreements. The derivative instruments are not used for speculation and there is no gearing or leverage applied. Investments in derivatives in territories outside the Republic of South Africa are, however, prohibited in terms of Category 7 (b) of Annexure B to the Regulations of the Act.

The Scheme was granted an exemption to invest in offshore derivatives, subject to certain conditions, up to 31 December 2018.

**MINIMUM AMOUNT INVESTED IN CASH**

CATEGORY 1 (A) I (A) (I)

Explanatory note 2 to Annexure B to the Regulations of the Act requires a medical scheme to have a minimum of 20% of its Regulation 30 assets invested in cash (Category 1 (a) I and I (a) I). As at 31 March 2017, the Scheme did not meet this requirement as it held 17.97% in cash (Category 1 (a) I and I (a) I). The non-compliance was due to a difference in interpretation between the CMS and DHMS of the relevant provisions of Regulation 30 of the Act.

The Scheme has amended its calculation methodology to be aligned with the CMS interpretation. Prior to Circular of 2012: Personal Medical Savings Accounts and scheme rules, Personal Medical Savings Account (PMSA) assets included as part of the Scheme’s assets during the period July to December 2017. The PMSA assets were included in assessing compliance with the requirement for a minimum of 20% of Regulation 30 assets invested in cash (Category 1 (a) I and 1 (a) I). After excluding PMSA assets from Scheme assets, there were certain months where this requirement was not met.

As at 31 December 2017, 32.51% of Scheme assets were invested in cash (Category 1 (a) I and I (a) I) and therefore met the minimum 20% requirement. This requirement has been met using the amended calculation methodology and excluding PMSA assets.

### CONTRIBUTIONS RECEIVED AFTER DUE DATE

Section 26 (7) of the Act states that all subscriptions or contributions shall be paid directly to the medical scheme within three days after payment becomes due. There are instances where the Scheme received contributions after the three days; however, there are no contracts in place agreeing to this. It is important to note that the Scheme has no control over the timely payment of contributions. The legal obligation resides with members or their employers to pay contributions within the prescribed period.
The Scheme applies robust credit control processes to deal with the collection of outstanding contributions, including the suspension of membership for non-payment.

**Broker Fees Paid**

In terms of Regulation 28 (5) of the Act, broker fees shall be paid on a monthly basis on receipt by a medical scheme of the relevant monthly contribution in accordance with the maximum amount payable per Regulation 28 (2), limited to one broker as required by Regulation 28 (8).

In some instances brokers were compensated prior to receipt of the relevant monthly contribution, the amount paid was more than the prescribed amount and more than one broker per member was paid. In the instances where brokers were paid above the prescribed amount or more than one broker was paid, the value is negligible and represents less than 0.01% of the total broker fees paid for the year. The exceptions relate to transactions that do not occur frequently and the Administrator has developed exception reporting to identify and correct these transactions, and has a well-established close-back system to rectify commission overpayments.

**Waiting Periods**

Section 28A of the Act states the instances when medical schemes may impose waiting periods upon a person in respect of whom an application is made for membership or admission to the dependencies of the scheme. The waiting periods range from a three month general waiting period to a twelve month condition-specific waiting period. During the year under review, there were isolated instances where waiting periods were not applied in accordance with the Act. For the instances identified, the incorrect application of waiting periods has been rectified and a review conducted. It is confirmed that no claims were rejected as a result of the waiting periods being incorrectly applied.

**Prescribed Minimum Benefits**

Section 29 (1) (g) and Regulation 8 provides the scope and level of minimum benefits that the Scheme must provide to members and dependants. During the year under review there were no isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits. The claims were reprocessed and correctly paid prior to the end of the benefit year.

**Growth and Sustainability**

**Membership Size**

Greater risk pooling means more predictable claims experience and accuracy in pricing, leading to stable performance.

- 2,777,946 beneficiaries as at 31 December 2017 (2016: 2,735,191)
- 56% share of open market scheme (2016: 55%)

**Contribution Increases**

Reflects value for money for members and effective risk management.

- Average contributions 16.4% lower than the next eight open schemes by size (for 2017: 14.6%)

**Membership Growth**

Continuous growth of young and healthy lives improves risk pooling through cross-subsidisation principles, which reflects the attractiveness and competitiveness of the Scheme.

- Average net membership and beneficiary growth of 2.08% and 1.59% respectively (2016: 2.45% and 1.71%)
- Average age at year end of 34.50 (2016: 34.17)
- 9.33% pensioner ratio (2016: 8.93%)
- 5% annualised lapse rate (2016: 5%)

**Plan Movements**

Indicates satisfaction, stability in benefit design and appropriate pricing.

- No change for 2018: 94.24% (2017: 93.86%)
- Upgrades for 2018: 3.24% (for 2017: 2.91%)
- Downgrades for 2018: 2.52% (for 2017: 3.23%)

**Financial Strength and Management**

**Absolute Reserves**

Demonstrates ability to meet large, unexpected claims variation.

- Accumulated funds expressed as a percentage of gross annual contributions in 2016: 26.33%, exceeding the statutory solvency requirement of 25%.
- AAA independent credit rating for claims paying ability (2016: AA+)

**Pricing Sufficiency**

Surplus year-on-year reflects contribution levels that are in line with expected membership and claims.

- Net surplus for the year of R2 450 million (2016: R1 305 million)

**Prudent Investment Management**

Ensuring that investment returns are maximised within an acceptable and conservative level of risk.

- 100% average return on investments (2016: 8.80%)

Discovery Health Medical Scheme 2018 Annual General Meeting Notice

Discovery Health Medical Scheme (DHS)M(Scheme) is holding its Annual General Meeting (AGM) on 21 June 2018. Members are invited to attend the Scheme’s AGM.

**Notice of the AGM**

Date: Thursday, 21 June 2018
Venue: The Grow Auditorium, 1 Discovery Place, Corner of Rivonia Road and Katherine Street, Sandton, Johannesburg
Meeting time: 09:00
Registration: 07:00 to 09:00
Identification: Members attending the AGM must bring their membership card and any of the following identification documents: A South African ID book or Smart ID card; South African driver’s license or a passport
Live streaming: If you are unable to attend the AGM, you can make use of the live streaming facility that will be available on www.discovery.co.za on 21 June 2018 at 09:00

**The Agenda for the Meeting is as follows:**

1. Welcome and quorum
2. Minutes of the 2017 Annual General Meeting - for approval
3. Filing of the 2017 Integrated Report, including the Scheme’s Annual Financial Statements for the financial year ended 31 December 2017
4. 4.1: Presentation by the Principal Officer of Discovery Health Medical Scheme
4.2: Presentation by the CEO of Discovery Health (Pty) Ltd, the Administrator of Discovery Health Medical Scheme
5. 4.1: Discovery Health Medical Scheme Trustee Remuneration Policy and approval of the 2018 Trustee Remuneration Report
6. 4.2: Appointment of Auditors
7. Motions
8. General
9. Voting and closure of the AGM
10. 7.1.2017: Trustee Remuneration
11. 7.2.2018: Non-binding advisory vote on the Trustee Remuneration Policy
12. Motions
13. Member Engagement

The full Integrated Report for 2017 is available at www.discovery.co.za/info/DHMSreports. The full AGM report for 2017 is available at www.discovery.co.za/info/DHMSAGMReports. For every R1.00 spent by DHS on administration and managed care fees in 2016, members of DHS received R2.00 (2015: R1.85) in value from the activities of Discovery Health.

DHMS receives exceptional value for its administration and managed care expenses
The 2017 Integrated Report including the full set of audited Annual Financial Statements is available at www.discovery.co.za/info/DHMSreports.

Discovery Health Medical Scheme
1 Discovery Place
Sandton