

PRESENT: Mr Andries Labuscagne | Chair of the Board

Persons present as per Attendance Register and the Internal Auditor's AGM Oversight Report: 63 members in good standing were present when the meeting started, and the meeting was thus quorate. During the period of the meeting, there were 132 members present.

1. WELCOME AND CHAIR'S OPENING REMARKS

Mr. Andries Labuscagne ('**Chair**') opened the meeting at 9h00. On behalf of the Board of Trustees ('**Board/Trustees**') of Medshield Medical Scheme (the '**Scheme**'), the Chair welcomed the attendees to the Scheme's 52nd Virtual Annual General Meeting ('**VAGM**').

The Chair acknowledged and welcomed the guests and all Scheme members ('**members**').

The Chair welcomed Mr. Mammule Chidi, the Deputy Chair of the Board ('**MC**'), Mr. Pierre Marais - Chair of the Human Capital and Remuneration Committee ('**PM**'), Mr. James Maboja - Chair of the Audit Risk and Compliance Committee ('**JM**'), Mr. Thoneshan Naidoo - Principal Officer ('**PO**') of the Scheme, Mr. Robert Bennett - Chief Financial Officer ('**RB**') of the Scheme, Mrs. Juanita Sikanyika, Scheme Secretary ('**JS**') and the Scheme Internal Auditors, BDO advisory Services (Pty) Limited ('**BDO**') represented by Ms. Dineo Mokono ('**DM**') and Mr. Mike Greyling ('**MG**'). A special welcome was also extended to all that joined this meeting remotely, other Board members, the Council for Medical Schemes ('**CMS**'), the Scheme External Auditors, PricewaterhouseCoopers ('**PwC**'), and all members of the Scheme Board Committees ('**Board Committees**').

2. CONSTITUTION OF THE ANNUAL GENERAL MEETING AND CONFIRMATION OF THE AGENDA

The Chair explained the procedure to be followed when proposing or seconding a proposal or asking questions during the proceedings. The Chair reminded the members that voting and questions would be done on the virtual platform questions tab; only two questions per presentation would be allowed; and such questions so submitted would be responded to after the proceedings. The Scheme would develop a question-and-answer document to be published on the Scheme's website after the VAGM.

The online voting for motions closed at 11h00 on 29 June 2021. BDO and JS confirmed at the start of the meeting that fifty-six (56) members had joined the meeting virtually and eight (8) members were present. However, 1 of the members also attended the meeting in person. There being a quorum, the meeting was duly constituted in accordance with Scheme Rule 26.1.1.

The Chair confirmed the motion for the ADOPTION of the Agenda, which had been distributed to members. Member Mammule Chidi proposed the ADOPTION of the Agenda and member Angela Blackburn, seconded.



3. **ADOPTION OF THE MINUTES OF THE 51ST ANNUAL GENERAL MEETING**

The Chair noted that the minutes of the 51st VAGM meeting held on 30 September 2020 had been circulated as part of the AGM pack. As the Scheme had not received any comments, motions, or queries regarding the minutes, the Chair called for comments, if any, on the minutes. No comments were received and the Chair called for the ADOPTION of the minutes.

The ADOPTION of the said minutes of the 51st AGM held on 30 September 2020 was proposed by member Setsooto Sihawu and seconded by member Lilané Swanepoel, and ACCEPTED as a true record of the meeting.

4. **REPORT OF THE BOARD OF TRUSTEES**

The Chair presented a summarised version of the Board Report for the year 2020 in review.

The Chair highlighted the following salient points:

- The Scheme was financially sustainable and achieved a solvency ratio of 52,6% whereas the statutory requirement was 25%. This reflected a strong claim paying capability, as confirmed by the Global Credit Ratings Agency (GCR) as the Scheme maintained its credit rating for the 14th consecutive year, AA- outlook: stable.
- The membership reduced by 5.3% from 79 469 to 75 285 (a net reduction of 4 184 members) in a stagnant industry.
- Non-healthcare expenditure was well controlled, as a percentage of gross contribution income, and had decreased from 10,0% to 9,7%. This was in line with the prior year.
- The Scheme had achieved an unqualified audit for the year-ending 31 December 2020 and the Board was satisfied that the information contained in the Annual Financial Statements ('AFS') fairly represented the results of the operations and the financial position of the Scheme at the end of 31 December 2020.
- The Board is responsible for governing the Scheme in accordance with the Medical Schemes Act 131 of 1998, as amended ('MSA') and the Scheme Rules.
- The Board approved the 2021 - 2023 Scheme strategy which was being implemented.
- CMS conducted a routine inspection on the Scheme during 2019 of which the implementation of the outcome is yet to be finalised.
- The governance structures of the Scheme continued to function sufficiently and effectively, with the Board and various Board Committees continuously monitoring and evaluating the strategic priorities carried out by the Scheme's Executive Management team.
- 2020 was categorised as a challenging environment for the entire private healthcare industry within South Africa with the inflation in the costs of healthcare determined by several factors.

The Chair noted that no motions had been received by the Scheme about the Board Report. Member Mammule Chidi proposed the ADOPTION of the Board Report and member Lilané Swanepoel seconded.



5. PRINCIPAL OFFICER'S SCHEME REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The PO welcomed all members and presented the Principal Officer's Report for the year ending 31 December 2020, and highlighted the following:

- 2020 was categorised as a challenging year for the country, the Scheme, the entire private healthcare industry within South Africa, and each individual.
- Reflecting on 2020, the Scheme learned several lessons:
 - Health is more important than wealth.
 - The world did not stop with COVID-19.
 - Time is limited and we have to make it count.
 - Together we have survived 2020 and it is with this greatness we can look forward to what the Scheme has to offer as well as tackle new challenges.
- The Scheme and its Board consulted on its new Mission, Vision and Values for 2021:
 - The Vision is 'Partnering with **you** towards your personal healthcare and wellbeing';
 - The Mission is 'We partner with our stakeholders to enable access to sustainable and **affordable quality healthcare** through innovative products and benefits'; and
 - Our values are mutual respect, accountability, integrity, innovation, dependability, and transparency.
- The Scheme is in a very healthy financial position with a solvency ratio of 52,6% and a surplus of R2,4 billion in reserves. This is due to a reduction in healthcare claims in 2020, with 76% of members' contributions used to fund healthcare claims.
- The Scheme's membership had decreased by 5,3% in 2020 with a total membership of just over 75 000 members and 150 000 beneficiaries on 31 December 2020.
- Non-healthcare expenditure was well controlled as a percentage of gross contribution income and had decreased from 10,0% to 9,7%.
- The Scheme had achieved an unqualified audit opinion for the year-ending 31 December 2020. The Board was satisfied that the information contained in the Annual Financial Statements ('AFS') fairly represented the results of the operations and the financial position of the Scheme for the year ending 31 December 2020.
- The Board is responsible for governing the Scheme in accordance with the MSA and the Scheme Rules. The Board approved the strategy for 2021 to 2023, which is being implemented.
- The Scheme was certified as a Top Employer for 2021.
- The Scheme achieved its Self-Administration Certification from CMS in 2021.
- The Scheme was proud to have contributed R500 000 to the Solidarity Fund as its contribution to COVID-19.
- In 2021, the Scheme had been approved as a Financial Services Provider.



- The Scheme continued to perform well amidst the pandemic, and ended with a surplus in 2019 of R122 million, with this trend continuing in 2020 with a surplus of R475 million. The improvement was due to the COVID-19 impact.
- In 2020, the Scheme paid more than R2, 8 billion in healthcare claims and is still maintained as one of the lowest in admin fees.
- The top ten claims experience for 2020/2021 related to COVID-19. The Scheme had spent just over R300 million on COVID-related claims.
- The impact of COVID-19 on hospital admissions had shown a significant increase in December 2020.
- The Scheme launched the MediCurve option in April 2021 to attract young and healthy members with a contribution starting as low as R1 400.
- The Loyalty programme with Just Rewards and Elevate as our partners are providing additional value to members.
- The governance structures of the Scheme continue to function sufficiently and effectively, with the Board and Board Committees continuously monitoring and evaluating the strategic priorities carried out by the Scheme's Executive team.
- For 2021 the Scheme had prioritised three elements, which were affordability, providing access to quality of care to members, and providing value for money.

The Chair noted that the PO's report was compiled in June 2021 and spoke to information as of May 2021. Since then, an additional R16 million had been spent on COVID-19 health-related claims and an additional 50 deaths were recorded. Condolences go to those who had lost loved ones in the COVID-19 pandemic.

6. ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 INCLUSIVE OF THE AUDITOR'S REPORT

The Chair noted that the Board is responsible for the preparation, integrity, and fair representation of the AFS. The AFS had been disseminated to members as part of the AGM pack and was taken as read. The complete AFS, as well as the Highlights document, were published on the Scheme's website and was taken as read.

The PO presented the AFS for the year ended 31 December 2020 highlighting the following:

- The Scheme ended the year with a lower membership of just under 75 205 Principal members. The Scheme ended the year with gross contributions of approximately R3,7 billion, and after net claims and gross healthcare result was close to R762 million.
- After operating expenditure the net healthcare result was R396 million, and after investment income it resulted in a surplus for the period of R475 million.
- All of these figures pointed to a significant improvement since 2019 and are significantly better than 2019.



7. REPORT OF THE INDEPENDENT CHAIR OF THE SCHEME AUDIT, RISK AND COMPLIANCE COMMITTEE

The Chair introduced Mr. James Maboja, Independent Chair of the Audit, Risk and Compliance Committee ('**ARC Committee**'), and requested him to report on the External Auditor's Unqualified Audit Opinion.

Mr. James Maboja noted that, in terms of Rule 26.1.8 of the Scheme Rules, the AFS shall be laid before the meeting. As noted in the Highlights Document distributed to members, the ARC Committee has a primary responsibility to assist the Board in carrying out their duties relating to the Scheme's accounting policies, internal control systems, risk & compliance management, and financial reporting practices.

The ARC Committee had reviewed the AFS and communicated with PwC who had issued an unqualified audit opinion.

The ARC Committee was satisfied that the AFS were fairly presented and recommended them for adoption to the Board, and thereafter, to the AGM.

No motions were received in terms of the adoption of the AFS. The Chair called for the ADOPTION of the AFS for the year ended 31 December 2020. Member Jan Andries Nicolaas Potgieter proposed the ADOPTION of the Annual Financial Statements and member Seth Makhani seconded.

8. APPOINTMENT OF THE EXTERNAL AUDITOR IN ACCORDANCE WITH RULE 26.1.1.2

At this point, the Scheme's current External Auditors, PwC recused themselves from the meeting.

Mr. James Maboja noted that the ARC Committee has a dual responsibility in terms of its terms of reference and the MSA, to evaluate the performance of the external auditors during their tenure.

In compliance with Rule 26.1.1.2, the Annual General Meeting of members shall be held no later than 30 June of each year at such time and place as the Board shall determine, for the purpose of the appointment or re-appointment of the auditor.

At the ARC Committee meeting held on 31 May 2021, the ARC Committee reviewed Management's External Audit Evaluation Report comprising proposals received from three accounting firms namely:

- PwC;
- Deloitte; and
- Middel & Partners.

Accordingly, the ARC Committee resolved to recommend to the AGM, the appointment of **Deloitte** as the external auditor of the Scheme for 3 years, renewable annually.



The Chair noted that the Resolution document relating to the appointment of external auditors was disseminated to members and published on the Scheme website. This motion could thus be taken as read. No motions relating to this resolution were received by the Scheme. The online voting for this resolution opened at 17h00 on 10 June 2021 and closed at 11h00 on 29 June 2021, to allow BDO sufficient time to validate the results.

The Auditor handed the Chair outcome confirmation for Resolution 01: Appointment of the External Auditor of the Scheme in terms of Rule 26.1.1.2. The Chair confirmed the vote outcome as follows:

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| • Number of votes cast in favour | 228 (87,4%) |
| • Number of votes cast against | 6 (2,3%) |
| • Number of votes abstained | 27 (10,3%) |
| • Number of votes not accepted as members were not in good standing | 0 (0,0%) |
| • Total votes cast | 261 (100%) |
| • Total number of submissions | 261 (100%) |

The Chair confirmed the members' ADOPTION and APPROVAL of the appointment of Deloitte as external auditors in accordance with Scheme Rule 26.1.1.2.

At this point, PwC rejoined the meeting platform

The Chair expressed his appreciation and thanked PwC as external auditors of the Scheme for many years, for the excellent service provided to the Scheme during their tenure, and for having a standing relationship with the Scheme.

9. PROPOSED SCHEME RULE CHANGES IN ACCORDANCE WITH RULE 32.2

The Chair noted that the Resolution document relating to the Scheme Rules, particularly Scheme Rules 18.1, 18.2, and 18.3, was disseminated to members and published on the Scheme's website. This motion could be taken as read, as no motions relating to this resolution were received by the Scheme. The online voting for this resolution opened at 17h00 on 10 June 2021 and closed at 11h00 on 29 June 2021 to allow BDO sufficient time to validate the results.

DM handed the Chair results of the vote outcome confirmation for Resolution 02 – Proposed Scheme Rule Changes in accordance with Scheme Rule 32.2. The Chair confirmed the vote outcome as follows:

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| • Number of votes cast in favour | 168 (64,4%) |
| • Number of votes cast against | 33 (12,6%) |
| • Number of votes abstained | 60 (23,0%) |
| • Number of votes not accepted as members were not in good standing | 0 (0,0%) |
| • Total votes cast | 261 (100%) |
| • Total number of submissions | 261 (100%) |

The Chair confirmed the members' ADOPTION and APPROVAL of the Proposed Scheme Rule Changes in accordance with Rule 32.2.



The Chair noted that the Proposed Rule Changes also had to be approved by CMS, and until such time the current Scheme Rules would continue to apply.

10. BOARD OF TRUSTEES REMUNERATION IN ACCORDANCE WITH RULE 18.27

PM noted that REMCO is delegated by the Board to oversee the remuneration of the Scheme Board, Board Committees, and Scheme Employees. Ultimately, the responsibility to ensure the development and implementation of the Trustee Remuneration Policy lies with the Board.

The REMCO terms of reference include the following amongst others:

- The composition of REMCO comprises two Trustees and two Independent Experts;
- REMCO is authorised to annually review the principles, basis, time allocations and levels of Trustee remuneration, and make appropriate proposals to the Board for changes thereto;
- REMCO is authorised to commission surveys from time to time and to benchmark against institutions similar in nature and size to the Scheme to ensure that Trustees receive market-related fees. When conducting surveys, REMCO must benchmark against similar or appropriately placed institutions comparable to the Scheme;
- REMCO is authorised to ensure that the fees paid to Trustees recognise the responsibilities of Trustees throughout the year and not only during meetings; and
- REMCO is authorised to engage Independent Consultants to conduct the benchmarking exercise in terms of remuneration industry best practices.
- In terms of Rule 18.27, all remuneration must be disclosed by the Board to members at the AGM for adoption and approval of Trustee remuneration by a majority vote of the members present at this AGM. REMCO reviews the Trustee Remuneration Policy ('Policy') for remuneration of the Board and Board Committee members and makes recommendations to the Board/Trustees for approval.
- The purpose of the Policy is to guide the Board about the principles and basis of remuneration levels of Trustees. On 11 September 2014, CMS published the Guidelines for Remuneration of Medical Scheme Trustees. The Scheme engaged independent research conducted by the consultancy firm, PwC, to assist in developing a new remuneration methodology for the Scheme.
- In May 2021, the Scheme engaged independent external consultants, Willis Towers Watson, to conduct a remuneration survey on Trustee Remuneration against the market.
- The survey indicated that:
 - The Board Chair's fees were at the higher end of the market guidelines, and above both the peer group and annual report data.
 - The Board members' fees were at the midpoint of the guidelines and below the peer group and annual report data; and aligned with the market guidelines but above the peer group and annual report data.
 - The Board Committee Chairs' fees were at the lower end of the market guidelines but aligned with the peer group and annual report data.
 - REMCO recommended an increase in Board and Board Committee members' fees of CPI minus 0.25% for the period 1 July 2021 to 30 June 2022.



- Economic indicators sourced from the Stats SA CPI publication of April 2021, reflected the Annual CPI at 4.4%.
- Therefore, the recommended increase was 4.15% (CPI of 4.4% - 0.25%).
- Based on the outcome of the independent survey as well as considering the two years non-increase of remuneration of the Board and its Board Committees, the impact of COVID-19 on the Scheme’s membership, contribution revenues and projected cash flows, the following recommendations were made:
 - 4.15% adjustment be granted to the Board Chair’s annual remuneration/retainer fees for the period 1 July 2021 to 30 June 2022;
 - 4.15% adjustment be granted to the Board members’ annual remuneration/retainer fees for the period 1 July 2021 to 30 June 2022;
 - 4.15% adjustment be granted to the Board Committee Chairs’ annual remuneration/retainer fees for the period 1 July 2021 to 30 June 2022;
 - 4.15% adjustment be granted to the Board Committee members’ annual remuneration/retainer fees for the period 1 July 2021 to 30 June 2022; and
 - 4.15% adjustment be granted for meeting fees for the period 1 July 2021 to 30 June 2022.

The Chair noted that the Resolution document was disseminated to members and published on the Scheme’s website. This motion could be taken as read, as no motions relating to this resolution were received by the Scheme. The online voting for this resolution opened at 17h00 on 10 June 2021 and closed at 11h00 on 29 June 2021 to allow BDO sufficient time to validate the results.

DM handed the Chair confirmation of results of the votes for Resolution 03 – Board Remuneration in accordance with Scheme Rule 18.27, as follows:

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| ● Number of votes cast in favour | 152 (58,2%) |
| ● Number of votes cast against | 46 (17,6%) |
| ● Number of votes abstained | 63 (24,1%) |
| ● Number of votes not accepted as members were not in good standing | 0 (0,0%) |
| ● Total votes cast | 261 (100%) |
| ● Total number of submissions | 261 (100%) |

The Chair confirmed the members’ ADOPTION and APPROVAL of the Board Remuneration in accordance with Rule 18.27.

11. ANY OTHER BUSINESS FOR WHICH DUE NOTICE HAS BEEN RECEIVED IN ACCORDANCE WITH RULES 26.1.1.3 AND 26.1.9

The Chair noted that the Scheme would answer some questions relating to the AGM asked by the members and reiterated that for the remainder of the questions, the Scheme would develop a Q&A document which would be published on the Scheme’s website. No motions were submitted to the Scheme for consideration. Ten questions were received and the **PO** was requested to address these questions:



Questions posed by Medshield members:

1. **Member Mziwehu Vincent Manzi** - Why is much money or funds put into those items that are not used frequently and not included in Day-to-Day?
2. **Member Thabo Charles Ramashala** - How sustainable is Medshield given all socio-economic challenges facing the economy and members?
3. **Member Mziwehu Vincent Manzi** - Why are medical funds increased every year?
4. **Member Stanley Merven Rothbath** – Why, if the treatment of diabetes is a PMB, does the Scheme not pay in full e.g., CDE, chronic medication and the like?
5. **Member Sanna Panha Moklakoane** - Why is there such a low benefit for spectacles for members with congenital eye defects?
6. **Member Millicent Maboyane** – When can we register for vaccinations?
7. **Member Elizabeth Botha** - 150 000 members or beneficiaries?
8. **Member Mziwehu Vincent Manzi** - How do you envisage curbing the question of co-payments, especially in the light of the staggering SA economy that affects members negatively?
9. **Member Verah Thengiwe Mpanza** - Is it possible to take any medication before reaching the waiting period and after receiving the card?
10. **Member Verah Thengiwe Mpanza** – Can you get tablets at the pharmacy with a Medshield card before reaching the waiting period?

Answers to questions:

- The PO noted that the questions would be categorised amongst benefit design and how the Scheme decides on contribution increases.
- It is important to note that the Scheme is a non-profit entity thus neither profits are made nor dividends paid. Contributions are collected to pay members' healthcare claims. The Scheme is heavily regulated by the MSA with the principles of social solidarity and community rating i.e., whether a person is sick or healthy, the Scheme charges the same contributions.
- The Scheme as governed by the MSA has an open enrolment regulation and cannot decline any applications, whether ill or not, except under certain conditions. In terms of the rules of funding, the Scheme has to cover 27 (twenty-seven) chronic conditions as well as 270 medical conditions. In total, there are about 300 (three hundred) treatment plans and conditions that have to be covered as PMB's and DT PMB's by the Scheme. These are non-negotiable. All 300 (three hundred) conditions have to be covered.
- The Scheme sets its budgets according to what the expected claims are going to be for the following year. Every year, members age, the older you get the more likely you are to develop a chronic condition. Every year, we raise the contributions as part of the social solidarity to cover those increases in claims.
- The Scheme tries to manage the healthcare claims through several tools, i.e., benefit design, networks, DSP's and formularies for medicines. By following the specific formularies, networks and DSP's, there are no co-payments.



- Important to note is that every year the Scheme adjusts contributions increases i.e. if the Scheme's total contribution is R100.00 for a year, the following year it would increase above CPI, i.e., (CPI+2%) R107.00 and the Scheme ensures to maintain and manage the claims cost to reduce the increase in contributions.
- The Scheme is a viable and stable organisation and has a solvency ratio of 52,6% which is twice the amount in terms of the MSA. The Scheme was rated by the Global Credit Rating Agency as an AA- Outlook Stable.
- COVID-19 vaccinations – The COVID-19 vaccinations are controlled and rolled out by Government EVDS and there is an explanation of the process that has to be followed to register on the system and to get the vaccinations. The link to the portal would be circulated to members.
- Membership – The Scheme has over 150 000 beneficiaries who are covered by the Scheme.
- Waiting periods and receiving medication during waiting periods - There are certain rules around waiting periods as part of the regulations. Members can receive medication during the waiting period although it depends on whether the member has been covered for the condition by a previous medical scheme. The Scheme is to engage with the member on this question offline.

12. CLOSURE

The Chair noted and expressed his appreciation to the Board for having supported this AGM, congratulated the PO and the Executive team for their support and the good results received for the Scheme, not only the financials but how they had managed to come through the COVID-19 pandemic at this difficult time. A special word of thanks to Mrs. Setsooto Sihawu, Mrs. Juanita Sikanyika, all IT specialists that had set up the platform for the virtual AGM; and all members and guests for attending this AGM.

There being no further business to discuss, the Chair closed the meeting at 10:33.

SIGNED AS A TRUE RECORD OF THE PROCEEDINGS:

CHAIR – ANDRIES LABUSCAGNE

DATE:

