



Discovery Health Medical Scheme
Remuneration Presentation
23 June 2016

Agenda

1. Remuneration Governance

2. Trustee Remuneration Policy

- Remuneration of the Board of Trustees
- Remuneration Methodology
- Market Benchmarking

3. Proposed 2016 Trustee Remuneration

- Trustees
- Chairpersons

Remuneration Governance

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- The Board of Trustees is responsible for the development and implementation of a Remuneration Policy for Scheme employees as well as the Board of Trustees and Board Committee members.
 - The Board of Trustees has delegated the responsibility of Scheme remuneration oversight to a Remuneration Committee (REMCO).
 - REMCO constitution – Independent Chair and two Trustees.
 - REMCO makes use of independent expert consultants and independent market benchmarking to assist the Committee in terms of best remuneration practices.

Remuneration Governance

- Adoption and Approval of Remuneration
 - Trustees remuneration - presented at this AGM for majority vote by members after the approval thereof by the Board of Trustees on recommendation of the REMCO. REMCO makes use of independent expert consultants and independent market benchmarking to assist the Committee;

- Approval of Trustee Remuneration Policy
 - Trustee Remuneration Policy – tabled at the 2015 and this AGM for a non-binding advisory vote by members as per the King III Code.

- Trustee Remuneration Disclosure
 - AGM – members;
 - Regulator - Council for Medical Schemes;
 - Integrated Report.

Remuneration of the Board of Trustees

- Annual Trustee fees are split into:
 - Annual base fee paid quarterly in arrears;
 - Meeting fee;
 - In the event of non-attendance of a meeting the meeting fee is not paid.

- Trustee training
 - Trustees are NOT paid for attending training or conferences over and above the training fees, travel costs, accommodation and subsistence costs.

- Consulting fees
 - Trustees are NOT paid any consulting fees.

- Incentive programmes
 - Trustees do not participate in any incentive programmes.

- Reimbursement of expenses
 - Trustees are reimbursed all reasonable expenses incurred by them in the performance of their duties as a Trustee.

Remuneration Methodology

- The DHMS REMCO engaged PwC's Remuneration Practice in 2014 to assist in developing a new remuneration methodology and benchmark applicable to Trustees, taking into account that DHMS is a non-profit organisation and the guidelines of Circular 41 of 2014 issued by the CMS.

- The methodology is based on a professional fee (hourly rate), discounted at an applicable rate (non-profit entity) and total remuneration takes the following elements into account:
 - Number of meetings per year;
 - Preparation time for each meeting;
 - Duration of meetings;
 - Additional time required by the Chair of the Board of Trustees and Chairpersons of Board Committees in the execution of their duties.

Remuneration Benchmarking

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- Schemes were advised in terms of Circular 41 of 2014 not to use the remuneration benchmarking of non-executive directors of listed companies.

 - DHMS' new market benchmarking methodology (developed by PwC)
 - Professional fees/rates for professionals in the fields of law, actuarial science, medicine, accounting and commerce;
 - Professional fees will be discounted at an applicable rate (30%) to take into account the non-profit status of the Scheme.
 - The new market benchmarking methodology was submitted to the CMS on 28 November 2014.

Remuneration Implementation: Multi Year Fee Implementation

Please Note:

The multi-year fee implementation has been approved at the 2015 AGM. The detail provided below is for information purposes.

- Multi-year phased-in approach approved by 94.57% of the members in attendance during the 2015 AGM
 - R4 000 less 40%
- The 2016 Trustee fee based on a professional fee rate
 - R4 240 less 35%
- 2017 Professional fee benchmark
 - Fee less 30%
- 2018 onwards – annual fee benchmark
 - Fee less 30%

The total annual projected Trustee and Committee Member remuneration budget will not exceed 0.01% of gross annual contribution income per year, for the period 2015-2017.

Professional Fee Build-Up for 2016 Trustees

The table below provides an overview of the 2016 proposed Trustee remuneration and is based on the methodology as discussed in the Remuneration Policy.

Proposed fee build up for the Remuneration of Trustees	
Preparation for Board Meetings	8
Attendance at Board Meetings	8
Total number of hours per Board of Trustee Meeting	16
Number of meetings per year (average)	8
Total number of hours per year for the Board of Trustee meetings (average)	128
Proposed professional hourly rate	R 4,240.00
Estimated professional annual rate	R 542,720.00
Discount on the basis that the medical scheme is a non-profit organisation	-35%
Total fee for Board of Trustee meetings *	R 352,768.00

The annual base fee is R246,937.60

The meeting fee is R13,228.80

**The total fees as indicated will vary depending on the number of meetings attended per year.*

Professional Fee Build-Up for 2016 Chair of a Board Committee

The table below provides an example of the 2016 proposed remuneration calculation for a Chair of a Board Committee* and is based on the methodology as discussed in the Remuneration Policy.

Proposed fee build up for the Remuneration of a Board Committee Chair	
Additional time requirements and Preparation for Board Meetings ●	11
Attendance at Board Committee Meetings	4
Total number of hours per Board Committee Meeting	15
Number of meetings per year (average)	5
Total number of hours per year for the Board Committee meetings (average)	75
Proposed professional hourly rate	R 4,240.00
Estimated professional annual rate	R 318,000.00
Discount on the basis that the medical scheme is a non-profit organisation	-35%
Total fee for Board Committee meetings #	R 206,700.00

The annual base fee is R144,690.00

The meeting fee is R12,402.00

* The Audit Committee is used as an example.

The total fees as indicated in the tables will vary depending on the number of meetings attended per year.

● The additional time requirements are for matters that require deliberation at the Board meetings, matters that arose from the previous meetings that require attention and resolution and Scheme strategic matters which require the Chair's involvement.

Professional Fee Build-Up for 2016 Board Chairman

The table below provides an overview of the 2016 Proposed Chairman's remuneration and is based on the methodology as discussed in the Remuneration Policy.

Proposed fee build up for the Remuneration of the Chairman of the Board of Trustees	
Additional time requirements and preparation for Board Meetings •	20
Attendance at Board Meetings	8
Total number of hours per Board of Trustee Meeting	28
Number of meetings per year (average)	8
Total number of hours per year for the Board of Trustees meetings (average)	224
Proposed professional hourly rate	R 4,240.00
Estimated professional annual rate	R 949,760.00
Discount on the basis that the medical scheme is a non-profit organisation	-35%
Total fee for Board of Trustee meetings *	R 617,344.00

The annual base fee is R432,140.80

The meeting fee is R23,150.40

* The total fees as indicated will vary depending on the number of meetings attended per year.

• The additional time requirements are for matters that require deliberation at the Board Meetings, matters that arose from the previous meetings that require attention and resolution and Scheme strategic matters which require the Chair's involvement.