
PRESENT: Mr Andries Labuscagne | Chair of the Board

Persons present as per the Attendance Register and the AGM Auditor's Oversight Report: There were forty-eight (48) members in good standing when the meeting started, and the meeting was thus quorate.

1. WELCOME AND CHAIR'S OPENING REMARKS

Mr Andries Labuscagne, the Board ('**Chair**') opened the meeting at 09h07. On behalf of the Board of Trustees ('**Board/Trustees**') of Medshield Medical Scheme (the '**Scheme**'/'**Medshield**'), he welcomed the attendees to the Scheme's 54th Annual General Meeting ('**AGM**').

The Chair acknowledged and welcomed the following:

- All Scheme Board Members.
- Scheme Independent Experts.
- Ms Lerato Mothae ('**LM**'), the Chair of the Audit, Risk and Compliance Committee ('**ARC Committee**').
- Ms Pearl Maphoshe ('**PM**'), the Chair of the Human Capital and Remuneration Committee ('**REMCO**').
- Mr Kevin Aron, the Principal Officer ('**KA**' / '**PO**').
- Mrs Juanita Sikanyika, the Scheme Secretary ('**JS**').
- The Independent Electoral Officer from KPMG, represented by Ms Alison Andrews ('**AA**') and Ms Christelle Venter ('**CV**').
- The Annual Auditors, BDO Advisory Services, represented by Mr Herman Moolman ('**HM**'), Ms Busisiwe Moses ('**BM**') and Mr Thabiso Seopela ('**TS**').
- The Scheme External Auditors, Deloitte represented by Mr Kelby Moothoosamy ('**KM**').
- The Chair extended a special welcome to all members, Scheme Independent Experts; and the Council for Medical Schemes ('**CMS**'), represented by Ms Keorata Gadinabokao.
- There were no apologies received.

The Chair requested the PO to provide the housekeeping guidelines; and he highlighted the following –

- That the proceedings of the meeting would be recorded and the link to the final recording would be published on the Scheme website for members to access at their convenience.
- That the attendees ensure during the proceedings to switch-off and/or keep their mobile phones on silent.
- Explained that there were four revolving microphones and when given an opportunity to speak, including proposing and seconding, members should state their name and surname.
- During voting, members with proxies to raise both hands with blue and yellow wrist bands clearly visible for double counting.

- In the interest of time and attendance, two clarity seeking questions were allowed on the presentations made during the proceedings. In addition, members were encouraged to also ask questions via email, for the Scheme to respond after the proceedings, at agm@medshield.co.za. A Helpdesk was also available at the Registration Desks to assist members with Scheme related queries after the AGM proceedings.
- The bathrooms were clearly marked.
- Explained the evacuation procedure to follow in case of an emergency as provided by the venue, Sandton Convention Centre.

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

The Chair referred to Scheme Rule 26.1.1 which provides for the Annual General Meeting of members to be held not later than 30 June of each year; and Scheme Rule 26.1.7 which requires that 15 (fifteen) members of the Scheme be present to form a quorum.

The Chair noted that BDO had confirmed forty-eight (48) members including proxies present before the start of the proceedings at 09h02. BDO confirmed forty-eight (48) members including proxies present; following the Chair's further request to provide confirmation again at this point. There being a quorum, the meeting was thus duly constituted in accordance with Scheme Rule 26.1.7.

The Chair noted the AGM having been postponed to 11 August 2023, following the exemption granted by CMS on 29 June 2023 due to delays experienced by the Regulator in the commissioning of its portal for medical schemes to submit the Annual Statutory Returns.

The Chair confirmed the motion for the ADOPTION of the Agenda, which had been distributed to members and published on the Scheme's website. The agenda had been amended to allow presentation of the report of the Chair of the ARC Committee prior to the consideration of the annual financial statements; thus items 6 and 7 were swapped.

Mr Trevor Wiblin, Mr Mammule Chidi and Dr Zaheera Soni proposed; and Mrs Katlego Majola and Mr Seth Makhani seconded the ADOPTION of the Agenda.

3. ADOPTION OF THE MINUTES OF THE 53rd ANNUAL GENERAL MEETING

The Chair indicated that the minutes of the 53rd AGM meeting held on 30 June 2022, had been circulated to members as part of the AGM pack on 19 July 2023; and published on the Scheme's website.

As the Scheme had not received any comments, motions or queries regarding these minutes, the Chair called for the adoption of/or comments to the minutes. The ADOPTION of the said minutes of the 53rd AGM held on 30 June 2022 was proposed by Ms Sussan Malima; and seconded by Mr Seth Makhani and Mr Mahlori Mageza. The Minutes were ACCEPTED as a true record of the meeting proceedings and would be signed accordingly.

4. REPORT OF THE BOARD OF TRUSTEES

The Chair presented a summarised Board Report for the year 2022 and highlighted the following salient points:

- The Scheme was financially sustainable and achieved a solvency ratio of 64.4% in the 2022 financial year, well above the statutory requirement of 25%. This reflected a very strong claims payment capability as indicated by the Global Credit Ratings Agency confirmation that the Scheme maintained its credit rating of AA- Outlook Stable for the 16th consecutive year.
- The Scheme membership decreased in 2022 by 3.41% - a decrease in membership from 74 206 to 71 917 in 2022, a reduction of 2 289 members.
- The Scheme budgeted for a deficit of R10,8 million after investment income, as a way of sharing some of the reserves with the members. The surplus for the year was R118,6 million after investment income which was R129,4 million better than budget.
- Non-healthcare expenditure as a percentage of gross contribution income was R17,7 million better than budget and had decreased from 11.2% from 2021 to 10.6% for the year under review. This was in line with the previous year.
- The Scheme had achieved an unqualified audit opinion for the year ending 31 December 2022, 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 as at the end of 31 December 2022.
- 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 held a strategic session in November 2022 with Management to review the Scheme progress against the strategic planning framework for the period 2021-2023.
- 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 Management team.
- 2022 was categorised as a challenging environment for the entire South African private healthcare industry with the inflation in the costs of healthcare determined by several factors.



The Chair noted that no motion was received by the Scheme pertaining to the Board Report. Feedback to this was provided under item 11 of the agenda. Dr Zaheera Soni and Mr Mammule Chidi proposed for the ADOPTION of the Board Report. The adoption of the Board Report was opposed by Ms Sussan Malima who stated that the Board members could not cast a vote and/or adopt their own report. The adoption of the report was thus withdrawn. Ms Sussan Malima proposed, and Ms Given Kunene seconded the ADOPTION of the Board Report.

5. THE PRINCIPAL OFFICER'S SCHEME REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

KA welcomed all members and guests, and presented the PO's Report for the year ended 31 December 2022 by highlighting the following:

- The Scheme's vision and mission statements.
- Key trends in the industry that emerged in 2022 were highlighted by the PO and continued in the healthcare industry in 2023:
 - The regulatory environment in the industry was complex and challenging to comply with every aspect that is in the MSA in terms of what CMS requires.
 - The Scheme was negatively impacted by the poor economic growth during 2022–2023 in addition to challenges that members and the industry encountered. Members faced difficulties, such as affordability, to continue remaining on a medical scheme in the extremely challenging economy.
 - Regulatory environment: One of the positives of the Regulation was to protect members, although increasingly challenging administratively for schemes.
 - The National Health Insurance ('NHI') amendments were presented to Parliament in 2023. However, the impact and the introductory process was unclear to the Scheme and the members due to a lack of a communicated plan by government.

There was some scheme consolidation in a stagnant industry as there had been little growth in the industry since 2006.
 - To survive, various open medical schemes in the industry had merged since 2019. KA highlighted that there were several factors to be considered to enable the Scheme to merge with other schemes and that this was a top strategic priority for the Scheme.
 - The demarcation debate had to be addressed in the low-cost benefit option ('LCBO') debate. The Scheme was in support of the LCBO noting that it would help to address the affordability challenges already highlighted and would allow members to compete against the health insurance products already available in the market.



- The impact of COVID-19 continued into 2022/2023 with an increase in hospital admissions. A total of 998 beneficiaries passed away from COVID-19 in the 2022 year. To address the challenges of COVID-19 the Scheme spent R81 million on testing and R44 million for vaccines.
- In terms of the evolution of healthcare technology, the Scheme had embraced and partnered with several organisations, including HealthForce (WhatsApp Doctor for COVID symptoms), SmartCare (nurses in pharmacies), Quro Med (hospital at home), and Intercare (general practitioners' virtual consultations), to provide healthcare technology to members.
- In terms of the 2022 financial performance, KA highlighted that the Scheme made a Gross Healthcare profit of R392 million after taking into account contributions and claims. After broker fees and administration costs the Scheme made a Net Healthcare loss of R28 million but after investment income of R185 million and other sundry costs, the Scheme made a Net Surplus of R118 million for the year ending 2022.
- The principal membership level at year-end 2022 was 71 917 members when compared to 74 206 principal members in 2021. The Scheme acquired 8 127 new members in 2022; however, 10 460 members terminated, mainly due to affordability.
- The solvency level of the Scheme was well above the 25% statutory requirement and the Scheme ended the year on a solvency level of 64% with R2,5 billion in reserves.
- Healthcare claims:
 - In 2022, R1,2 billion was spent on hospitals, compared to R1,1 billion in 2021 and the Scheme approved more than 25 000 hospital admissions in 2022.
 - From a Healthcare professional perspective, the Scheme spent R1,1 billion in 2022, which compared similarly to R1 billion in 2021. This highlighted the increased utilisation of healthcare professional services from 2021 to 2022.
 - Medication in 2022 was well controlled. Beneficiaries on the chronic programme increased by 1 000 in 2022.
 - KA highlighted the top ten claims expenditure in 2022, totalling R25,94 million paid on 10 healthcare events, with almost R5 million spent on one member on the MediValue Compact Option.
 - The overall member movements on option plans stayed relatively stable in 2022 compared to 2021 when analysing upgrades and downgrades.
 - Administration fees as a percentage of GDP was 9% - staff costs remained high due to the self- administration model in place.
- The Scheme was delighted to retain its ISO 9001 accreditation which reflected its strong commitment to compliance and governance.
- The MediSwift new hospital plan was introduced in 2022 to attract younger members to the Scheme.
- The Scheme remained the 6th largest open medical scheme in the industry.



- The Scheme continued to pay out claims, with two payment runs being made every week.
- The loyalty programme “Just Rewards”, wellness programme and the Medshield Mom-programme were well managed.
- The Scheme was in a healthy financial position and ended the year with more than R2,5 billion in reserves and a solvency ratio of 64,4%. It paid out R3,3 billion claims in 2022 and maintained a relatively low administration fee, including broker management fees, of 11,2%.
- From a Human Capital perspective, the Scheme spent a considerable amount of time reviewing its values and strategies to improve its value proposition to both its members and staff.
- The Scheme received accreditation from CMS in diabetes management and this programme was in-sourced by the Scheme.
- A brand equity survey was conducted, which showed the year-on-year improvement on how the Scheme’s brand was received in the market.
- Key focus areas for the Scheme and improvements on strategic areas were noted as follows:
 - Membership growth as part of the growth strategy is one of the high priorities.
 - The use of Managed Healthcare to manage the current fragmentation in the market and address the costs of healthcare is another high priority.
 - The Scheme continues to weigh up the value of in-sourcing managed care versus out-sourcing.
 - The Scheme is committed to self-administration as a strategic competitive advantage to the outsourced administration model.
 - The use and improvement of digital technology at both the information technology and marketing and branding level which helps us to generate leads in the market is a key priority focus area.
 - The management of people and development of a high-performance culture would be prioritised.
 - The 2023 strategy which was presented to the Board, articulates the strategic direction upon which the Scheme was embarking to grow the membership during the challenging period.



6. ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

KA presented the Annual Financial Statements ('AFS') for the year ended 31 December 2022 highlighting the following salient points:

- Contribution income for the year ending 31 December 2022 was R3,7billion which reflected a 1% increase in contribution income compared to the same figure in 2021. The Scheme lost 3% of its membership base between 2021 and 2022.
- Claims cost in 2022 and 2023 remained at similar levels but in fact highlighted a higher cost of claims in 2022 given the loss of membership. The net healthcare result reduced from R404 million in 2021 to R392 million in 2022.
- Operating costs of non-healthcare expenditure were R421 million (R391 million in 2021) leaving a net healthcare deficit in 2022 of R29 million as opposed to a surplus of R11 million in 2021.
- Net Investment income in 2022 showed a decrease from 2021, with R185 million net investment income in 2021 and R147 million net investment income in 2022. After the effect of net investment income, the Scheme achieved a surplus of R119 in 2022.
- The claims ratio as a percentage of contributions in 2021 was 89%; and 90% in 2022.

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

The Chair introduced LM, the Independent Chair of the ARC Committee.

LM noted that, in terms of Rule 26.1.8 of the Scheme Rules, the AFS must be presented to the meeting as noted in the Highlights Document distributed to the members. The ARC Committee has a primary responsibility to assist the Board in performing their duties relating to the Scheme accounting policies, internal control systems, risk and compliance management and financial reporting practices.

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

The ARC Committee was satisfied that the AFS were fairly presented and thus recommended to the Board to approve the AFS, for the adoption by the members at the AGM.

The Chair requested the APPROVAL of the AFS for the year ended 31 December 2022. Mr. Leon de Lange and Ms Sussan Malima proposed; and Mr. Glen Sikosana seconded the APPROVAL of the Annual Financial Statements.

At this point, the Scheme's current External Auditor, Deloitte, represented by KM were recused from the meeting.



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

LM noted that the ARC Committee has a dual responsibility as mandated on the Terms of Reference and the MSA to evaluate the performance of the external auditor during their tenure.

In compliance with Rule 26.1.1.2, “the AGM of members shall be held not 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 13 April 2023, the ARC Committee was satisfied with the quality of Deloitte’s performance, their interaction with the Scheme and their independence. Accordingly, the ARC Committee resolved to recommend the re-appointment of Deloitte to conduct the 2023/2024 audit for the Scheme statutory reporting cycle.

The Chair noted that the Resolutions 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.

A member inquired whether the item would be discussed before being considered. AL responded that the ARC Committee had provided assurance and questioned whether a discussion in this regard was necessary given that the recommendation was for a re-appointment.

The re-appointment of the auditors was voted on by members. BDO confirmed that sixty-four (64) members including proxies voted in favour of the re-appointment of Deloitte as the Scheme’s external auditor. One (1) member dissented and the balance of which were recorded as abstained.

The Chair confirmed the members’ APPROVAL of the re-appointment of Deloitte as the Scheme’s external auditor in accordance with Rule 26.1.1.2.

RESOLVED 1: THE RE-APPOINTMENT OF THE EXTERNAL AUDITOR DELOITTE WAS HEREBY APPROVED.

At this point the Scheme’s External Auditor, Deloitte, represented by KM re-joined the meeting.

The Chair informed Deloitte of their re-appointment for the 2023/24 reporting cycle.

9. PROPOSED SCHEME RULE CHANGES IN ACCORDANCE WITH RULE 32.2

The Scheme affairs are managed by the Board in accordance with the MSA and the Rules of the Scheme. Whilst the Board may amend or repeal certain rules, there are specified rules and decisions that require member approval before adoption. The following Resolutions must be presented to the members of the Scheme at an Annual General Meeting for approval.

Scheme Rule 32.2

'Notwithstanding anything contained in the Rules, no alteration, rescission or addition which affects the objects of the Scheme or which increases the rates of contribution or decreases the extent of benefits by more than twenty-five percent (25%) during any financial year or any amendment to Rules 18, 19, 20, 21, 26, 27 or 32 or any remuneration payable to Trustee(s) shall be valid unless it has been approved by a majority of members present at an annual general meeting.

The Scheme embarked on a process to proactively review and reform the Board's continuity and succession plan where an independent review of the Scheme's Governance Framework was commissioned by the PO including a qualitative analysis of the Scheme Rules and the Board Charter, which highlighted that the Board continuity plan required strengthening for the following reasons:

- To maintain Board continuity by attaining an appropriate balance of knowledge, skills, and experience.
- To ensure sufficient Trustee capacity within the Board to fulfil the leadership requirements of Board Committees.
- To increase the strategic impact of each Trustee serving on the Board in relation to strategic direction, succession planning, leadership and transitioning for the development of new and or less experienced Trustees.
- The need to mitigate the catastrophic impact of a loss of leadership continuity and institutional memory should all Trustees not be elected.

The Board recommended the following amendments to the Scheme Rules for adoption at the AGM, which would come into effect after CMS approval in January 2024.

Current Scheme Rule 18.1

The affairs of the Scheme shall be managed according to these Rules by a Board of Trustees consisting of up to 7 (seven) persons who are fit and proper to be Trustees. Subject to the above the Board is constituted if and only if there are at least 6 (six) members serving, of which 4 (four) must be elected trustees with due regard to rule 18.13.

Proposed New Scheme Rule 18.1

The affairs of the Scheme shall be managed according to these Rules by a Board of Trustees consisting of up to 9 (nine) persons who are fit and proper to be Trustees. Subject to the above the Board is constituted if and only if there are at least 6 (six) members serving, of which 4 (four) must be elected trustees with due regard to rule 18.13.

Current Scheme Rule 18.2

4 (four) of the Trustees shall be elected from amongst members at the Annual General Meeting or any Special General Meeting convened specifically for the purposes of electing Trustees and 3 (three) shall be appointed in accordance with rule 18.3.



Proposed New Scheme Rule 18.2

At least 6 (six) of the Trustees shall be elected from amongst members at the Annual General Meeting or any Special General Meeting convened specifically for the purposes of electing Trustees and not more than 3 (three) shall be appointed in accordance with rule 18.3.

Current Scheme Rule 18.4

A Trustee shall serve the term of office for a period of 3 (three) years, provided that he or she does not cease to hold office in accordance with rule 18.21 and continues to comply with the Scheme's fit and proper requirements. The Scheme's 'fit and proper requirements' relate to a person's honesty, integrity, competence, and good standing.

Proposed New Scheme Rule 18.4

A Trustee shall serve the term of office for a period of 5 (five) years, provided that he or she does not cease to hold office in accordance with rule 18.21 and continues to comply with the Scheme's fit and proper requirements. The Scheme's 'fit and proper requirements' relate to a person's honesty, integrity, competence, and good standing.

Current Scheme Rule 18.5

*Members of the Board are eligible for re-election provided no person shall serve more than 2 (two) consecutive terms **and no more than a total of 3 (three) terms.***

Proposed Scheme Rule 18.5

*Members of the Board are eligible for re-election, provided no person shall serve more than 2 (two) consecutive terms. **If the tenure of a member who assumed the position of Trustee (or Trustees) is less than 6 (six) months, such tenure will not be regarded as a term of office for purposes of Rule 18.4 and/or Rule 18.5.***

If the tenure of a member who assumed the position of Trustee (or Trustees) is 2/3 (two-thirds) and is no longer a Trustee in terms of Rule 18.21, such tenure will be regarded as a full term of office for purposes of Rule 18.4 and/or Rule 18.5.

Current Scheme Rule 18.10

Subject to the provisions of these Rules, existing elected Trustees will, subject to rule 18.5 automatically be nominated to be elected as such for a further term unless a Trustee informs the Scheme in writing that he does not wish to be elected as a Trustee for a further term.

Proposed new Scheme Rule 18.10

Subject to the provisions of these Rules, existing elected Trustees will, subject to rule 18.15 automatically be nominated to be elected as such for a further term unless a Trustee informs the Scheme in writing that he or she does not wish to be elected as a Trustee for a further term.



Current Scheme Rule 18.13

*In the event of vacancies arising on the Board such that the Trustees elected by members fall below 4 (four), the member or members who received the next highest number of votes at the preceding election shall assume the position as Trustee (or Trustees), and hold office as such until the tenure of the Trustee (or Trustees) they are replacing would have ended when their terms shall automatically lapse. In the absence of such people willing and able to become Trustees, the Board shall call an election in terms of rule 18.14 to fill such vacancy (or vacancies). **Notwithstanding the aforesaid, if the tenure of a member (or members) who assumed the position of Trustee (or Trustees) as here in contemplated is 6 (six) months, such tenure will not be regarded as a term of office for purposes of Rule 18.4 and/or Rule 18.5.***

Proposed new Scheme Rule 18.13.

In the event of vacancies arising on the Board such that the Trustees elected by members fall below 4 (four), the member or members who received the next highest number of votes at the preceding election shall assume the position as Trustee (or Trustees) and serve the remainder of the term of office for a period of 5 (five) years in terms of Rule 18.4 and/or Rule 18.5. In the absence of such member(s) willing and able to become Trustees, the Board shall call an election in terms of rule 18.14 to fill such vacancy (or vacancies).

The proposed Scheme Rules changes were circulated to members and published on the Scheme's website and were thus taken as read. No motions were received on these Resolutions. Voting would take place for all proposed Rule changes as the proposed rule changes were inter-related.

The following questions were posed to the Chair:

- A concern was raised by Mr Leon de Lange ('**Mr De Lange**') on the proposed voting process and recommended that the members be afforded an opportunity to address and debate the proposed Rule changes. The Chair noted that it was important to understand the Rule changes and accepted the motion.
- Notwithstanding that the Rules were inter-related, Mr Mahlori Mageza ('**Mr Mageza**') recommended that the Rule changes be voted for separately as a member might support one rule and not the other and added that the rules were not all necessarily linked. The Chair noted that the first two (2) rule changes were inter-related, and the subsequent rules were inter-dependant.
- Mr De Lange highlighted that when he joined the Board in February 2018, the Board consisted of nine (9) members where there was a resignation and the Board at the time took a decision to not replace the Trustee as they were functioning well. There was a consensus that the Board could be reduced further, and this was done hence the seven (7) members serving on the Board currently. Other schemes with higher membership had less Board members and that the interest of the members had to be considered by reducing the non-healthcare expenditure ('**NHE**') and this would not be achieved by adding two (2) new Board members. Mr De Lange was therefore not in favour of the proposed change.



- Mr Charles Akeroyd ('**Mr Akeroyd**') referred to the *staggering of Trustee* terms by filling two (2) additional seats on the Board in 2024 and enquired how this would be achieved.
- The Chair noted Mr De Lange's comment and that the intention with the reduction in the number of Board members was to save costs as well as to see if the Board would be able to weather the storm that lay ahead. Changing the Board to nine (9) Trustees would deal with the issue of continuity as well as staggering to ensure there was no loss of knowledge and institutional memory and for the Board to function effectively. However, the Chair concurred with Mr De Lange on the importance of reducing the NHE.
- On Mr Akeroyd's question, the Chair noted that the two (2) additional Board members would be appointed in January 2024 and June of 2024, respectively, once the proposed Scheme Rule changes are approved by the members and CMS; thus, the effective date would be 1 January 2024. The Scheme Secretary added that the additional Trustees may be elected through a Special General Meeting that could be held in January 2024 for both appointments, for one to commence in January 2024 and the other in June 2024.
- In relation to the increase of the term of office to five (5) years, Mr Tommas Ntsewa ('**Mr Ntsewa**') enquired on the rationale as well as how this compared to the industry terms of office.
- The Chair introduced Dr Tebogo Phaleng from Insights Actuaries ('**Dr Phaleng**'), who the Scheme had appointed to assist with the Board Continuity plan, to provide the rationale and overview of the process.
- Dr Phaleng noted that he was appointed as the Curator for the Scheme between 2013 and 2014 for a period of two (2) years. At that time, the Board was dissolved and during the 2014 elections the Governance schedule and Board had to be reinstalled, meaning that all Trustees served the exact period, and the Scheme would be in a difficult position should all the Board members not be re-elected as there would be no strategic institutional memory remaining. To mitigate the risk, the Scheme would need to stagger the Board. The compromise was not to rush the process and institute the change going forward from January 2024 and would not benefit any re-elected Trustees; however, would address the staggering through the election of two (2) additional Trustees.
- The current Scheme Rules allow for Trustees to serve a maximum of 9 (nine) years i.e. two consecutive terms of 3 (three) years, have a 3 (three) year break and serve the last three (3) year term. The proposed change was for the term to be changed to 5 (five) years with a maximum of two (2) consecutive and this was a total of 10 (ten) years exposure; and this was applicable to the two (2) additional Trustees and any newly elected Trustees going forward. Board composition in the industry was determined by the scheme requirements including self-administration, and on average the industry standard was 10 – 15 board members.
- Mr Mageza requested impartiality from the Chair sighting that he had requested a discussion earlier in the meeting which was not permitted.



However, the rule changes were open for discussion and debate by members. In relation to the proposed rule changes, Mr Mageza enquired whether this was a strategy by the Board for the rule changes to be voted on as a collective as alluded to by the Chair that they were inter-linked or if this was a coincidence.

- The Chair noted that the Scheme foresaw that the rule changes would spark debate and apologised that Mr Mageza felt that the Chair was not being impartial as that was not the intention; however, it was for time management and for questions to be addressed at the end of the presentation. In relation to the rule changes, it was a coincidence that the rules were inter-linked, and this was by virtue of how the Scheme Rules were constructed.
- Mr Akeroyd enquired whether the rule changes could be referred to the newly elected Board for reconsideration, citing that some of the proposed changes were not clear, particularly Rule 18.5 in relation to the six (6) months and two thirds.
- Dr Phaleng noted that there was a rule which stated that the Scheme could look backward to the outcome of the last elections to fill positions rather than to conduct an election i.e. the next in line from the elected Trustees who would be engaged on whether they were still keen, subject to them fulfilling the fit and proper requirements. The six (6) months was reviewed to give the replacement an opportunity to serve a full term as the talent pool was not infinite and in relation to the two-thirds, it was fair for an individual to regard two-thirds as a full term. Mr Akeroyd indicated that the clauses needed rewording to align to Dr Phaleng's response.
- In relation to the industry comparison, the PO noted that as part of the Board continuity and succession planning, he contacted three open medical schemes. Bonitas Trustees serve a term of five (5) years with a maximum of two (2) successive terms; Medihelp Trustees serve a term of five years with two consecutive terms of office, a break and then one final term which is a maximum of 15 years; and Fedhealth confirmed that their Trustees serve a term of 3 (three) years and there was no limit to the consecutive terms that a Trustee could serve.
- On the point raised by Mr Akeroyd in relation to Rule 18.5 being referred to the Board, Ms Sussan Malima indicated that the proposed changes were done by the outgoing Board thus had to be resolved at this meeting, furthermore the documents were disseminated to all Scheme members and no motions were received.

The Chair appreciated the inputs and questions from the members and proceeded to voting for the rule changes as follows:

Rule 18.5

Mr Akeroyd proposed that the two-thirds be removed from the proposed rule change and was seconded by Mr Ntsewa.

BDO handed the Chair the voting outcome of Resolution 2, Rule 18.5 in accordance with Scheme Rule 32.2. The Chair confirmed the vote outcome as follows:

- The number of votes cast in favour of the Rule 18.5 change as published was: 9 (nine) Members.



- The number of votes cast against Rule 18.5 change was: 0 Members.
- The number of votes cast in favour of the proposal by Mr Akeroyd to remove the two-thirds portion of this rule was: 39 (thirty-nine) Members.

The Chair confirmed the members' ADOPTION and APPROVAL of the proposed change to **Rule 18.5** as recommended by Mr Akeroyd.

RESOLVED 2: THE MEMBERS RESOLVED TO AMEND RULE 15.5 AS PROPOSED AND RECOMMENDED BY MR AKEROYD.

Voting on proposed changes to Rules 18.1, 18.2, 18.4, 18.10 and 18.13, by raising of hands.

BDO handed the Chair the vote outcome of Resolution 02: Proposed Scheme Rule changes of Rules 18.1, 18.2, 18.4, 18.10 and 18.13 in accordance with Scheme Rule 32.2.

The Chair confirmed the vote outcome as follows:

- Number of votes cast in favour: 40 votes.
- Number of votes cast against: 11 votes.

The Chair confirmed the members' ADOPTION and APPROVAL of the proposed Rule changes of **Rule 18.1, 18.2, 18.4, 18.10 and 18.13** in accordance with Scheme Rule 32.2.

RESOLVED 3: THE MEMBERS APPROVED THE PROPOSED AMENDMENTS ON RULE 18.1, 18.2, 18.4, 18.10 AND 18.13 IN ACCORDANCE WITH SCHEME RULE 32.2.

10. BOARD OF TRUSTEES REMUNERATION IN ACCORDANCE WITH RULE 18.27

The Chair of the Human Capital and Remuneration Committee, Ms Pearl Maphoshe, noted that in accordance with the Scheme Trustee Remuneration Policy, REMCO was delegated by the Board to oversee the remuneration of Board and Board Committee members, and Scheme executives. In accordance with the Terms of Reference, the composition of REMCO is (2) Elected Trustees and two (2) Independent Experts.

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 reviewed the Trustee Remuneration Policy ('**Policy**') for remuneration of the Board and Board Committee members and made recommendations to the Board for tabling at the AGM for approval.

The total remuneration comprises of a fixed annual remuneration which comprises a retainer which includes the costs of meeting fees. Any additional ad hoc meeting fees require the Board Chairman's approval. Retainers are payable at the end of each quarter.

Trustee remuneration is exclusive of VAT for Trustees, and Board Committee members who are registered for VAT would be required to submit a tax invoice to the Scheme.

A Trustee Remuneration Benchmarking exercise was conducted by Willis Towers Watson in April 2023, and the report informed the recommendations presented to the Board by REMCO and Management for tabling at the AGM for approval. After deliberating the relevant factors to ensure that the most reliable and consistent metric was used, including the PO's consideration of the CMS view on non-healthcare costs, REMCO moved to accept Management's proposal of a conservative adjustment of 5%. REMCO further moved to propose to the Board a conservative adjustment of 5% for the Medshield Board Chair, Board Committee Chairs; and all other Trustees and Committee Members for 2023/2024.

The following recommendations were therefore made for approval at the Annual General Meeting:

- 5% adjustment to the Board Chair's annual remuneration/retainer fees for the period 12 August 2023 to 30 June 2024.
 - 5% adjustment to the Board Members' annual remuneration/retainer fees for the period 12 August 2023 to 30 June 2024.
 - 5% adjustment to the Board Committee Chairs and Board Committee Members (Independent Experts) for the period 12 August 2023 to 30 June 2024.
 - 5% adjustment for meeting fees for the period 12 August 2023 to 30 June 2024.

The proposed Board Remuneration adjustment would be effective from 12 August 2023 to 30 June 2024 as tabled at the Scheme AGM and would be implemented on 12 August 2023 during Quarter 3 of 2023. No motions were received on this Resolution.

BDO as the Internal Auditor confirmed that the 48 members present were in good standing to vote on this item.

BDO handed the Chair the vote outcome of Resolution 03: Board Remuneration in accordance with Scheme Rule 18.27. The Chair confirmed the vote outcome as follows:

- Number of votes cast in favour: 52 votes.
- Number of votes cast against: 0 (zero) votes.

The Chair confirmed the members' APPROVAL of the Board Remuneration in accordance with Rule 18.27.

RESOLVED 4: THE MEMBERS APPROVED THE PROPOSED BOARD OF TRUSTEES REMUNERATION.

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 confirmed that 3 (three) motions had been received for consideration at the AGM. The Chair indicated that for purposes of the Protection of Personal Information Act, members' names would not be disclosed.

Motion Number 1

Marketing and brand ambassadors

“The value of the partnership with Kaizer Chiefs and other costs associated with brand ambassadors. What is the impact and actual benefit experienced?”

- A member raised a concern on the cost of the Kaizer Chiefs partnership and questioned if the Scheme had research of statistics to prove the Scheme is benefiting from this partnership. Is there a way we can see how the Scheme benefits from this partnership in gaining members?
- Ms Setsooto Sihawu: Executive Communications and Marketing responded on the question and stated that the Scheme Marketing and Communications’ main objective was to endeavour to raise brand awareness through the Kaizer Chiefs partnership and other social media platforms. The partnership assisted in widening the brand awareness as a cost-effective advertising model noting the limited Scheme budget.
- In response to a question concerning the conversion rate (the number of leads generated by the partnership), members recommended that KA determine the partnership's conventional worth.

Motion Number 2

Risk Mitigation and Management

“This is in relation to the payment of R1,29 million for the BBBEE strategy that was intercepted and paid into an incorrect account. The interventions made or to be made to avoid repeats. The current progress of the SAPS case.”

- A member raised a concern regarding the R1,29 million payment made on 28 December 2021, when banks were operating on minimal staff, and he inquired whether the Supply Chain Management system existed at the time and whether the necessary control measures were carried out. In response, KA stated that the interception occurred during the time constraints related to the BBBEE rating application, that there was a breakdown in internal controls, that consequence management occurred, and that the Chief Financial Officer at the time was no longer with the Scheme. Mr. Brian Kgosi, the Information Services Executive, however corrected KA’s statement and stated that the interception occurred on the provider's system rather than the Scheme’s by imitating the provider's email address and changing the provider's banking information.

Motion Number 3

Financials

“The financials indicate the contingent assets; some relates to the Medshield/ Calabash matter with an amount of over R46m to be recovered. As the company is already liquidated, have we done due diligence to ascertain whether the amount can be recoverable, and if it is recoverable from the company directors, how much is recoverable?”



- A Member raised a concern that the dispute had been dragging on since 2012, that the Scheme was expending excessive legal expenses to recover the R46m, and whether the Scheme had conducted an assessment to determine whether those directors were able to pay back the claimed amount should the Scheme be successful.
- The member questioned whether it was worthwhile to pursue the legal action against Calabash and recommended that the Scheme reconsider advancing with the matter. In response, the Scheme Legal Manager stated that the Scheme had appointed forensic investigators to determine whether claims could be quantified during the administration period to meet the legal requirements of a commercial and solvency claim. The case had been investigated since 2022/2023 and had been reported to the relevant Board Committee for determination and revisited in September 2023. The Calabash directors' solvency could not be confirmed, and whether they remained in the same position would be assessed by the forensic investigators.
- Member De Lange inquired whether the Scheme had sought an out-of-court settlement to resolve the matter, to which the Legal Manager responded that an out-of-court solution had been contemplated; however, only one of the respondents was willing to settle. The Scheme was unsure whether they would be debarred from going to the other responders.

The Chair noted that, at this point, the Scheme would allow members time for questions relating to the AGM.

The following additional questions were noted:

- Member Ms Sussan Malima stated that competing schemes were growing while the Scheme was losing members due to affordability, which she believed was not the case and urged that an investigation be conducted and measures to mitigate against the terminations be considered. In response, KA reported that a retentions unit to ascertain and reduce the terminations had been established and that there were plans and discussions with the actuaries to introduce additional benefits as a possible option to attract and retain members. The Scheme's strategic direction for acquisitions would be prioritised during the Board Lekgotla scheduled later in the year.
- Mr Glen Skosana, Executive: New Business Development stated that the Scheme had introduced other parallel distribution models to gain members and that the Scheme was not the only medical scheme that had been losing members.

12. PRESENTATION OF THE TRUSTEE ELECTION PROCESS BY THE INDEPENDENT ELECTORAL BODY

In accordance with Rule 18.14 of the Scheme Rules, in cases where the AGM is convened for purposes of holding elections of Trustees, the Scheme has appointed an Independent Electoral Body (IEB) KPMG Services (Pty) Ltd duly supervised by the auditors, BDO Advisory Services Proprietary Limited (BDO) appointed by the Scheme, to oversee, and manage the election process.



AA presented a brief overview of the nominations that had been received and the vetting procedures that was followed.

14 (fourteen) nominations were received, of which 13 (thirteen) were vetted in terms of the requirements by the various Scheme Rules. One nomination was received late and was not vetted. 4 (four) of the nominees did not meet the vetting criteria and 9 (nine) nominees were published on the Medshield website and were verified by BDO and communicated to members.

Members could vote for a maximum of 4 (four) nominees on the Ballot listing.

KPMG handed the voting results of the Electoral Body in accordance with Scheme Rule 18.27, in alphabetical order to the PO.

The PO announced the vote outcome as follows:

- Mr Leon F De Lange
- Mr Andries J H J Labuscagne
- Mr Seth N Makhani
- Mr Trevor G Wiblin

BDO confirmed that all due processes had been followed and were satisfied with the outcome.

The PO congratulated all the newly elected Board members.

13. CLOSURE

On behalf of the Scheme, the Chair noted that the Scheme wished to sympathise with the families and friends of the 1 014 COVID-19 deceased beneficiaries. The Chair thanked all members and other distinguished guests present for having positively contributed to the proceedings. The current Board and employees and special reference to the Executive Team that had worked tirelessly to improve on all levels to improve the members' experience.

A special word of thanks to the Board for the 3 (three) year term they had served and their endless support and input into the business of Medshield.

There being no further business to discuss, the Chair thanked the members and special guests for their attendance and participation; and closed the meeting at 13h08.

SIGNED AS A TRUE RECORD OF THE PROCEEDINGS:

CHAIR – ANDRIES LABUSCAGNE

DATE

