



2017 Annual General Meeting – Remuneration Presentation

AGENDA

1. Remuneration Governance
2. Trustee Remuneration Policy
 - Remuneration of the Board of Trustees
 - Remuneration Methodology
 - Market Benchmarking
3. Proposed 2017 Trustee Remuneration
 - Trustees
 - Chairpersons

- 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 market benchmarking to assist the Committee in terms of best remuneration practices.

- **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.
- **Approval of Trustee Remuneration Policy**
 - Trustee Remuneration Policy – tabled at the 2015, 2016 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 Annual 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.

- 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

- Schemes were advised in terms of Circular 41 of 2014 not to use the remuneration benchmarking of non-executive directors of listed companies.
- DHMS' market benchmarking methodology (developed by PwC):
 - Professional fees/rates for professionals in the fields of law, actuarial science, medicine, accounting and commerce;
 - Professional fees discounted at an applicable rate 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 and approved by 98% of the members in attendance during the 2016 AGM
 - R4 240 less 35%
- 2017 Professional fee benchmark
 - R4 515 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 2017: Chair of the Board

The table below provides an overview of the 2017 Proposed Chairman's remuneration and is based on the methodology as discussed in the Remuneration Policy. The fees presented are on a VAT exclusive basis.

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	R4 515.60
Estimated professional annual rate	R1 011 494.40
Discount on the basis that the medical scheme is a non-profit organisation	-30%
Total fee for Board of Trustee meetings *	R708 046.08

The annual base fee is R495 632.26

The meeting fee is R26 551.73

* 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.

Professional Fee Build-up for 2017: Trustees

The table below provides an overview of the 2017 proposed Trustee remuneration and is based on the methodology as discussed in the Remuneration Policy. The fees presented are on a VAT exclusive basis.

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	R4 515.60
Estimated professional annual rate	R577 996.80
Discount on the basis that the medical scheme is a non-profit organisation	-30%
Total fee for attendance at a Board of Trustee meeting *	R404 597.76

The annual base fee is R283 218.43

The meeting fee is R15 172.42

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

Trustees also serve on Board Committees together with Independent Committee members, for which they receive remuneration as per the Remuneration Policy.

Professional Fee Build-up for 2017: Chairpersons of Board Committees

The table below provides an example of the 2017 proposed remuneration calculation for a Chair of a Board Committee* and is based on the methodology as discussed in the Remuneration Policy. The fees presented are on a VAT exclusive basis.

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	R4 515.60
Estimated professional annual rate	R338 670.00
Discount on the basis that the medical scheme is a non-profit organisation	-30%
Total fee for Board Committee meetings #	R237 069.00

The annual base fee is R165 948.30

The meeting fee is R14 224.14

* 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 preparation for Committee meetings, 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.