

Dear Valued Member,

We look forward to hosting you at Bestmed's 59<sup>th</sup> Annual General Meeting (AGM) on 22 June 2023.

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 and remuneration of trustees prior to the AGM. This will allow members to make an informed decision when amendments to the Board of Trustees Remuneration Policy are tabled and voted on at the AGM.

## OVERVIEW

The role of the Board of Trustees is often behind the scenes but is probably the most important factor in protecting the Scheme and the Scheme members. The Board of Trustees is the representative body of the members of a medical scheme. In Bestmed's case, the Board consists of representatives from corporate groups, individual members, retired members as well as appointed individuals. The Board of Trustees is legally tasked with oversight, promotion of sound corporate governance, compliance to the regulatory framework, risk management and approval and oversight of the strategy implementation. The responsibility and accountability of the role means that trustees can be held personally and individually liable for decisions taken in the Boardroom. Consequently, it is our responsibility to ensure these individuals are adequately remunerated for their role and time devoted to matters of members' interest. Other aspects that are relevant when considering trustee remuneration are the relative level of remuneration compared to medical schemes of a similar size, trustees' time (opportunity cost) and expertise.

## TRUSTEE REMUNERATION BENCHMARK (CMS DATA AND METHODOLOGY)

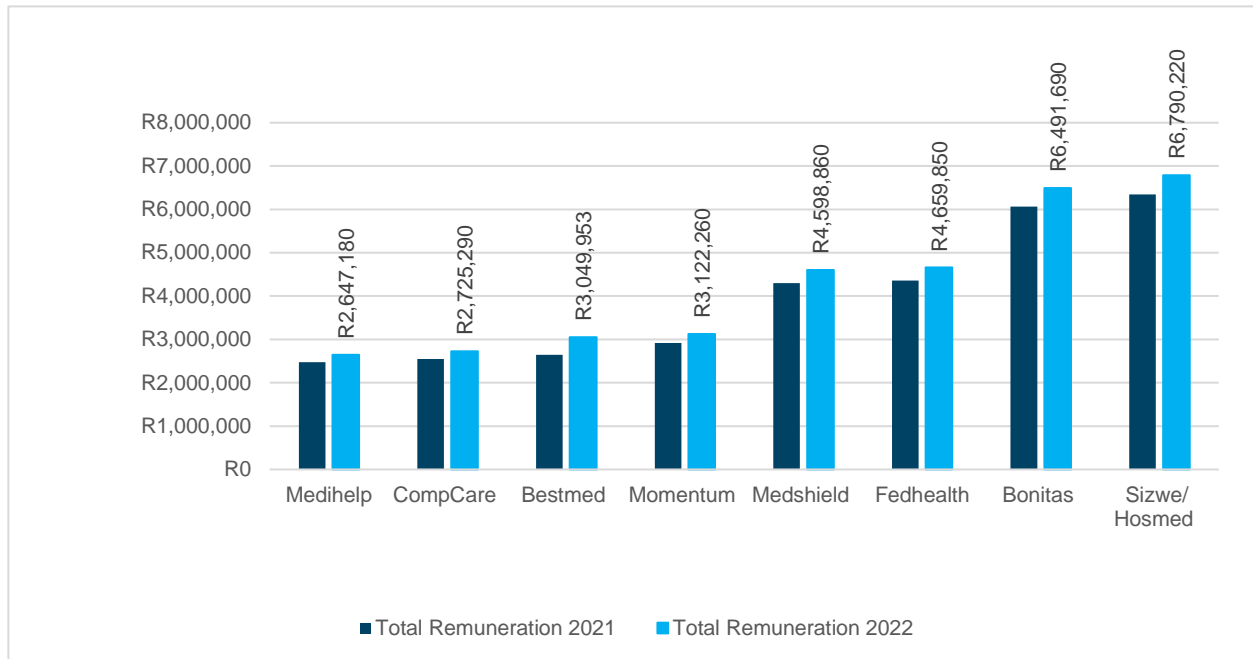
In a continuous effort to ensure that Bestmed's trustee remuneration is in line with the industry, a benchmarking analysis was performed, based on information published by the CMS as well as the Willis Towers Watson (WTW) report on the research conducted on the remuneration guidelines for the Board of Trustees. The information used has been obtained from the 2021/22 CMS Annual Report, published on 13 October 2022 and the WTW report dated 19 April 2023. The CMS Annual Report and annexures can be downloaded from the CMS' website for easy reference and are readily available.

The benchmark analysis conducted is based on the trustee remuneration of eight open schemes. The sample was selected, based on the medical schemes included in the WTW research, namely Bestmed, Bonitas, CompCare, Fedhealth, Medihelp, Medshield, Momentum and Sizwe/Hosmed medical schemes.

The outcome of the benchmarking in terms of *Total Trustee Remuneration* and *Average Trustee Remuneration* (average fee per trustee) is presented schematically in this document.

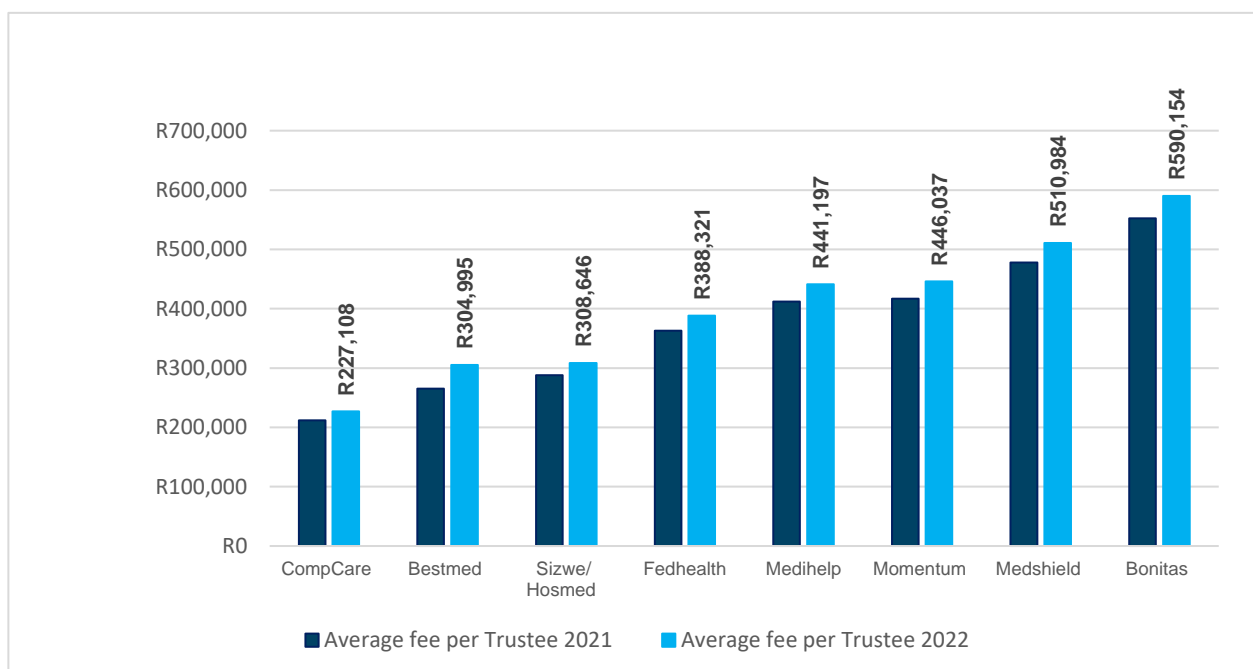
Although information is available on the actual trustee remuneration paid by Bestmed in 2022, the CMS has not yet published the same for other schemes. To estimate the 2022 data for the other schemes in the sample, an increase of 5%, which was approved for the Bestmed annual trustee remuneration increase at the previous AGM, was applied to the other schemes' 2021 data.

The total trustee remuneration comparison among the eight medical schemes is depicted in **Figure 1**.



**Figure 1: Total Trustee Remuneration**

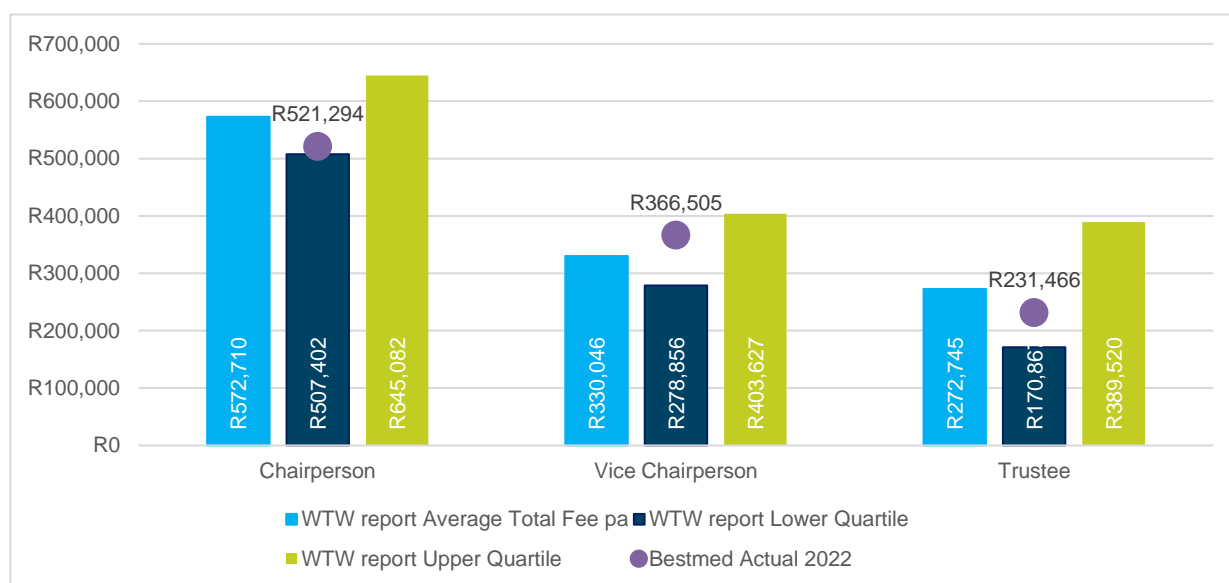
The average trustee remuneration (annual) comparison among the eight medical schemes is presented in **Figure 2** below. According to the information provided in this graphical illustration of the eight medical schemes included in the analysis, Bestmed reported the second-lowest average trustee remuneration at the end of 2022. Although a total of 12 trustees served on Bestmed’s Board during 2022, only 10 served at any given time during the 12 months, therefore, the total trustee remuneration was divided by 10 to get an accurate average amount paid. Therefore, the average trustee remuneration used in this document will be higher than what the CMS will publish in their 2022/23 Annual Report.



**Figure 2 – Average Trustee Remuneration**

## WTW REPORT – RESULTS

The WTW benchmarking analysis involved the evaluation of trustee remuneration data of eight medical schemes (including that of Bestmed). Data relating to subcommittees as well as the full Boards was considered when conducting the analysis. It also categorises the information into the average, lower and upper quartiles for chairpersons, vice-chairpersons and general trustees. A summary of the benchmarking, including Bestmed's position within the categories, is outlined in **Figure 3** below. The purple dots and the Rand values reflected in Figure 3 represent the remuneration of Bestmed's chairperson and vice-chairperson as well as the average trustee remuneration (excluding the chairperson and vice-chairperson's remuneration).



**Figure 3 – Bestmed Trustee Remuneration vs WTW guidelines**

As shown in Figure 3 above, the 2022 remuneration for the chairperson and trustees is below the industry average. The vice-chairperson's remuneration is slightly higher than the industry average, but still lower than the upper quartile.

The information provided in Figures 1, 2 and 3 shows that the Bestmed Board of Trustees' overall remuneration remains lower than the industry average.

## OTHER CONSIDERATIONS

According to the information included in the figures above, Bestmed's trustee remuneration lags the industry average both from an absolute number perspective and relative to similar-sized schemes and market position. The average increase applied to Bestmed's trustee remuneration for the previous four years is 4.73%. This is based on the annual increases approved at previous AGMs, as outlined below:

Annual General Meeting Year	Increase Approved by members
2019	0%
2020	10%
2021	3.9%
2022	5%

According to the STATISTICAL RELEASE P0141 (March 2023) of the Department of Statistics South Africa (Stats SA), the average Consumer Price Index (CPI) from 2019 to 2022 is 4.7%. This is comprised of 4.1% (2019), 3.3% (2020), 4.5% (2021) and 6.9% (2022). Although there are differences in the increases from year to year between the remuneration of Bestmed trustees and the CPI, the average over the period is the same. This means that Bestmed's trustee remuneration has not increased in real terms. It is also true that the increases over the same period did not address the positioning (i.e. below average) lag of Bestmed's trustee remuneration to the industry average and similar-sized schemes.

## RECOMMENDATION

The information included in this document provides context on the proposed increase in Bestmed's trustee remuneration. This increase is in line with the average annual contribution increases applied from January 2023. It is not expected that the proposed increase will improve Bestmed's trustee remuneration relative to the industry average, but it will prevent the positioning from deteriorating further in future.

Members will have the opportunity to vote on the proposed 8.9% increase at the AGM on 22 June 2023.

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 on which they will be required to vote 21 days prior to the AGM. This document provides the required information to enable members to vote on the proposed increase in trustee remuneration. Members will be requested to vote **for** or **against** the proposed 8.9% 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 financial impact of the proposed increase of 8.9% is outlined in **Table 1** below. The table is extracted from **Annexure A** of the Bestmed Trustee Remuneration Policy (attached).

ACTIVITY	2022/2023	2023/2024
	Remuneration	Remuneration
<b>Proposed 8.9%</b>		
<b>Fees payable on a per meeting attended</b>		
Preparation for and attendance of Board meetings	18,309	19,939
Preparation for and attendance of Board committee, sub-committee or task group meetings	10,997	11,976
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	1,834	1,997
<b>Fees payable on a per day attended basis</b>		
Preparation for and attendance of Board of Trustees Strategic Planning Session	21,056	22,930

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 chairperson and vice-chairperson of the Board	Limited to cost of the external workshop and training event as well as accommodation costs, subject to approval of the chairperson and vice-chairperson 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	7,261	7,907
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)	3,631	3,954
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	5,083	5,535
Vice-chairperson	3,631	3,954

Thank you for taking the time to consider the information included in this document. We look forward to your attendance and participation in making the 2023 AGM a success.

Personally Yours,  
**Bestmed Medical Scheme**