

Dear valued Member,

We look forward to hosting you at Bestmed's 60th Annual General Meeting (AGM) on Wednesday, 26 June 2024.

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.

1. OVERVIEW

Bestmed's Board of Trustees consists of representatives from corporate groups, individual members, retired members as well as appointed individuals. The Board is legally tasked with general oversight, promotion of sound corporate governance, compliance to the regulatory framework, risk management, ensuring strategy implementation and overall sustainability of the scheme. As an integral part of the responsibility and accountability of this role, trustees are personally and individually answerable for decisions taken in the Boardroom. Due to the risks associated with discharging their fiduciary duties, it is essential that these individuals are equitably remunerated for the risk, expertise and time devoted to matters of members' interest. It is also important that the remuneration level is comparable to medical schemes of a similar size.

2. TRUSTEE REMUNERATION BENCHMARK (*CMS DATA AND METHODOLOGY*)

In a continuous effort to ensure that the Scheme's trustee remuneration is in line with the industry, Bestmed conducted a benchmarking analysis on trustee remuneration, based on information on

trustee remuneration published in the 2022/23 CMS Annual Report on 12 October 2023. The CMS Annual Report and annexures are readily available and can be downloaded from the CMS' website for easy reference.

A sample of eight open medical schemes (including Bestmed) were selected to conduct the benchmarking analysis. The following schemes which were selected based on relative size and/or comparable membership demographics included Bestmed, Bonitas, CompCare, Fedhealth, Medihelp, Medshield, Key Health and Sizwe/Hosmed.

The outcome of the benchmarking is presented on the basis of *Total Trustee Remuneration* and *Average Trustee Remuneration* (average fee per trustee). This is outlined schematically further in the document.

The most recent information contained in the 2022/23 CMS Annual Report is that of 2022. It is expected that an updated report with 2023 information will be available later in the year. Bestmed on the other hand has the 2023 trustee remuneration. In order to ensure consistency in terms of comparing Bestmed's information with that of the other seven schemes, data for the other seven schemes in the sample is escalated by 5%. In other words, it is assumed that the other schemes increased their trustee remuneration by 5% from 2022 to 2023. The 2023 amount paid to Bestmed's Board of Trustees was lower than in 2022, since ten (10) active Board members served in 2022. Bestmed's Board comprised only nine active members in the first semester of 2023, after the passing of one of the Board members. The Board member appointed to replace the deceased Board member only attended four Board meetings, while nine Board members attended seven meetings each in 2023.

The comparison of the eight medical schemes' total trustee remuneration in 2022 and 2023 is depicted in **Figure 1**.

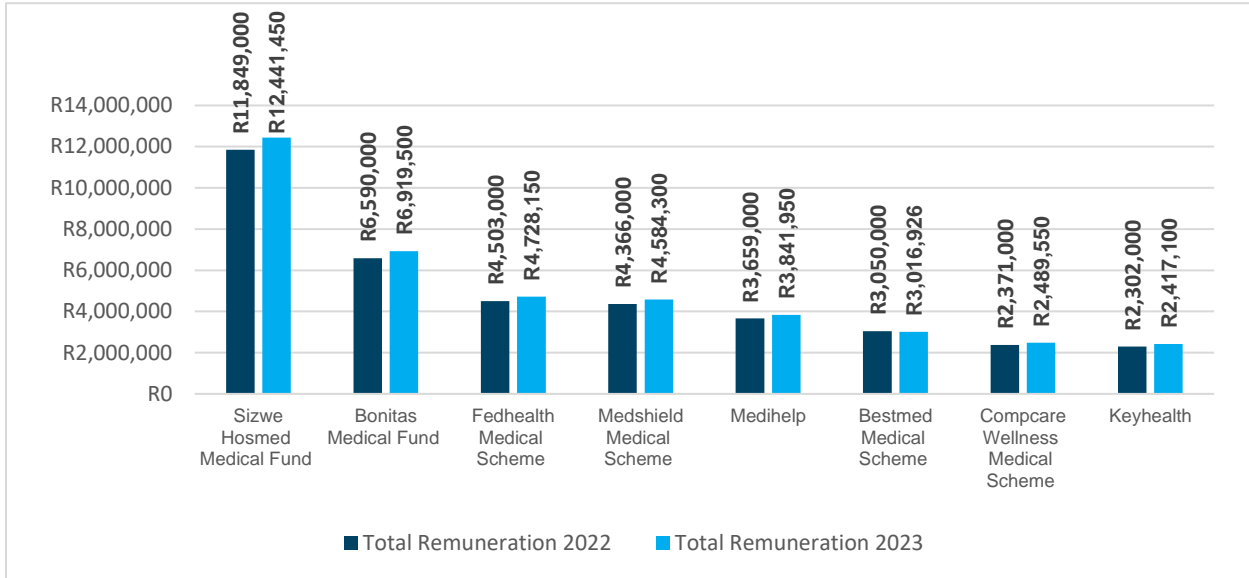


Figure 1: Total Trustee Remuneration in 2022 and 2023

The comparison of the average trustee remuneration (annual) among the eight medical schemes in 2022 and 2023 is presented in **Figure 2** below. According to the information provided in this graphical illustration, Bestmed reported the lowest average trustee remuneration of the sample of eight medical schemes at the end of 2022, and second lowest at the end of 2023.

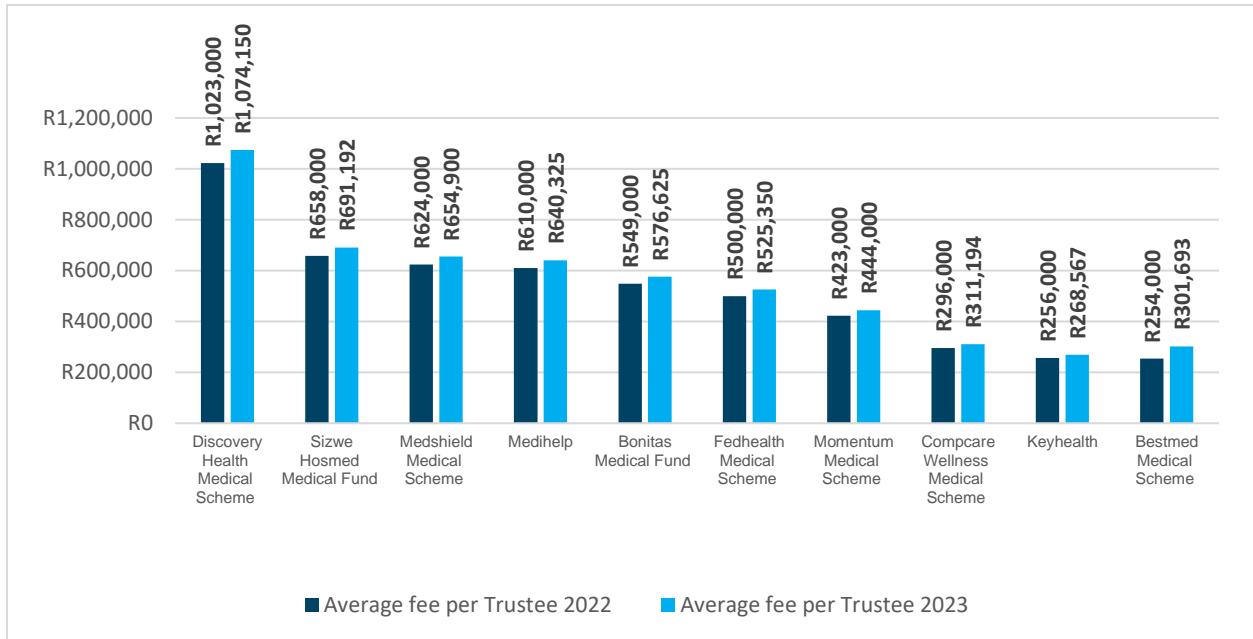


Figure 2 – Average Trustee Remuneration in 2022 and 2023

3. RECOMMENDATION

The information included in this document provides context on the proposed increase in Bestmed’s trustee remuneration for 2024-2025. Over the past five years, the Scheme has recorded exceptional membership growth of more than 20%, whilst maintaining healthy financial reserves. This can be ascribed to the oversight and guidance that the Board of Trustees provides centered around the sustainability of the Scheme, which includes acting in the best interest of the members. In light of the immense responsibilities carried by the Board of Trustees, an increase of 7.5% in trustee remuneration is proposed for 2024-2025. The proposed increase is based on CPI of 5.3% (March 2024) with an additional 2.2% increase, totaling 7.5%, to compensate for the lower-than-industry average. Although Bestmed’s trustee remuneration will not equal the industry average after applying the proposed increase, it will prevent the trustee remuneration positioning from deteriorating further in future.

Members will have the opportunity to vote on the proposed 7.5% increase at the AGM on 26 June 2024.

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 7.5% 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 7.5% is outlined in **Table 1** below. The table is extracted from **Annexure A** of the Bestmed Trustee Remuneration Policy (attached).

ACTIVITY	2023/2024	2024/2025
	Remuneration	Remuneration
		Proposed 7.5%
Fees payable on a per meeting attended.		
Preparation for and attendance of Board meetings	19,939	21,434
Preparation for and attendance of Board committee, sub-committee or task group meetings	11,976	12,874
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	1,997	2,147
Fees payable on a per day attended basis		

Preparation for and attendance of Board of Trustees Strategic Planning Session	22,930	24,650
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
Fees payable on an hourly basis		
Attendance of special meetings of the Board or Board committees with a limited agenda and a duration of not more than 2 hours	7,907	8,500
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)	3,954	4,251
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		
Monthly Retainers		
Chairperson	5,535	5,950
Vice-chairperson	3,954	4,251

Table 1: Financial impact of the proposed 7.5% increase in trustee remuneration for 2024-2025

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 2024 AGM a success.

Personally Yours,

Bestmed Medical Scheme