

Dear Valued Member,

We look forward to hosting you at Bestmed's 58<sup>th</sup> Annual General Meeting (AGM) on 23 June 2022. You will soon receive more information about the proceedings of the meeting in accordance with the registered Rules of the Scheme.

One of the agenda items that will be tabled at the AGM is trustee remuneration. Accordingly, Bestmed is required to provide its members and the Council for Medical Schemes (CMS) with information regarding the principles of remuneration and the remuneration of trustees prior to the AGM. This will allow members to make an informed decision when the proposed increase in trustee remuneration for 2022-2023, as included in Annexure A of the Board of Trustees Remuneration Policy, is tabled and voted on at the AGM.

## 1. OVERVIEW

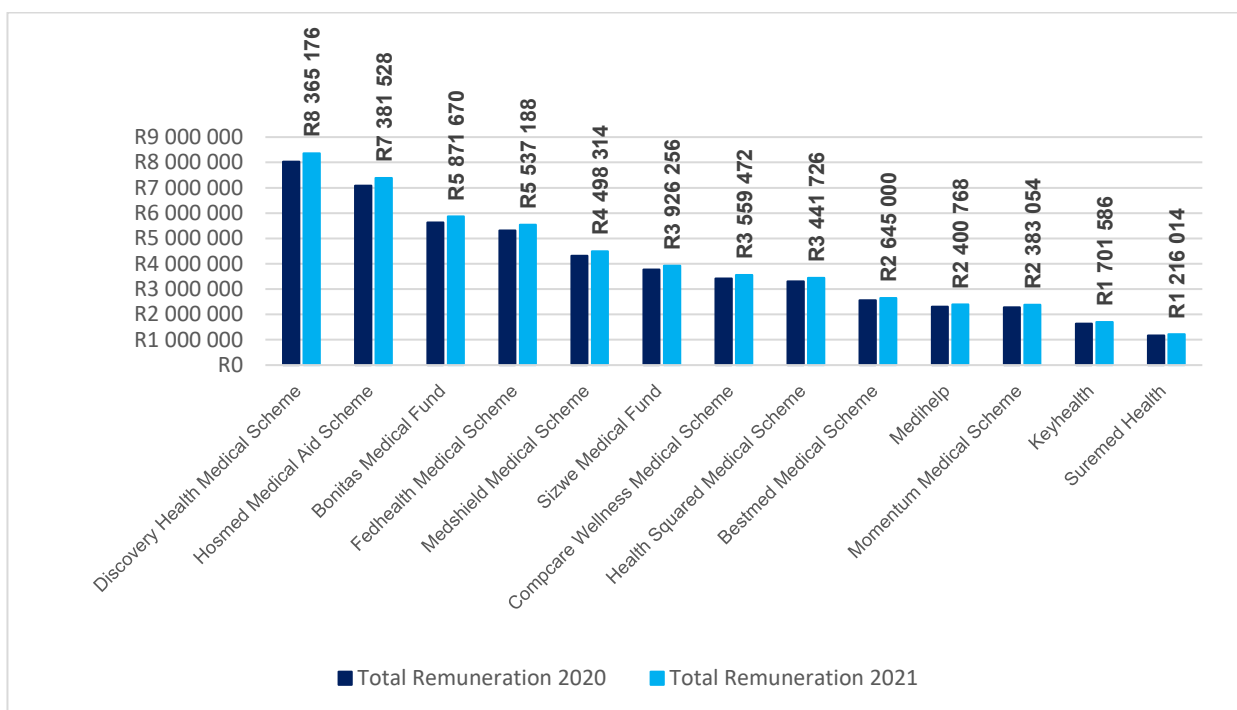
The Board of Trustees is the representative body of the members of the medical scheme and consists of representatives from corporate groups, individual members, as well as retired members. The Board of Trustees are legally tasked with oversight, promotion of sound corporate governance, implementation of strategic objectives, compliance to the regulatory framework and risk management. The responsibility and accountability of the role means trustees can be held personally and individually liable for decisions taken in the Boardroom. Therefore, it is crucial that this responsibility, associated risk, expertise, and time devoted to matters of a medical scheme be considered when deciding on the appropriate trustee remuneration. Other aspects that are relevant when considering trustee remuneration are the relative level of remuneration compared to similar sized medical schemes, trustees' time (opportunity cost), expertise and the prevailing economic climate in the country and its effect on members.

## 2. RESULTS OF TRUSTEE REMUNERATION BENCHMARK ANALYSIS CONDUCTED IN 2022 (CMS DATA AND METHODOLOGY)

In a continuous effort to ensure that Bestmed's trustee remuneration is in line with the industry we conducted a benchmarking analysis, as was done in 2021. The benchmark analysis is based on information provided in the 2020/21 CMS Annual Report, published on 8 October 2021. This report can be downloaded from the CMS' website for easy reference and is readily available. The trustee remuneration benchmark analysis included 13 open medical schemes. The smallest schemes were excluded from the analysis to ensure that there is no distortion in the results and that the data remains comparable.

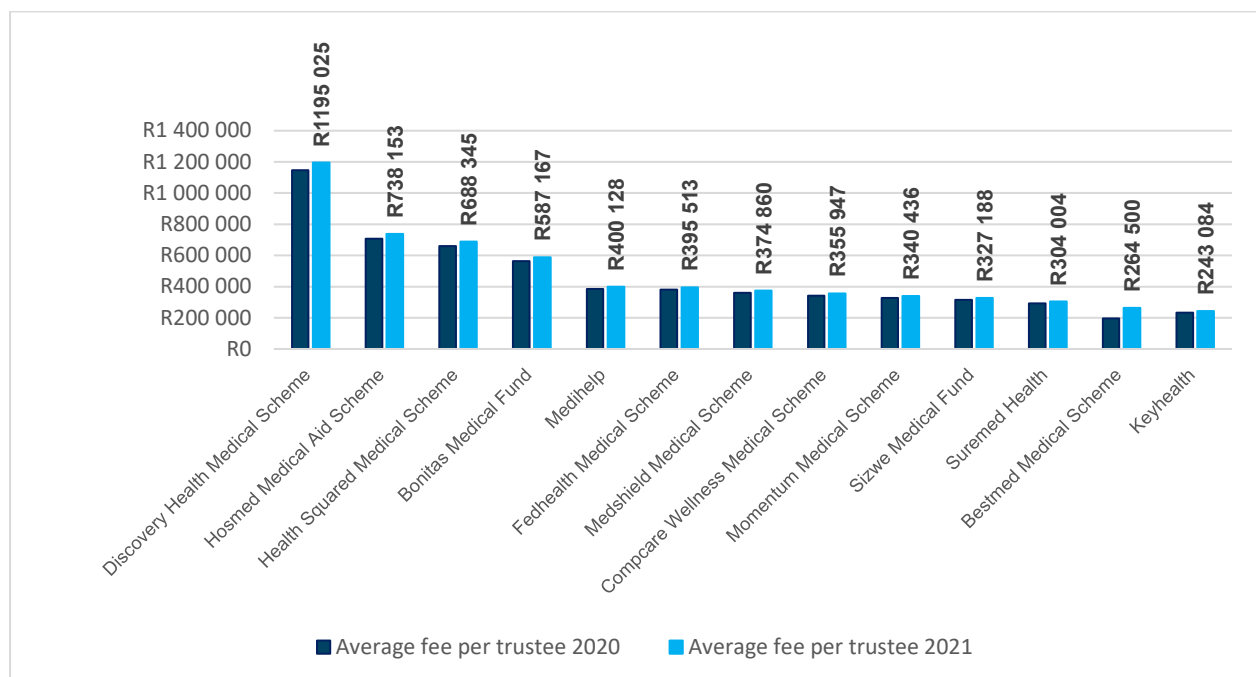
Since the data on medical schemes' trustee remuneration in 2021 has not yet been published by the CMS, a CPI-related 4.2% increase on the 2020 fees is applied to adapt the data for 2021. This is applied to all schemes, excluding Bestmed, as the actual amount paid in respect of Bestmed's trustee remuneration in 2021 is available.

The outcome of the benchmarking is depicted in the first two graphs below. The total annual trustee remuneration comparison between the 13 medical schemes in 2020 and 2021 is indicated in Graph 1, while Graph 2 reflects the average annual trustee remuneration (average fee per trustee) in 2020 and 2021.



**Graph 1: Total Annual Trustee Remuneration in 2020 and 2021**

The average annual trustee remuneration comparison between the 13 medical schemes included in the analysis is depicted in **Graph 2** below.



**Graph 2 – Average Annual Trustee Remuneration in 2020 and 2021**

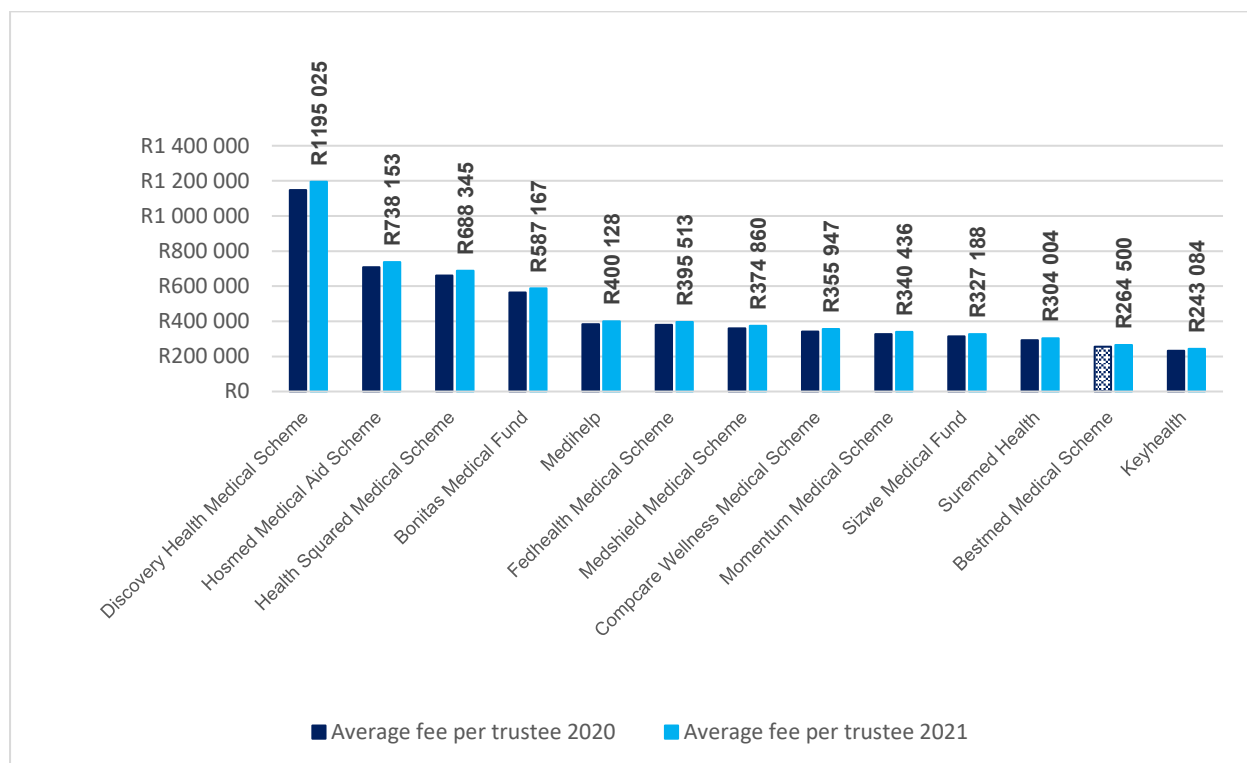
The information provided in Graphs 1 and 2 shows that Bestmed’s trustee remuneration remains significantly lower than the industry average. According to the information provided in Graph 2, Bestmed reported the second lowest average trustee remuneration (average fee per trustee) at the end of 2021.

### 3. CALCULATED AVERAGE TRUSTEE REMUNERATION IN 2020

It is important to note that, while the CMS reports on data submitted by the various schemes, the CMS calculates the average monthly remuneration per trustee by simply dividing the total annual remuneration by the total number of trustees serving on a scheme’s Board during a given year. This calculation is applied across all schemes, irrespective of the period (3 or 6 or 12 months) which each of the trustees served on the Board during a given year. In the CMS computation for Bestmed thirteen (13) trustees were included.

At the time of the 2020 AGM, only 10 trustees constituted the Bestmed Board. To remove the effect of interrupted service on the Board of Trustees an adjusted calculation of those trustees who served a full financial year was conducted. This results in an annual equivalent of eight trustees. Although only seven trustees served a full financial year on the Bestmed Board in 2020, one of the trustees, Mr Louis Heyl, resigned due to ill health and was replaced by Mr Desmond Smith to serve the remainder of this term. This equates to an annual equivalent of eight trustees. The graph below illustrates the same CMS data as reflected in Graph 2, but with the calculated average trustee remuneration of eight trustees as an annual equivalent for Bestmed in 2020. The outcome demonstrates that the average remuneration earned by all

the trustees who served the full year in 2020 remained comparatively low amongst the other schemes included in the benchmark analysis.



**Graph 3 – Average Trustee Remuneration with the Calculated Value for Bestmed**

#### 4. OTHER CONSIDERATIONS

In arriving at the recommendation for the proposed increase in trustee remuneration for 2022-2023, the remuneration increase granted to Bestmed employees for 2022 was used as a guideline. Bestmed employees received a 5.0% increase in January 2022, and we recommend the same increase for the Board of Trustees for 2022-2023.

The Board of Trustees are aware of the economic challenges faced by our members and suggested a modest increase in line with the increase in employee remuneration. Although this increase will not align the trustee remuneration of Bestmed to the industry, it will prevent that the disparity in remuneration be exacerbated in future.

#### 5. RECOMMENDATION

The information provided in this document provides context on the proposed increase in Bestmed trustee remuneration. Members will have the opportunity to vote on the 5% increase at the AGM on 23 June 2022. With the implementation of a 3.9% increase in 2021, Bestmed's trustee remuneration remains one of the lowest in the industry, both in absolute terms as well as in relation to its size and position in the market. Bestmed is still the fourth largest open medical scheme in the country and yet it has not featured in the top

10 medical schemes with the highest average trustee remuneration over the past four years as published in the CMS Annual Report.

According to the Trustee Remuneration Policy, an increase in trustee remuneration must be approved by members at an AGM. The registered Bestmed Rules also stipulate that members must be provided with the necessary information they will be required to vote on 21 days prior to the AGM. This document provides the required information to enable members to vote on the increase in trustee remuneration. Members will be requested to vote **for** or **against** the proposed 5.0% increase, based on their own interpretation of the context provided above and/or any other information they choose to apply. It remains the members' right to exercise the vote as they wish.

The recommended increase of 5.0% will not change the relative position of the Bestmed trustees remuneration against similar size schemes and the industry.

The financial impact of the proposed increase of 5.0% is outlined in **Table 1** below. The table is extracted from **Annexure A** of the Bestmed Trustee Remuneration Policy (attached).

**Table 1 – Trustee Remuneration Policy Annexure A (Extract)**

ACTIVITY	2021/2022 Remuneration	2022/2023 Remuneration (with proposed 5% increase)
<b>Fees payable on a per meeting attended basis as from the AGM of 23 September 2020. (New fee structure approved)</b>		
Preparation for and attendance of Board meetings	17 437	18 309
Preparation for and attendance of Board committee, sub-committee or task group meetings	10 473	10 997
Additional percentage payable to the chairperson or acting chairperson for the planning, preparation, chairing and minutes of a meeting	50%	50%
Additional percentage payable to the vice chairperson for assisting the chairperson with the planning, preparation and general support for meetings	20%	20%
Additional fee for travelling more than 100 km to attend any meeting as a compensation for the additional time spent on Bestmed business	1 747	1 834

<b>Fees payable on a per day attended basis</b>		
Preparation for and attendance of Board of Trustees Strategic Planning Session	20 053	21 056
External workshops and training events	Limited to cost of the external workshop and training event as well as accommodation costs, subject to approval of the Chairman and Vice-chairman of the Board	Limited to cost of the external workshop and training event as well as accommodation costs, subject to approval of the Chairman and Vice-chairman of the Board
<b>Fees payable on an hourly basis</b>		
Attendance of special meetings of the board or Board committees with a limited agenda and a duration of not more than 2 hours	6 915	7 261
Attendance of the following pre-approved activities in the best interest of Bestmed (it specifically excludes meetings trustees might have in their individual capacity to prepare for meetings or develop insight in the business of the Scheme, including attendance of meetings on their own initiative) (maximum to not exceed 8 hours per day)	3 458	3 631
committee meetings of which the trustee is not a standing member		
meetings with senior management regarding Board and sub-committee matters in the execution of specifically assigned and minuted tasks		
meetings with the registrar's office, other medical schemes or service providers as part of a Bestmed delegation		
Annual General Meeting or special general meetings of Bestmed		
Internal training events/workshops		

<b>Monthly Retainers</b>		
Chairperson	4 841	5 083
Vice-chairperson	3 458	3 631

Thank you for taking the time to consider the information. We look forward to your attendance and participation in making the AGM a success.

Warm regards

**Bestmed Medical Scheme**