

# FRAMEWORK FOR THE NOMINATION AND ELECTION OF TRUSTEES

DISCOVERY HEALTH MEDICAL SCHEME  
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## Background

Board succession planning, in the context of Discovery Health Medical Scheme (“DHMS”/“the Scheme”) is a key element to ensuring that experienced and “fit and proper” Trustees serve on the Board. The Scheme Rules allow for the election, appointment and co-option of Trustees to the Board in order to ensure the appropriate balance of skills and experience and to facilitate staggered rotation, continuity, and succession in the event of expiry of Trustee terms.

Rule 17.1 states that “The affairs of the Scheme must be managed according to these Rules by a Board of fit and proper persons (i.e. persons with the requisite character, integrity, skill, competence, financial soundness and ability to exercise a fiduciary duty) of at least 5 and a maximum of 8 persons”.

Based on the Scheme Rules and the expiration of the tenure of certain Trustees, the Scheme is obliged to hold elections in years wherein the tenure of an elected Trustee comes to an end for the purposes of filling such vacancy(ies) on the Board.

In terms of Rule 17.8, “any election duly convened must be conducted amongst the Members present in person or virtually at the Annual General Meeting of the Scheme”. Furthermore, in terms of Circular 21 of 2023 issued by the Council for Medical Schemes (“CMS”), all schemes are encouraged to conduct its Annual General Meeting (“AGM”) and/or elections using a hybrid methodology, i.e. members would be allowed to participate in person, or where they cannot attend in person, participate virtually. Accordingly, on an annual basis, the Board of Trustees (“the Board”) will decide on what format the AGM will be convened.

The Trustee nomination and election processes are outsourced to an independent third-party service provider in accordance with Rule 17.9 which states “the Board may appoint an independent third-party service provider to assist the nomination committee in carrying out its functions”.

The independent third-party service provider will fulfil the role of the Independent Electoral Body (“IEB”).

This framework provides a high-level overview of the processes to be followed by DHMS for the Trustee elections. The following processes, relating to Trustee elections, will be outsourced to the IEB:

- The Trustee nominations and vetting process;
- The proxy appointment process; and
- Counting of votes cast at the AGM as well as for election of Trustees.

All the activities of the IEB in relation to the nominations and elections process are overseen by the Nominations Committee.

To ensure efficiency and manage the online proxy appointment process and voting process at the AGM, the Scheme will appoint an Information Technology service provider to work in conjunction with the IEB.

## Nomination Committee

Rule 17.9 of the Scheme Rules makes provision for the appointment of a Nomination Committee to assess all nominees standing for election, amongst others.

The Nomination Committee should comprise of at least three (3) members, who are independent of the Board.

The role of the Nomination Committee is to:

- Oversee the nomination process and all voting aspects at the AGM from a governance perspective.
- Oversee the nomination process and related processes and procedures implemented by the IEB at the AGM.
- Have the authority to engage with and challenge the IEB on the final list of candidates. Nominees' eligibility will be decided upon by the Nomination Committee, in terms of the Medical Schemes Act 131 of 1998, read with the Scheme Rules, and also impliedly against the guidelines and criteria set out in terms of King IV. Further to the latter, additional criteria may be used in respect of the vetting process including, amongst other relevant criteria, credit checks, criminal checks, ID number and qualification verification, assessment of information held by the Council for Medical Schemes (“CMS”) and tax clearance checks.
- Be consulted with, as and when required and shall be informed of any changes to the final candidate list, in terms of individuals who may be disqualified or who chose not to stand for election.

The Chairperson of the Nomination Committee may report to the Board on progress made on the nominations process.



The Nomination Committee will provide the final candidate list to the Board, however, the Board has no authority to challenge the final candidate list.

## Independent Electoral Body

According to Scheme Rule 17.9, the Board may appoint an independent third-party service provider to assist the Nomination Committee in carrying out its functions. For this purpose, Forvis Mazars has been identified as an Independent Electoral Body (“IEB”) to assist the Nomination Committee with the nomination processes.

## Establishment of a Project Steering Committee

A Project Steering Committee (“SteerCo”) will assist in managing and facilitating the administrative aspects of the nomination process, i.e. the drafting and dispatch of all communication material to members, etc. The SteerCo will consist of representatives from the IEB and representatives from the Scheme Office and all other relevant parties may also be invited to attend meetings as the need arises.

## Details of the current process

### Trustee nomination and vetting processes

#### Design of the forms by the IEB and DHMS’ involvement

The IEB will design the necessary nomination correspondence, including the official nomination form. The approval process for the nomination correspondence is as follows:

- The first draft of the correspondence is to be provided to the Scheme Office for comment and input;
- After the inclusion of the Scheme Office’s input, the second draft of the correspondence is provided to the Nomination Committee for comment and input; and
- The final version of the nomination correspondence, after the inclusion of the Nomination Committee’s comments, will be presented to the Board for approval.

DHMS will be responsible for the branding of the nomination correspondence to ensure that it is appropriately branded as per the Corporate Identity (“CI”) standards of the Scheme and for ensuring that a sufficient number of nomination forms are printed and posted to members (members who do not have email addresses) or emailed to those members whose chosen communication method is email.

The nomination forms can also be accessed on the DHMS webpage or requested from the IEB and must be returned to the IEB only.

The duly completed nomination form, together with the required documentation as stipulated on the rules for completion of the nomination form, is required to reach the IEB by no later than **12:00 (midday) South African Standard Time (SAST) on Wednesday, 31 January 2024**. Nomination forms received after this date and time will not be considered.

The nomination form, together with the required documents should be submitted to the IEB either by:

- Email (in PDF format) to [DHMS2024AGM@mazars.co.za](mailto:DHMS2024AGM@mazars.co.za); or
- Posted, in an envelope clearly marked **in an envelope clearly DHMS 2024 Trustee Elections, for the attention of Mr Ishan Bhowani – Director**, to the following postal address:
  - PO Box 6697, Johannesburg, 2000, South Africa  
*(Please consider potential delays you may experience using the South African postal services which could result in your nomination form not reaching the IEB before the closing date and time, 12:00 (midday) South African Standard Time (SAST) on Wednesday, 31 January 2024)*
- Physically delivered, in an envelope clearly **DHMS 2024 Trustee Elections, for the attention of Mr Ishan Bhowani – Director**, to any of the following Forvis Mazars offices:
  - Johannesburg: Mazars House, 54 Glenhove Road, Melrose Estate;
  - Pretoria: Castle Gate Offices, C/o Solomon Mahlangu Drive & Van Ryneveld Avenue, Waterkloof Ridge;
  - Durban: Ridgeside Office Park, 21 Richefond Circle, Umhlanga Ridge;
  - Cape Town: Mazars House, Rialto Road - Grand Moorings Precinct, 7441 Century City;
  - Bloemfontein: 101 on Olympus, Pentagon Park;
  - Gqeberha: Waterfront Business Park, Pommern Street, Humeral; or





- Paarl: Suite 16, Cecilia Square, 100 Cecilia Street.

The abovementioned Forvis Mazars offices will only be open between 08:00 and 16:30, Monday to Friday.

**All nominations must be submitted using the prescribed nomination form and all requirements contained in the form must be satisfied. Failure to complete the nomination form as prescribed may result in disqualification. All nomination forms must be delivered directly to the IEB either by hand, email or post as indicated in the rules for completion of the nomination form.**

***Please note: nomination forms cannot be delivered to the Scheme Office. Any nomination form delivered to the Scheme Office and/or received after 31 January 2024 at 12:00 (midday) South African Standard Time (SAST) will not be considered.***

All queries that relate to the nomination process must be directed to the IEB only, at telephone number 011 547 4212 or email: [DHMS2024AGM@mazars.co.za](mailto:DHMS2024AGM@mazars.co.za). The IEB will be the responsible party that will respond to any queries related to the nomination process.

### **Circulation of the nomination correspondence**

The circulation of the Nominations Correspondence occurs via the following channels:

- The Scheme's website is updated with the nominations correspondence. The Scheme's Marketing department undertakes this process but the IEB will review the website before "go-live" to ensure that the correspondence on the website is correct. Once the IEB has satisfied itself that the content of the website update is correct, the website update will be approved by the Scheme Office and will "go-live";
- An email is disseminated to those Members who have email addresses recorded on the member database maintained by the Administrator;
- In addition, an SMS is disseminated to all Members who have cell phone numbers recorded on the member database maintained by the Administrator. The SMS will contain a link that directs the member to the website of the Scheme, which will contain the nomination correspondence; and
- Postage is disseminated to those Members who receive their correspondence via the South African Post Office ("SAPO").

Completed nomination forms must be returned to the IEB only using one of the following channels:

- Via an online portal provided by the IEB;
- Via email to a dedicated email address provided by the IEB;
- By physical drop-off at specific IEB offices; or
- By return postage to a dedicated post box provided by the IEB.

### **Vetting criteria and process**

Subsequent to the close of the call for nominations at **12:00 (midday) South African Standard Time (SAST) on Wednesday, 31 January 2024**, the IEB will undertake a vetting process, in line with the approved Vetting Policy, and present the results to the Nomination Committee, in order for the Nomination Committee to evaluate all nominees against the provisions of the Medical Schemes Act 131 of 1998, as amended, read with the Scheme Rules. The Nomination Committee will decide on the nominees' eligibility to stand to be elected to the Board. During the vetting process, each nominee will be subject to strict vetting criteria.

### **Additional compliance checks**

Further to the above, the following additional checks will be undertaken:

- SA citizenship/identity check
- Directorship check
- Qualification verifications
- Criminal record check
- Credit checks
- Politically Exposed Persons ("PEP") checks
- Tax clearance check with the South African Revenue Service

The outcome of the results of abovementioned checks will be presented to the Nomination Committee who will then determine the eligibility of the nominees to serve as an elected Trustee.



Prior to the disqualification of any nominee, the nominee will be consulted by the IEB and provided with an opportunity to supply any information as it relates to their potential disqualification.

## Preparation of a final candidate list and candidate introduction process

### Drafting the candidate list

The IEB will draft a candidate list, which will be presented to the Nomination Committee. The Nomination Committee has the authority to challenge the list with the IEB. Thereafter a final candidate list will be compiled and presented to the Board for noting by the Nomination Committee and the IEB.

The final candidate list will be appropriately branded as per the CI standards of the Scheme prior to circulation to the Members.

### Candidate introduction process

After the vetting process and the finalisation of the candidate list, a candidate introduction process will be undertaken by the IEB.

The aim of the introduction process is to inform candidates of the roles and responsibilities of a Trustee as defined in the Scheme Rules and Medical Schemes Act 131 of 1998, in order for them to appreciate and understand what will be expected of them, should they be elected into office.

The content of this introduction process includes, but is not limited to:

- Introduction to DHMS;
- Fiduciary responsibilities;
- Regulatory and legislative requirements;
- Time commitments;
- Remuneration; and
- Examples of where Boards have failed and why.

### Circulation of the candidate list

The circulation of the Notice of the AGM correspondence (“AGM correspondence”), including the candidate list, is circulated to Members not less than thirty (30) days before the date of the AGM, and takes place via the following channels:

- Updating the Scheme’s website with the AGM Correspondence. The Scheme’s Marketing department undertakes this process but the IEB will review the website before “go-live” to ensure that the correspondence that is placed on the website is correct. Once the IEB has verified that the content of the website update is correct, the website update will be approved by the Scheme Office and will “go-live”;
- Via email to those Members who have email addresses recorded on the member database maintained by the Administrator;
- Via SMS to all Members who have cell phone numbers recorded on the member database maintained by the Administrator. The SMS will contain a link that directs the Member to the website of the Scheme which will contain the AGM correspondence; and
- Via the postal service to those Members who receive their correspondence via the South African Post Office (“SAPO”);
- Included in the AGM correspondence circulated to Members will be a link to the online proxy appointment form.

## Proxy appointment and vetting processes

The IEB will design the layout and format of the proxy appointment form as prescribed by the Scheme Rules, including relevant built-in security features and unique identification numbers in order to ensure adequate controls and to limit the risk of manipulation of the proxy appointment process.

DHMS will be responsible for the branding of the proxy appointment form.



## Proxy appointment process

Every Principal Member who is entitled to be present at a general meeting of the Scheme and whose contributions are not in arrears, shall be entitled to appoint another person who shall be a Principal Member, as their proxy to attend, speak and vote in the Member's stead.

The proxy appointment process commences with the design of the proxy appointment form. The first draft of the proxy appointment form will be compiled by the IEB.

This will be circulated to specific role players, including the Scheme Office and the Nomination Committee for comment and input.

Once finalised, the proxy appointment form will be uploaded onto the online proxy system. It should be noted that the IEB will have access to the proxy system to oversee the return of completed proxy appointment forms by Members.

However, in the event that a Member requests a manual proxy appointment form, this will be distributed to the IEB, and must be returned to the IEB.

As the proxy appointment system is managed by a third party appointed by the Scheme, the IEB will test the security controls in place to limit access to the system and manipulation of the information contained therein. These security controls verify users are who they claim to be and ensure appropriate control over access levels granted to users.

Included in the AGM correspondence circulated to Members will be a link to the online proxy appointment form. A Principal Member ("proxy giver") wishing to appoint a proxy to attend the AGM and vote on their behalf can do so by following the link: <https://reg.lumiengage.com/discovery-health-medical-scheme-agm-2024/proxy/Site/Register>. In the event that a Member cannot access the online proxy appointment system, the IEB will implement a manual proxy appointment process.

It should be noted, that no bulk requests from members will be entertained. Furthermore, the IEB will only consider proxy form requests received from the proxy giver and communication relating to the proxy appointment request will be directed to the proxy giver only.

In the event that an online proxy system is not to be used, the IEB will implement a manual proxy appointment process. This process entails the following steps:

- The IEB will ensure that the proxy appointment form includes relevant built-in security features and unique identification numbers in order to ensure adequate controls and to limit the risk of manipulation of the proxy appointment process;
- The proxy appointment form will only be available on request from the IEB. The IEB will be responsible for ensuring that the proxy appointment forms are emailed to those Members who have requested a proxy appointment form. Proxy appointment forms have to be completed and submitted to the IEB;
- The IEB will establish a dedicated email address in order to receive and collate all original proxy appointment forms; and
- Proxy appointment forms can only be returned to the IEB. Proxy appointment forms returned to any other party, including to the Scheme, will be deemed to be invalid.

Irrespective of whether an online proxy system is used or a manual system is implemented by the IEB, prior to the AGM, the completed proxy appointment forms will undergo a one hundred (100) percent review by the IEB and additional sample reviews for accuracy.

Upon the appointed closing date and time of the proxy appointment system, the online system will automatically close, thereby preventing the risk of proxy appointment forms being received after closing. In the event that a manual proxy appointment process is implemented by the IEB, the IEB will manually close the acceptance of the proxy appointment process at the appointed date and time.

As the AGM is to be held on **27 June 2024 at 09:00**, proxy appointments must be submitted by no later than **09:00 on 20 June 2024**. The completion and lodging of this proxy appointment will not preclude the relevant Principal Member from attending the AGM and voting in person or virtually instead of any proxy appointed in terms hereof. Should the Principal Member attend or vote at the meeting, the proxy that has been appointed will not be able to vote on the Principal Member's behalf and the proxy appointment shall be deemed to have been revoked.



## Proxy vetting process

The IEB will vet all proxy appointment forms received and will *inter alia* address the following in relation to the appointer and appointee:

- Whether the appointer and appointee are both registered Principal Members in good standing of DHMS;
- Whether the proxy appointment form is signed by both the appointer and appointee;
- Whether there are duplicate proxies issued per member;
- Whether the proxy appointment form has been completed correctly;
- Whether the membership contributions of both the appointer and appointee are paid up to date; and
- Whether the proxy appointment form is a duplicate or photocopy of a form that has already been submitted.

The appointment of proxies shall close seven days prior to the AGM and all proxy appointment forms will be vetted within the said seven-day period. In order to achieve this, the IEB will rely on DHMS and DH for the provision of member information, limited to the member information required to verify proxy appointment forms. The exchange of information will be governed in terms of a separate data governance framework to ensure compliance with confidentiality provisions and the provisions of the Protection of Personal Information Act in this exchange of data.

## The election process on the day of the AGM

The Trustee election will take place at the hybrid AGM, which will be held on 27 June 2024.

### Pre-AGM activities

#### Notice of the AGM

Prior to the AGM, the IEB will provide input into the Notice of the AGM. DHMS will be responsible for designing, printing and distributing the Notice of the AGM communication to members.

#### Ballot form

The IEB will draft the ballot form, which will include relevant AGM voting items as well as the candidate information for the Trustee election.

This will be uploaded onto the online platform hosted by a service provider as determined by the Scheme and overseen by the IEB, to be used for voting as and when it becomes necessary.

In the event that the Board decides to use a manual voting process, the IEB will design the layout of the ballot papers, including relevant built-in security features and unique identification numbers to minimise the risks associated with tampering or manipulation of the ballot papers.

#### Venue

The IEB will work with the Scheme Office to secure the meeting venue for the AGM, including implementing all requirements for voter registration and voting on the day, as well as any other requirements as may be necessary to ensure a successful meeting and election process.

### Process at the AGM

On the day of the AGM, the IEB will oversee and authenticate the completion of the voters' attendance register and verify that registered members are eligible to vote.

The IEB will observe and confirm whether a quorum of 15 members is present in-person and online after no more than 30 minutes after the scheduled commencement time, in order to declare the meeting quorate and open.

#### Hybrid AGM

The meeting registration will commence at a time as agreed to by the Scheme. For Members attending in person, the IEB will register such Members and confirm that they are good standing. Members attending online will be confirmed as being in good standing upon registration for the virtual attendance and participation.

Should a non-member, Dependant or Principal Members who are not in good standing register to attend the AGM, they will be registered as guests and will thus be precluded from participating in the meeting and voting.





All persons that have registered to attend the AGM virtually will receive a link to the AGM which will enable them to access the AGM online.

The IEB will confirm that the minimum number of required Members are present either in person or virtually for the meeting to be deemed quorate before the order of business proceeds.

Upon commencement of voting, Members attending in person will be directed to the voter registration desks in order to register and proceed to casting their votes. This process will be run by the IEB.

The voter registration process for Members attending in person entails the following steps:

- The Member is directed to the voter registration desks;
- Members registering for voting are required to present appropriate identification and their membership cards. This information is compared to the information contained on the Member database reflecting active Principal Members to confirm that the individual is a Principal Member of the Scheme, in good standing with the Scheme, and thus entitled to vote at the AGM;
- The Member is then provided with a voter and/or proxy registration certificate indicating, where necessary, the number of proxies held by the Member. This is then signed by the Member;
- The Member is then provided with a voting access card which is used to access their online ballots; and
- The Member is directed to the voting room to cast their vote(s) using the online voting system.

The voter registration process for Members attending in person where voting is to take place using manual ballot papers entails the following steps:

- The Member is directed to the voter registration desks;
- Members registering for voting are required to present appropriate identification and their membership cards. This information is compared to the information contained on the Member database reflecting active Principal Members to confirm that the individual is a Principal Member of the Scheme, in good standing with the Scheme, and thus entitled to vote at the AGM;
- The Member is then provided with a voter and/or proxy registration certificate indicating, where necessary, the number of proxies held by the Member. This is then signed by the Member;
- The Member is then provided with a manual ballot paper;
- The Member is directed to the voting room to cast their vote(s) using manual ballot form; and
- The ballot is deposited into a sealed ballot box provided and controlled by the IEB.

The above manual balloting process is also used as a contingency plan in the event that the online voting system becomes unavailable on the day of the AGM.

For Members attending the AGM virtually, their membership status would have been verified upon registration to attend the AGM. They will then be allowed to cast their votes using the virtual voting platform.

## Post-election results and reporting

After the election process on the day, the IEB will:

- Review all votes and verify the results:
  - Confirm that the extract report records a quantum of votes equal to the quantum of votes registered as observed at the time of closing the votes;
  - Confirm that the votes cast were done so by Principal Members in good standing with the Scheme;
  - In the case where voting takes place both in person and virtually, that the member completed only one (1) ballot form, i.e. reviewing for any potential duplicate votes;
  - Identify and record “spoilt” votes (spoilt votes are votes returned “blank” or votes returned that do not record the information as requested per the voting instructions);
  - Verify the validity of unspoilt votes cast by members or their represented proxy by tracing the member details to the DHMS webservice, by using the AGM web-based partner portal to confirm that the members that voted are Principal Members of the Scheme and in good standing (member contributions are up to date); and
  - Count all the valid votes cast and record and declare the results of votes either as “in-favour” or “against” or “abstain” for each specific resolution and present the vote result to the Scheme.
- Report on the compliance to the Scheme Rules of the elections as well as any deviation and/or transgression of the process;
- Make available to the Scheme the names of the successful candidates including the voting outcomes of the other agenda items within fourteen days of the AGM and Trustee elections;
- Communicate with each candidate whether they were successful or not; and
- Make available individual results to the candidate upon request.



The IEB shall be obliged to produce a close-out report to the Board of Trustees in which the processes followed during the election shall be set out in full detail. The report shall also certify that the elections were conducted in compliance with the Scheme Rules.



## Trustee election process flow

