POLMED

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SOUTH AFRICAN POLICE SERVICE MEDICAL SCHEME (POLMED)

BOARD OF TRUSTEES CHARTER

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1. INTRODUCTION

This charter provides a modus operandi for the Board of Trustees of the South African Police Service Medical Scheme (hereinafter referred to as 'Polmed') by setting out guidelines in the following areas:

- Purpose, objectives and key activities
- Authority
- Constitution of the Board of Trustees and it's committees
- Responsibilities and duties

This charter is a mandate or formally written document accepted by the Board of Trustees that clearly sets out the role, purpose, authority and responsibility of the Board of Trustees in executing its responsibility of managing the affairs of the Scheme.

2. VISION

"To invest in our members' health for the future"

3. MISSION

3.1 "To provide quality sustainable healthcare funding to SAPS members and their beneficiaries in an affordable and cost effective manner".

3.2 It is the Scheme's intention to provide an appropriate quality of service, taking into account the needs and expectations of members and availability of resources. The viability of the scheme will be determined by the effective management of the executive functions, which are:

- day to day financial management
- benefits provision and design
- payment of claims
- service provider management
- communication to members and stakeholders

4. PURPOSE AND OBJECTIVES

4.1 This Charter seeks to ensure that all Trustees of Polmed have a single, comprehensive point of reference regulating their conduct and behaviour in the execution of their duties, the main responsibility of which is to manage the affairs of the Scheme in the interest of it's members.

4.2 However, it is conceivable that in the execution of its responsibilities, the Board of Trustees may seek to outsource or delegate certain functions to third parties, including employees of the Scheme (Management) or Administrators. In this respect however, ultimate accountability still vests with the Board of Trustees who cannot abdicate accountability by virtue of such outsourcing or delegation.

4.3 It is also intended that this document should allow members of the Board of Trustees an opportunity to perform self-assessments of their performance based on predetermined criteria in line with their obligations as custodians of the Scheme.

5. AUTHORITY

As indicated in item 1 above, the Board of Trustees of Polmed has been vested with the responsibility of managing the affairs of the scheme in terms of the Medical Schemes Act and concomitant Regulations. The Board has the authority to outsource or delegate certain aspects of its responsibility, but it remains the ultimate source of accountability for actions taken either by its members, (whether jointly or severally) sub-

committees or agents duly appointed to execute responsibilities on its behalf.

6. CONSTITUTION OF THE BOARD OF TRUSTEES

6.1 The size of the Board is dictated by the Rules of the Scheme which permit a maximum of 14 Trustees.

6.2 The role of the Chairperson and the Principal Officer are separate, with responsibilities divided between them. The Chairperson who has no executive functions, meets periodically with the Principal Officer to monitor progress and discuss relevant business issues. All Trustees have the appropriate knowledge and experience necessary to carry out their duties, with each actively involved in the Scheme's affairs.

6.3 Board meetings are held at least quarterly with additional or special meetings called where circumstances necessitate. Proceedings are conducted efficiently and all appropriate matters are addressed at each meeting. One person does not dominate meetings, rather the interests of members remain at the core of all decisions.

6.4 Adequate Trustees and officers insurance cover has been purchased by the Scheme to meet any material claims against the Trustees.

6.5 The Board is of the opinion that the Scheme currently complies with all the significant requirements incorporated in the Act, the Rules, the code of corporate practices and conduct, as set out in the King III Report.

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7. ROLES AND RESPONSIBILITIES

7.1 CORPORATE GOVERNANCE

(i) To establish and administer the Scheme's system of corporate governance;

(ii) To adopt a written statement of its own governance principles and regularly re-evaluate them;

(iii) To exercise leadership, enterprise, integrity and judgment based on fairness, accountability, responsibility and transparency;

(iv) To determine the Scheme's purpose, values and stakeholders, and to develop strategies to achieve its purpose, implement its values and satisfy its members and stakeholders;

(v) To evaluate the performance of the Board and its Committees;

(vi) To ensure that the Scheme complies with all the relevant laws, regulations and codes of best business practice;

(vii) To ensure that the Scheme regularly reviews and updates its policies;

(viii) To make a statement at the end of each financial year as to whether they believe that the Scheme will be a going concern in the year ahead.

(ix) Providing direction to and equipping management to formulate a strategic planning process and to adopt the recommended strategic plan;

(x) Appointment of the Chairperson, provision of guidance on the election of Trustees and the appointment of the Principal Officer;

(xi) Consideration of the issue of succession of senior managers;

(xii) Formulation and monitoring of a Scheme delegation of authority framework;

(xiii) Identification of the principal risks and key performance indicators of the Scheme's business and ensuring the implementation and regular evaluation of systems to manage those risks through an Audit and Risk Committee;

(xiv) Ensuring the Scheme has adequate systems of financial and operational internal controls. The Trustees should also ensure that there are procedures and systems which act as checks and balances on the information reviewed by the Board;

(xv) Ensure the financial health of the Scheme through appropriate investment and funds mobilization policies and strategies, including those relating to procurement and capital expenditure;

(xvi) Manage conflict of interest and issues relating to independence;

(xvii) Monitoring and supervision of executive management;

(xviii) Ensuring that an adequate budgeting and planning process exists and that performance is monitored against budgets and plans;

(xix) Providing accountability i.e. reporting to members and other stakeholders and ensuring regulatory compliance with all relevant laws and regulations;

(xx) Ensuring that the Scheme has an employment policies;

(xxi) Protection of assets and reputation;

(xxii) Providing induction and ensuring adequate training for Trustees;

(xxiii) Implement meaningful communication and other relevant reporting to its stakeholders;

(xxiv) To ensure the correctness of the "Integrated Report".

7.2 THE BOARD OF TRUSTEES ACCEPTS ACCOUNTABILITY FOR THE TRANSPARENT GOVERNANCE OF POLMED

7.2.1 Governance of the Scheme is managed and monitored by the Board of Trustees, assisted by committees of the Board.

7.2.2 The rules of Polmed states that the Board is ultimately accountable and responsible for the performance and affairs of the Scheme. The trustees accept this unconditionally and declare that they:

(i) Regard corporate governance as vitally important to the success of the Scheme.

(ii) Are responsible for the Scheme achieving the highest standard of business conduct.

(iii) Are unreservedly committed to applying the principles necessary to ensure that good corporate governance is practiced in all of the Scheme's business dealings, and

(iv) Act with due regard to their fiduciary duties and responsibilities in a professional manner, thereby upholding Polmed's core values of people, integrity, performance and professionalism.

7.3 **THE BOARD RESPONSIBILITIES ARE WELL DEFINED AND ADHERED TO**

7.3.1 The Act and the Rules constitutes an integral part of Trustees conditions of appointment. The Board's primary responsibilities, based on a predetermined assessment of materiality, include:

(i) Evaluating and reviewing Polmed's strategic direction.

(ii) Identifying, considering and reviewing key areas and relevant responses as well as key performance indicators of Polmed's business.

(iii) Monitoring investment decisions.

(iv) Considering significant financial matters.

(v) Reviewing the performance of Executive Management against business plans, budgets and industry standards.

(vi) Ensuring that competent, appropriately skilled and motivated executives lead key portfolios in the Scheme.

(vii) Acting consistently in its duties and responsibilities to the Scheme and thus to the members and other stakeholders.

(viii) Retaining full and effective control over the Scheme, as well as monitoring Management's implementation of plans and strategies.

(ix) Ensuring that a comprehensive system of policies and procedures is operative.

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(x) Identifying, considering, monitoring and, if appropriate, approving financial and non-financial matters relevant to the business of the Scheme.

(xi) Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and the Scheme's internal governing documents and codes of conduct.

(xii) Defining levels of materiality, reserving specific powers to the Board and delegating other matters, with the necessary written authority and terms of reference to management or Board Committees. The Board recognizes that delegating authority to Board Committees or management does not in any way discharge the Trustees from their duties and responsibilities.

(xiii) Instituting effective mechanism that ensures Board responsibilities for the performance by Management of its functions.

(xiv) Acting responsibly towards the Scheme's relevant stakeholders.

(xv) Being aware of and committing to the underlying principles of good governance and ensuring that compliance with corporate governance principles are reviewed regularly.

(xvi) Evaluating on a regular basis economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the members and, if appropriate, the taking of external expert advice.

7.4 BoT LEADERSHIP

7.4.1 The Chairperson of the BoT is elected by the BoT from its members. The Chairperson chairs the BoT and should have the following responsibilities:

(i) providing direction to the PO on the preparation, with input from other members, of agendas and materials for all BoT and Committee meetings that cover all matters necessary for the BoT to exercise its duties properly;

(ii) presiding at all full meetings of the BoT in a manner that utilizes the BoT effectively and takes full advantage of the expertise and experience of each Trustee;

(iii) providing leadership to the BoT in formulating positions for the BoT to consider for adoption in terms of governance, regulatory and other appropriate matters;

(iv) providing input and support to the Chairpersons of the Committees on matters within the scope of those Committees;

(v) ensures the BoT is fully informed about the material and financial condition of the Scheme, its business, and the environment in which they operate;

(vi) engaging the BoT in assessing and improving its performance as well as overseeing the induction and development of Trustees; and

(vii) supporting the PO as well as taking a leading role in his/her performance evaluation.

7.4.2 It is important that the Chairperson should remain organised and follow all rules, regulations and other agreements in order to ensure the effectiveness of all meetings.

7.5 TRAINING AND DEVELOPMENT

7.5.1 It is also understood that not all new Trustees will already be experts in the field of medical scheme governance when they assume their positions. This places a responsibility on the BoT to ensure that there are adequate orientation processes for new Trustees, including reviewing and workshopping background material, participating in appropriate training activities, meeting with all the relevant parties and visiting the Scheme premises or the premises of the related parties, and feedback and evaluation processes.

7.5.2 The induction program shall familiarize Trustees with, among other things: the medical scheme's business environment; strategic plans; significant financial, accounting and risk management issues; regulatory compliance programmes; conflict of interest policy; code of conduct and ethics; medical schemes governance guidelines; internal management structures; and functions of internal and external auditors.

7.5.3 The BoT shall encourage all Trustees on an ongoing basis to attend educational opportunities enabling them to better perform their duties and recognize and deal with various issues that may arise during their tenure as Trustees. This shall include ongoing medical scheme governance and other educational programmes related to their service on the BoT. The training will be done at medical scheme expense.

7.5.4 Orderly succession planning is essential for the medical scheme to function effectively and maximize its performance. The BoT shall in particular develop and adopt a plan of succession for the Chairperson and PO in the event of either resignation, removal, retirement, death or disability.

7.6 BoT ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS

7.6.1 The BoT shall have access to the Scheme's Management, administration and, where appropriate, to outside advisors or experts, but this shall at all times be coordinated through the PO. This is to ensure that the Executive Management role of the PO is not undermined and that the normal operations of the Scheme are not impeded.

7.7 EVALUATION OF BOT PERFORMANCE

7.7.1 The BoT of Polmed shall review periodically the performance of related parties with whom it has contracted such as, the administrator and managed care organizations.

7.7.2 The BoT shall conduct a performance evaluation of individual members as well as the BoT as a whole. An effective Board of Trustee is recognized as one of the principal factors in a successful medical scheme. Without an evaluation process it is not possible for Polmed to know whether its BoT is operating in the most effective way.

7.7.3 The BoT's self-evaluation process shall evaluate whether the BoT and its Committees have the necessary framework, policies and procedures in place within which to make decisions, and whether it is acting in accordance with the Rules. It shall concentrate on the key elements of the BoT and Committee functions, structure, development and operations.

7.7.4 BoT evaluation shall result in the achievement of some or all of the following objectives:

(i) the identification of annual and long-term goals for the BoT;

(ii) improvement in the BoT's overall performance;

(iii) a renewed dedication to the BoT member role;

(iv) increased knowledge of roles and responsibilities; and

(v) strengthened relationship between BoT members and members of the Scheme.

7.7.5 The BoT shall create a culture of frankness that encourages constructive evaluation. There shall be full disclosure to all BoT members of the procedures and criteria to be used for the evaluation. It is particularly important that the evaluation should be carried out in a way that is supportive of the BoT. Furthermore, the evaluation process has to be seen as objective and fair and in which the BoT can place confidence.

7.7.6 The BoT shall have a self-evaluation policy outlining procedures and criteria at a meeting immediately after each strategic planning and targets/goal setting session to ensure alignment of the document and procedures to the Scheme's strategic and operational plans. In addition, it is recommended that –

(i) each BoT member will independently complete a self-evaluation document and the BoT will meet in executive session to complete a composite BoT self-evaluation;

(ii) the BoT will use the results of the self-evaluation to develop specific steps to strengthen and improve its performance;

(iii) these self-evaluation steps shall be followed on an annual or even quarterly basis if deemed necessary.

7.8 EVALUATION OF PO

7.8.1 The BoT shall periodically (but at least annually) formally review the performance of the PO.

7.8.2 The purpose of evaluating the PO is to provide oversight and assurance that the Scheme's strategy and policies are being effectively implemented. Another critical purpose shall be to

provide input and feedback to the PO in order for continuous performance improvement to occur. The evaluation process shall also be used to make critical decisions about contract extension, as well as the payment of the performance incentives.

7.8.3 The following steps shall be followed in the evaluation of the PO:

(i) The PO will develop a written self-evaluation at the end of each financial year and provide this to the BoT as soon as practicable.

(ii) With this information, each BoT member will provide his or her assessment of the PO's performance in writing to the Chairperson. These assessments shall include the Trustee's appraisal of –

a) the Scheme's performance and the PO's contribution to it, both compared to competitors and the Scheme's own strategic goals;

b) achievement of personal goals set by the PO for the year, as part of his or her self-evaluation; and

c) any other aspects of the PO's performance which the BoT deem relevant.

7.8.4 The Chairperson of the BoT shall synthesize this information and, thereafter, meet with the PO to review his/her performance.

7.8.5 The Chairperson will report to the BoT in the next regularly scheduled meeting on his/her synthesis of the views of the Trustees, as well as on the meeting with the PO.

7.8.6 The BoT will thereafter finalize the results of the evaluation and make necessary recommendations.

7.8.7 The PO shall have the opportunity to respond to the BoT's evaluation at the conclusion of the executive session.

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7.9 CONFIDENTIALITY PROTECTION

7.9.1 The BoT shall ensure that the Scheme has an adequate information management policy, including precise procedures for dealing with issues of confidentiality and respecting the right to privacy of beneficiaries. These measures shall include at least the following:

(i) a clear policy of a confidentiality-driven method of record keeping;

(ii) adoption of an express-consent approach, which conveys the concept that the individual has agreed to have information about him/herself made available to certain persons or institutions, which also includes the medical scheme itself;

(iii) measures to ensure that when disclosing information for research, the necessary controls to protect member's confidentiality shall be put in place; and

(iv) measures to protect the security of electronic records from unauthorized access.

7.10 RECORD RETENTION

7.10.1 The information management policy shall also ensure that necessary records and documents are adequately protected and maintained and at the same time, to ensure that records that are retained for as long as they may reasonably and lawfully be required by the Scheme, its suppliers and current or former beneficiaries. This applies to all records generated in the course of the Scheme's operation, including both original documents and reproductions. It also applies to records stored on computer and microform as well as paper records.

7.10.2 The BoT shall task the PO and his/her Management team with the development and implementation of a record retention and disposal programme that:

(i) identifies and evaluates which records shall be retained;
(ii) develops and publish a retention and disposal schedule that is in compliance with all legal and best requirements;
(iii) monitors all laws affecting record retention;
(iv) annually reviews the record retention and disposal programme;
(v) develops and implements a training program for personnel responsible for record storage and maintenance; and
(vi) monitors the performance of the Scheme and other contracted parties for compliance with the record retention and disposal program.

7.10.3 The BoT shall approve and monitor the implementation of the records retention and disposal programme.

7.11 CONFLICT OF INTEREST

7.11.1 One of the most important obligations of the Trustees and the PO is to maintain a high degree of integrity. One such act is to avoid conflict of interest.

7.11.2 The term "conflict of interest" refers to a situation where someone, such as a member of the BoT, has competing professional, personal or financial obligations or interests that would make it difficult to fulfil his or her duties fairly.

7.11.3 It is advisable that the BoT shall develop its own "conflict of interest policy and procedure", which shall cover at least the following areas:

(i) the definition of conflict of interest and some common situations in the medical scheme's environment which constitutes conflict of interest;
(ii) guiding principles for the policy;
(iii) the disclosure procedure for potential and actual conflicts of interest;
(iv) the management of disclosed and non-disclosed conflicts of interest;
(v) enforcement plans; and
(vi) the sanctions for non-compliance.

7.12 DISCLOSURES AND COMMUNICATIONS

7.12.1 Members of the BoT and PO's should avoid receipt of gifts or benefits that may create undue influence or even the perception of undue influence or impropriety. To the extent that any gifts or benefits that are received by Trustees and PO, the BoT shall have put in place strict policies to ensure full disclosure.

7.12.2 In this regard, it is to be noted that the members of the BoT and PO disclose annually in the annual integrated report of the medical scheme, details of any payments, gifts or considerations made to them in that particular year by:

(i) the medical scheme concerned;
(ii) any person contracted by the medical scheme to provide administrative, marketing, managed care or other services, or the holding company, subsidiary, joint venture or associate of such person; and
(iii) any other person if such payments, gifts or consideration were made by virtue of their holding office within the medical scheme.

7.12.3 Such disclosures shall include: the identity of the source of the payment, gift or consideration; the reason for the payment, gift of consideration; the date on which the payment, gift or consideration was given; and the quantum of money or otherwise the value of the payment gift consideration.

7.12.4 More generally, in relation to all communications by the Scheme, the BoT has the responsibility to furnish information that is accurate, meaningful, timeous and that could be disseminated to all relevant stakeholders.

8. BOARD COMMITTEES

Specific functions and responsibilities have been delegated to Board Committees with defined terms of reference or charter set out in their respective instructions. The current Board Committees are: Audit and Risk Committee, Human Resource and Remuneration Committee, Investment Committee, Clinical Governance Committee and Complaints and Dispute Resolution Committee.

8.1 TERM OF OFFICE

8.1.1 The term of office of each Board Committee member shall commence on the appointment by the Board of the Committee member and shall terminate at the first meeting after the next Annual General Meeting, provided that should the appointment of a Committee member terminate prior to the next Annual General Meeting, the remainder of such Committee member's term of office shall be served by another Board member appointed by the Board; and

8.1.2 The appointment of, terms of reference and changes in the composition of the Board Committees as the Board may appoint from time to time.

8.2 **MEETINGS**

8.2.1 Meetings of the Board Committees will be held at such time and such venue as the Chairman deems appropriate, but will meet a minimum of four times in a year, where applicable.

8.2.2 Members of the Committee may participate in and act at any meeting of the Committee through the use of a conference telephone call or other communication equipment by means of which all persons participating in the meeting can hear each other at approximately the same time. Such participation by members of the Committee shall constitute attendance and presence in person at the meeting.

8.3 **THE BOARD COMMITTEE MEETINGS WILL FOLLOW THESE PROCEDURES**:

8.3.1 The quorum for meetings of the Committee shall be a majority of the members of the Committee;

8.3.2 While all efforts must be to reach consensus, failing which a decision on any matter by the Committee shall be taken by a majority of the votes of the members present at the meeting concerned which will be done through show of hands or secret ballot;

8.3.3 The Committee shall, in its entire discretion, be entitled to invite any person to attend and be heard at meetings of the Committee;

8.3.4 Board members who are not Committee members shall have the right of attendance. They shall not be entitled to vote, but shall be entitled to be heard at such meeting;

8.3.5 The Chairperson of the Committee shall excuse from the meeting or from any item on the agenda, any Trustees, member of staff or representatives, who could, in his/her opinion, have any conflict of interest. The Chairperson shall also delegate his/her position to any other member should he/she have any conflict of interest

in matters discussed, and shall exclude himself/herself from the agenda item;

8.3.6 The Minutes of Committee meetings shall be confirmed at the next meeting of the committee. The minutes of all Committee meetings shall be submitted to and considered by the Board;

8.3.7 Except under exceptional circumstances, at least seven working days' notice will be given for a meeting of Board Committee;

8.3.8 The Principal Officer shall be responsible for all Board Committees and will be circulated to all members of the Committee and to other members of the Board;

8.3.9 The Principal Officer shall agree with the Chairperson of the Committee on the contents of the agenda for each meeting;

8.3.10 The Chairperson shall have the competency to make a ruling on any procedural issue or emerging question for which no rule or precedent exists.

8.4 REPORTING AND ACCOUNTABILITY

The Committee shall conduct an **annual review** of its work and its terms of reference and make recommendations to the Board.

8.5 AUDIT AND RISK COMMITTEE

8.5.1 Objective

The objective of the Audit and Risk Committee is to continuously evaluate the Scheme's exposure and response to significant risks, review the effectiveness of risk management processes, review the appropriateness and adequacy of internal financial and operational control, review and evaluate accounting policies and financial information, ensure effective communication between Trustees, Management and internal and external auditors, review the performance of the internal and external auditors, recommend the appointment of the external auditors and determine their fees.

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8.5.2 **Membership**

(i) The membership of the Committee in accordance with section 36 (10) of the Act shall consist of at least the following:

a) Two members of the Board of Trustees;

b) Three independent persons.

(ii) The majority of the members, including the chairperson of the committee, shall be persons who are not officers of the medical scheme or the administrator of the medical scheme, the controlling company of the administrator or any subsidiary of its controlling company.

(iii) The Committee shall be elected by the BOT who shall appoint a Chairperson from the independent members of the Committee and determine the period for which he or she shall hold office. The Chairperson of the BOT is not eligible to be the Chairperson or a member of the Committee.

(iv) All members of the Committee shall be suitably skilled and experienced. The members of the Committee shall collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the Scheme. The Committee members must keep up-to-date with developments affecting the required skill-set.

(v) A vacancy, which occurs in the Audit and Risk Committee, shall be filled by a person appointed by the BoT, which person shall hold office for the un-expired portion of the

period of office of his or her predecessor, and may on expiry of his or her period of office be re-appointed by the BoT.

8.5.3 **Roles and Responsibilities**

(i) In terms of section 36(12) of the Act, the main roles and responsibilities of the Committee are to:

a. assist the board of trustees in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management function and auditing processes applied by that medical scheme or its administrator in the day-to-day management of its business;
b. facilitate and promote communication and liaison regarding the matters referred to above or a related matter, between the Board of Trustees, Principal Officer, administrator and, where applicable;
c. to recommend the introduction of measures which the committee believe may enhance the credibility and objectivity of financial statements and reports concerning the affairs of the medical scheme; and
d. to advise on any matter referred to the committee by the board of trustees. It is important to note that the role of the Committee is advisory and not executive.

8.6 INVESTMENT COMMITTEE CHARTER

8.6.1 **Objective**

(i) Investment Committee arrangements need to be proportionate to the task, and will vary according to the size, complexity, expertise of the BoT as well as the risk profile of the Scheme.

(ii) While all Trustees have a duty to act in the interests of the Scheme the Investment Committee has a particular role to

ensure that the interests of members are properly protected in relation to investment decisions taken.

(iii) All Trustees remain equally responsible for the Scheme's affairs as a matter of law. The Investment Committee, like other BoT Committees to which particular responsibilities are delegated, remains a Committee of the BoT. Any disagreement within the BoT, including disagreement between the Investment Committee's members and the rest of the BoT, should be resolved at BoT level.

(iv) The guiding principle underpinning the operation of the Investment Committee is that members should have no direct financial interest (other than as member) in the decisions that they make.

(v) The Investment Committee shall be prepared to take a robust stand and all staff members of the Scheme or the administrator must be prepared to make information freely available to the Investment Committee, to listen to their requests and to discuss the issues openly.

(vi) Many of the core functions of Investment Committees set out in this guide are expressed in terms of 'oversight', 'assessment' and 'review' of a particular function. It is not the duty of an Investment Committee to carry out functions that are the responsibility of others (Executive Management of the Scheme or the administrator). To do so could undermine the responsibility of the BoT.

(vii) It shall be noted that an Investment Committee is not a statutory requirement for a medical scheme, but it is a good medical scheme governance practice to have one.

8.6.2 **Purpose**

(i) The Investment Committee is established for the purpose of determining and maintaining investment policies and procedures.

(ii) The Investment Committee shall advise the BoT on the strategic and operating matters in respect of the investment funds, to ensure that the investments made are in the best interest of the members.

(iii) The Investment Committee shall assist the BoT to monitor the Scheme's compliance with the Medical Schemes Act 131 of 1998 as amended, in respect to the limitations on assets to be held in the republic.

8.6.3 **Membership**

(i) The Investment Committee shall be appointed by the BoT as a Committee of the BoT and its composition shall be minuted in the BoT minutes of meetings.

(ii) The BoT shall appoint the members of the Investment Committee on such terms and conditions as it might determine. The term of office of the members shall not exceed three years unless re-appointed.

(iii) Upon the expiration of a member's term of office, he or she shall be eligible for re-appointment for a further term of office provided that no Investment Committee member may be appointed for more than two consecutive terms.

(iv) A vacancy, which occurs in the Investment Committee, shall be filled by a person appointed by the BoT, which person shall hold office for the unexpired portion of the period of office be re-appointed by the BoT.

(v) At least one of the members of the Investment Committee shall have knowledge in the Investment Management field. However, all members of the Investment Committee shall not have any direct or indirect interest in the Investment portfolios, for example by being the Investment broker or fund manager.

(vi) The constitution, terms and conditions and the term of office of the Investment Committee and its members shall

be included in a written terms of reference and if applicable in line with the Rules of the Scheme.

8.6.4 **Roles and Responsibilities**

(i) The Investment Committee shall make recommendations to the BoT regarding the asset allocation principles of the Scheme's Investment portfolio and the Investment policy.

(ii) The Investment Committee shall review the Investment strategies, capital market assumptions performance of the portfolio against established performance benchmarks and fund managers. The Investment Committee shall report to the BoT quarterly on the performance of the Investment portfolio.

(iii) The Investment Committee shall monitor the performance of each Investment with a view to maximizing the total return, keeping in mind the preservation and enhancement of the future purchasing power of funds.

(iv) The Investment Committee shall report to the BoT annually on the overall performance of the fund managers.

(v) The Investment Committee, shall make recommendations to the BoT on the appointment of fund managers, including the recommendation of any fees payable and other terms on which the appointment are made.

(vi) The Investment Committee shall assist the BoT in their decision taking processes, whether to withdraw amounts as required from the Investment funds to support daily operations.

(vii) The Investment Committee shall supervise the safekeeping and handling of the Scheme's Investments, which are under the Investment Committee's jurisdiction.

(viii) The Investment Committee shall monitor all reported Investment activities for compliance with the Scheme's Investment policy as well as the statutory requirements. In instances where there is deviation from the Investment

policies, the Investment Committee shall investigate the reasons and put corrective action and report to the BoT.

(ix) The Investment Committee shall assist the BoT in preparing their annual report on Investment performance and compliance.

8.7 HUMAN RESOURCES AND REMUNERATION COMMITTEE CHARTER

8.7.1 Objective

(i) While all Trustees have a duty to act in the interests of the Scheme the HR/Remuneration Committee has a particular role, acting separately from the BoT, to ensure that the interests of members are properly protected in relation to HR/Remuneration decisions taken.

(ii) It should be noted that a HR/Remuneration Committee is not a statutory requirement for a medical scheme, but is a good corporate governance practice to have one.

8.7.2 Purpose

(i) The main purpose of the HR/Remuneration Committee is to assist the BoT in establishing a formal and transparent procedure for developing and implementing a Remuneration policy and procedures for the BoT as well as all senior staff members paid directly by the Scheme.

(ii) The HR/Remuneration Committee shall lead a formal, rigorous, and transparent process on behalf of the BoT, for appointments of senior staff members directly employed by the Scheme.

(iii) It shall also make recommendations to the BoT on succession planning.

(iv) The guiding principle underpinning the operation of the HR/Remuneration Committee is that members of the HR/Remuneration Committee shall have no direct or

indirect financial interest (other than as member of the Scheme) in the decisions that they make and withdraw from the meetings when their own Remuneration is being considered in order to ensure that there is no direct or indirect conflict of interest.

8.7.3 **Membership**

(i) The HR/Remuneration Committee shall be appointed by the BoT as a Committee of the BoT, and the composition shall be in the BoT minutes of meetings.

(ii) The BoT shall appoint the members of the HR/Remuneration Committee on such terms and conditions as it might determine. The term of office of the members shall not exceed three years unless re-appointed.

(iii) Upon the expiration of a member's terms of office, he or she shall be eligible for re-appointment for a further term of office provided that no HR/Remuneration Committee member may be appointed for more than two consecutive terms.

(iv) A vacancy, which occurs in the HR/Remuneration Committee, shall be filled by a person appointed by the BoT, which person shall hold office for the un-expired portion of the period of office of his or her predecessor, and may on expiry of his or her period of office be re-appointed by the BoT.

(v) The terms of reference of the HR/Remuneration Committee and its members shall include the constitution, terms and conditions and the term of office.

8.7.4 **Roles and responsibilities**

(i) The HR/Remuneration Committee is responsible to the BoT for:

- reviewing the ongoing appropriateness and relevance of the Remuneration policies and procedures;
- overseeing the implementation of the Remuneration policy within the Scheme;
- setting the overall policy for Remuneration packages for all senior staff members directly employed by the Scheme, in a form and amount which will attract, retain, motivate, and reward high caliber individuals;
- setting the overall policy and procedures for the retention and recruitment of senior staff directly employed by the Scheme;
- determining and reviewing of the Remuneration packages of each of the BoT and senior staff members directly employed by the Scheme;
- reviewing policies for the retention and recruitment of senior staff directly employed by the Scheme, on professional and equivalent grades;
- the annual review of the terms and conditions of early retirements or voluntary redundancy for senior staff; and
- disclosing any payments or considerations made to them in the particular year.

(ii) The HR/Remuneration Committee shall assist the BoT in compiling the job descriptions of all senior staff members directly employed by the Scheme, in a standard format, which will be used for independent performance evaluations.

(iii) The HR/Remuneration Committee shall review the performance measures of the employees and senior staff members directly employed by the Scheme annually to

ensure that the measures are linked to the priorities of the Scheme for the forthcoming year.

(iv) The HR/Remuneration Committee shall assist the BoT in developing and implementing a systematic, open and proactive performance evaluation programme for the BoT and senior staff.

(v) The HR/Remuneration Committee shall recommend the annual Remuneration for Trustees and for the Chairperson of the BoT.

(vi) The HR/Remuneration Committee shall advise on the terms and conditions of contracts or renewal thereof of senior staff directly employed by the Scheme.

(vii) The HR/Remuneration Committee shall evaluate the balance of skills, knowledge, and experience on the BoT and prepare a description of the role and capabilities required for a particular appointment for the BoT.

(viii) The HR/Remuneration Committee shall satisfy itself that plans are in place in respect of orderly succession of appointments to the BoT and to senior management directly employed by the Scheme to maintain an appropriate balance of skills on the BoT and senior management.

8.8 CLINICAL GOVERNANCE COMMITTEE CHARTER

8.8.1 Objective

(i) This guide is designed to assist the BoT in making suitable arrangements for the Clinical Governance Committee.

(ii) The business philosophy and strategies of the medical scheme industry have been nominated by funding and administrative priorities. Health management needs to become part of centre stage. For medical schemes to deliver "value for money" for their members, funding and health management principles shall be in harmony.

(iii) Clinical Governance is a framework through which organizations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.

(iv) Clinical Governance demands a major shift in the values, culture and leadership of medical schemes to place greater emphasis on the quality of funded clinical care with the objective of making it easier to bring about improvement and change in clinical practice.

8.8.2 **Purpose**

(i) To oversee and lead the development of Clinical Governance within the medical scheme environment with the aim of supporting the provision of high standards of health care services that are characterized by being safe, patient centered, effective and efficient.

(ii) To endorse, promote and support the development of medical scheme services and health care delivery contracts through which the Scheme is accountable for continuously improving the quality of services, safeguarding high standards of care and creating an environment in which excellence in clinical care will flourish.

8.8.3 **Membership**

(i) The Committee shall be appointed by the BoT as Committee. Nominees to the membership shall, as far as possible, enjoy the following criteria:

- Knowledge of the medical schemes environment;
- Experience in clinical care and total quality evaluation and management;
- Honesty, integrity and diversity in opinion;

- Ability to make independent analytical inquiries; and
- Willingness to devote adequate time and effort to Committee's responsibilities.

(ii) The BoT and the Committee shall, as far as possible, avoid conflict of interests and if inevitable, create an appropriate mechanism to manage them.

(iii) A vacancy, which occurs in the Clinical Governance Committee, shall be filled by a person appointed by the BoT, which person shall hold office for the un-expired portion of the period of office of his or her predecessor, and may on expiry of his or her period of office be re-appointed by the BoT.

8.8.4 **Roles and Responsibilities**

(i) The Clinical Governance Committee will:

- advise the BoT of key strategic and operating issues pertaining to the quality of clinical care;
- develop and implement the Clinical Governance strategy for the medical scheme;
- monitor and evaluate the execution of the Clinical Governance strategy and implementation plan;
- actively communicate Clinical Governance progress and activity to the BoT;
- prepare an annual and interim reports as required; and
- ensure that Clinical Governance principles are inherent in all relevant contracts and service level agreements with providers and designated service providers.

(ii) The Committee will also plan and undertake baseline assessments and periodic reviews aimed at ensuring that systems, policies and procedures within the scheme are

geared towards achieving the highest level of clinical care quality and securing value for money for the medical scheme's members.

- designated service provider networks contracts;
- the development of protocols, clinical guidelines and formularies;
- managed care contracts that cover disease management, pre-authorisation, pharmacy benefits management, etc; and inculcating the concept of evidence-based medicine and a caring attitude amongst its staff, and create an awareness by its members and participating providers;
- inculcating the concept of evidence-based medicine and a caring attitude amongst its staff, and create an awareness by its members and participating providers;
- clinical and professional ethics.

8.9 COMPLAINTS AND DISPUTES

8.9.1 Complaints

(i) Members may lodge their complaints, in writing, to the Scheme. The Scheme or its administrators shall provide a dedicated toll free telephone number to be used for dealing with telephonic enquiries and complaints.

(ii) All complaints received in writing shall be responded to by the Scheme in writing within 30 days of receipt thereof.

8.9.2 Disputes

(i) Any Dispute, which may arise between a member, prospective member, former member or a person claiming by virtue of such member and the Scheme or an officer of

the Scheme, must be referred by the PO to the Disputes Committee for adjudication.

(ii) On receipt of a request in terms of the Rule, the PO must convene a meeting of the Disputes Committee by giving not less than 21 days' notice in writing to the complainant and all the members of the Disputes Committee, stating the date, time, and venue of the meeting and particulars of the Dispute.

(iii) The Dispute Committee may determine the procedure to be followed.

(iv) The parties to any Dispute have the right to be heard at the proceedings, either in person or through a representative.

(v) An aggrieved person has the right to appeal to the Council for Medical Schemes against the decision of the Disputes Committee. Such appeal must be in the form of an affidavit directed to Council and shall be furnished to the Registrar not later than three months after the date on which the decision concerned was made or such further period as the Council may for good cause shown allow, after the date on which the decision concerned was made.

(vi) The operation of any decision which is the subject of an appeal under Rule 28.8 shall be suspended pending the decision of the Council on such appeal.

8.9.3 **Confidentiality**

Unless otherwise agreed, or required by law, all ADR proceedings, including communications, statements, disclosures and representations made by any party or other participants in the course of such proceedings, shall in all respects, be confidential and shall not be disclosed to anyone not party to the Dispute.

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9. MATTERS RESERVED FOR BOARD DECISION

The following matters shall be reserved for decision by the Board, on the basis of any recommendation as may be made from time to time by any Board Committee:

9.1 FINANCIAL

(i) adoption of any significant change or departure in the accounting policies and practices of Polmed;

(ii) approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans and

(iii) approval of the annual statements.

9.2 STATUTORY AND ADMINISTRATIVE

(i) Recommending amendments to the Rules of Polmed and Benefit Design;

(ii) Appointment, removal or replacement of the Internal and External Auditors;

(iii) Frequency of meetings of the Board;

(iv) Convening of general meetings of members of Polmed;

(v) Prosecution, defense or settlement of legal or arbitration proceedings where material and except in the ordinary course of business;

(vi) Appointment of responsible persons and or service providers, as may be required in terms of any statute in South Africa or elsewhere in respect of Polmed and

(vii) Granting of general signing authorities pursuant to the Rules;

(viii) Appointment of the Principal Officer and Executive Management of Polmed.

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9.3 **REGULATORY**

(i) Approval and authority to issue notices to members of Polmed;

(ii) Recommending to members of Polmed that they approve any ordinary or special resolutions of the Polmed and

(iii) Recommending that the members take a particular course of action proposed by Polmed.

9.4 **GENERAL**

The Board may amend these terms of references at the first meeting of the Board of Trustees after an Annual General Meeting, which meeting has been convened to appoint the members of the Committee.

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MARCH 2018