

# DISCOVERY HEALTH MEDICAL SCHEME BOARD AND BOARD COMMITTEE MEMBER REMUNERATION POLICY

## Background and Context

The Discovery Health Medical Scheme (“DHMS”/“the Scheme”) strives, through its remuneration policies, to provide an ethical business framework for the establishment of protocols to equitably and responsibly remunerate high calibre people with above average industry ability and leadership potential to effectively govern the Scheme’s operations and safeguard members’ interests.

The provision of the Scheme’s remuneration policies that are respectively applicable to the Board of Trustees (“Board”) and Board Committee members of the Scheme relate to and uphold the obligations of the following legislation and regulations:

- King IV Report on Corporate Governance for South Africa 2016 (“King IV Code”)
- Medical Schemes Act 131 of 1998, as amended, (“the Act”) and the Scheme Rules
- Council for Medical Schemes Guidelines for Trustee Remuneration

The Scheme shall refer to the applicable provisions of the King IV Code for matters that are not covered in the scope of or are not addressed in the Act and the Scheme Rules.

## Remuneration Governance

The primary objective of the King IV Code is to promote best practice standards to enable entities in South Africa to improve their corporate governance practices.

Principle 14 of the King IV Code states that the governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Scheme has established a remuneration policy for its Trustees and Board Committee members (which are comprised of Trustees and Independent Board Committee members). The objective of the remuneration policy is to provide a legal and policy framework against which all remuneration decisions are made, validated, implemented, approved and reported by the Scheme.

The Scheme has put in place the necessary governance structures, measures and procedures to ensure that those charged with the fiduciary responsibility of formulating and upholding the provisions of policies discharge their duties with due care and skill and are accountable to the Scheme in this regard.

## Delegation of Responsibility of Oversight of Scheme Remuneration

The Executive Management, including the Principal Officer of the Scheme, is responsible for the day-to-day running of the Scheme with the aim of maximising value for members and other stakeholders. The Board is responsible for strategic oversight and to review the implementation of strategy by the Executive Management, and to ensure that effective mechanisms and controls are in place to protect the interests of the members of the Scheme.

The Board is responsible for the development and implementation of a remuneration policy for the Trustees and Board Committee members.

The Board in turn delegates responsibility for oversight of the Scheme's remuneration practices to the Remuneration Committee. The role of the Remuneration Committee is to make recommendations to the Board regarding the remuneration strategy, policies and practices of the Scheme. The Remuneration Committee:

- Is constituted of Trustees and Independent members, which ensures that the work of this Committee is free from conflict, which in turn provides a substantial degree of security for members of the Scheme.
- Acts under the delegated authority of the Board.
- Has a role to provide an independent influence on remuneration decisions made in respect of the Board and Board Committee members.
- Is also assisted by independent remuneration advisors and experts.

## Adoption and Approval of the Remuneration Policy

The Scheme's remuneration policy for Trustees and Board Committee members must be approved by the Board, based on a recommendation by the Remuneration Committee.

To enable Scheme members to express their views on the Scheme's remuneration policy for Trustees and Board Committee members, the policy is tabled at the Scheme's Annual General Meeting ("AGM") for a non-binding advisory vote.

In the context of this policy, a Trustee includes an Independent co-opted member of the Board, who in terms of the Rules of the Scheme, is a knowledgeable person whom the Board co-opts to assist in its deliberation, provided that such person shall not have a vote. An Independent co-opted member of the Board is remunerated on the same basis as a Trustee.

The Audit Committee is a statutory committee established in terms of Section 36(10) to (13) of the Act. By virtue of the provisions of the Act, the Audit Committee must:

- be chaired by an Independent Committee Member; and
- have an objective independent role.

In its role as a Board Committee, the Audit Committee is an advisory committee and submits recommendations as appropriate to the Board for approval or final decision and is available to advise on any matter referred to it by the Board. It is as a result of its statutory nature and the duties and responsibilities that follow as a result thereof, that the Chair of the Audit Committee is an ex officio member of the Board and is therefore required to attend and prepare for Board meetings and accordingly is remunerated on the same basis as a Trustee. In the context of this policy, a Trustee includes the Chair of the Audit Committee.

## Market Benchmarking

The remuneration of the Trustees and Board Committee members of the Scheme is benchmarked periodically through independent review. The Scheme's Remuneration Committee uses market trends in professional fees/rates for professionals in the field of law, actuarial science, medicine and commerce for determining Trustee and Board Committee member fees.

This provides the Scheme with information relating to market trends in remuneration practices and ensures that the Scheme compensates Trustees and Board Committee members in accordance with appropriate market norms.

The benchmarked professional fees of Trustee and Board Committee members are discounted to recognise the non-profit status of medical schemes.

## Disclosure of information regarding remuneration

The Trustee and Board Committee member remuneration for each prospective financial year is reviewed and recommended by the Remuneration Committee to the Board for provisional approval and thereafter tabled for a non-binding vote by members at the Scheme's AGM.

The principles of maximum transparency and disclosure regarding remuneration are endorsed by the Scheme:

- The Trustees shall disclose annually in writing to the Registrar any payment or considerations made to them in that particular year by the Scheme.
- The proposed remuneration of the Trustees and Board Committee members shall be disclosed to members of the Scheme and the CMS at least 21 days prior to the AGM and shall be reported in the Scheme's Integrated Report.
- The CMS and members shall also be provided with an indication of how the proposed Trustees' and Board Committee members' fees are determined, as well as the details of the independent advisers who provided advice to the Remuneration Committee on the structuring of Trustees' and Board Committee members' fees.

# POLICY DETAILS

## Purpose of policy

This policy contains a description of the core principles of the Scheme's remuneration policy for Trustees and Board Committee members.

This policy also includes the provisions asserted in the remuneration guidelines published by the Council for Medical Schemes (Circular 41 of 2014).

## Scope of policy

The provisions of this policy are binding on the Trustees and Board Committee members.

## Policy statement

Significant responsibilities and fiduciary risks are borne by Trustees and Board Committees throughout the year, and all Trustees and Board Committee members are individuals who are required to give up substantial amounts of their time to serve the needs of the Scheme and its members. The Scheme therefore strives to remunerate Trustees and Board Committee members appropriately to ensure that the necessary skills are attracted and retained in a complex industry with a deep responsibility to its members.

## Remuneration of the Trustees and Board Committee members of the Scheme

The DHMS fee structure is designed to recognise the important strategic oversight role of Trustees and Board Committee members and their fiduciary duties to ensure the long term sustainability of the Scheme while balancing the interests of all members in an equitable way. It is therefore critical, as indicated above, for DHMS to attract and retain Trustees and Board Committee members with the appropriate skills and expertise to oversee the business of the Scheme in the best interest of members.

The fee structure recognises the contribution of Trustees and Board Committee members in terms of their knowledge, skills, expertise and time commitments and includes the following elements:

- Trustees and Board Committee members are entitled to remuneration in respect of services rendered in their capacity as members of the Board or Board Committees as the case may be, which is reviewed on an annual basis.
- Trustee remuneration is based on a professional fee (hourly rate). Professional fees are based on the market related fees charged by professionals in the field of law, actuarial science, medicine and commerce and will be benchmarked and adjusted annually.
- The fees take into account the fact that the Scheme is a non-profit entity.
- The total annual fees payable to Trustees and Board Committee members is split into an Annual Base Fee (70%) and a Fee per Meeting (30%). The Annual Base Fee is paid quarterly in arrears.
- The Annual Base Fees and Fees Per Meeting payable to Board Committee members differ from those payable to Trustees insofar as the duration and frequency of their meetings differ from Trustee Meetings. The number of hours required are different for Board Committee meetings, taking into consideration their relative strategic importance and time requirements. This recognises the ongoing responsibility of Trustees for the efficient control of the Scheme.
- Trustees and Board Committee members hold non-executive status within the Scheme and are therefore, in terms of the Scheme's remuneration policy and in accordance with best practice corporate remuneration governance, not permitted to be paid consulting fees for consulting services rendered or to participate in any incentive programmes of the Scheme. This ensures that Trustees and Board Committee members are able to act independently of any personal interest when making a fiduciary decision for or on behalf of the Scheme.

- Where Trustees and Board Committee members attend conferences or training events as part of their role, the Scheme will pay the training provider's fees, as well as travel, accommodation and subsistence costs where applicable. The Scheme does not remunerate the Trustee or Board Committee member for attendance at such training events or conferences.
- The professional fee (hourly rate) is the same for all Trustees and Board Committee members.
- Trustee and/or Board Committee Member fees are exclusive of VAT. Where Trustees and/or Board Committee members are registered for VAT, they shall issue a tax invoice to the Scheme clearly reflecting the VAT element in addition to their total fees for the period.

## Calculation of the remuneration of Trustees

The total remuneration paid to Trustees is determined by the following elements:

- Number of meetings planned per year.
- Preparation time for each meeting.
- Duration of meetings.
- Estimated time required between meetings.
- The number of actual meetings attended.

Specifically, the Chairperson of the Board is required to make additional preparations for Board Meetings and is expected to attend to various requirements between meetings as an inherent part of the role. He/she is remunerated for the additional time spent.

## Calculation of the remuneration of Board Committee members

The Board Committee member remuneration is based on the same principle as Trustee remuneration, however, as indicated previously in the policy, the number of hours required is different.

As is the case with the Board, the Chairpersons of Board Committees have an increased requirement based on time commitments for meeting preparation and/or to attend ad hoc meetings commensurate with the inherent additional requirements held by the position, and are remunerated for this additional time requirement. For Board Committee members who are also Trustees, the remuneration paid for the participation of such Trustees at Board Committee meetings will be in addition to the remuneration received as a Trustee.

## Attendance of Trustees and Board Committee members at other Board Committee meetings, an Annual General Meeting, Special General Meeting, Board strategy sessions and other Board Committee strategy sessions

### A. Attendance at a Board or Board Committee meeting as an observer

Any Trustee or Board Committee member may attend any meeting of the Board or any other Board Committee, as the case may be, as an observer, after giving notice to and receiving permission from the Chairperson.

In such cases, the individual is not entitled to remuneration when attending as an observer.

### B. Attendance at an Annual General Meeting ("AGM") or a Special General Meeting ("SGM")

For the AGM, Trustees attending will receive remuneration at the hourly rate for preparation time, as agreed to by the Chair, and the duration of their attendance.

For an SGM, Trustees will receive remuneration at the hourly rate for preparation time, as agreed to by the Chair, and the duration of their attendance.

For an AGM and SGM, Independent Board Committee members will receive remuneration at the hourly rate for the duration of their attendance.

### **C. Attendance at Board strategy sessions, other Board Committee strategy sessions and Workshops**

For a Board Strategy session, Trustees and Independent Board Committee members will receive remuneration at the hourly rate for preparation time, as agreed to by the Chair, and the duration of their attendance.

For a Board Committee Strategy session, Independent Board Committee members and Trustees will receive remuneration at the hourly rate for preparation time, as agreed to by the relevant Chair, and the duration of their attendance.

For a Workshop session, Independent Board Committee members and Trustees will receive remuneration at the hourly rate for preparation time, as agreed to by the Chair, and the duration of their attendance.

### **D. Attendance at a meeting at the request of a Chairperson**

Should an Independent Board Committee member be invited to attend a Board meeting at the request of the Board or should a Trustee be invited to attend a Board Committee meeting at the request of the Chairperson of the Board Committee, such Independent Board Committee member or Trustee as the case may be will receive remuneration at the hourly rate for preparation time, as agreed to by the relevant Chair, and the duration of their attendance.

### **E. Attendance at a Board meeting of an Independent Board Committee Chairperson**

As per the terms of reference of the Board Committees, the Chairperson of a Board Committee who is an Independent Board Committee member is required to attend Board meetings in order to provide feedback on the proceedings of the meeting that he/she chairs.

With the exception of the Chair of the Audit Committee who is remunerated on the same basis as a Trustee for the purposes of this policy, such an Independent Board Committee Chairperson will receive remuneration at the hourly rate for preparation time, as agreed to by the Chair of the Board, and the duration of their attendance.

### **F. Attendance at Ad-hoc Board or Board Committee Meeting**

The Chairperson of the Board or relevant Board Committee may from time to time, call an Ad-hoc Board or Board Committee meeting of the Board or the relevant Board Committee. Where Trustees and/or Independent Board Committee members attend an Ad-hoc Board or Board Committee meeting, such Independent Board Committee member or Trustee, as the case may be, will receive remuneration at the hourly rate for preparation time, as agreed to by the relevant Chair, and the duration of their attendance.

### **G. Attendance at Ad-hoc meetings**

Trustees and/or Independent Board Committee members may be required from time to time to attend ad-hoc meetings on the affairs of the Scheme. Where Trustees and/or Independent Board Committee members attend an Ad-hoc meeting, such Independent Board Committee member or Trustee, as the case may be, will receive remuneration at the hourly rate for preparation time, as agreed to by the Chair of the Board, and the duration of their attendance.

## Remuneration payment procedures

All fees shall be paid directly to the Trustee or Board Committee member into his/her bank account, the details of which are to be provided by the Trustee or Board Committee member to the Chief Financial Officer and/or the Scheme Secretary.

## Reimbursements

Trustees or Board Committee members may be reimbursed for all reasonable expenses incurred by them in the performance of their duties as a Trustee or Board Committee member.

In order to be reimbursed for travel expenses, the Trustees or Board Committee members must submit all supporting documentation (e.g. tax invoices etc.) of the travel expenses he/she is claiming. Reimbursement payments are reviewed and approved by Chief Financial Officer or Principal Officer.

## Application of Trustee liability insurance

The Scheme must take out and maintain an appropriate level of professional indemnity insurance and fidelity guarantee insurance.