



Remuneration Policy

*Approved by the Board
6 April 2017*

1. Principal Officer and Chief Executive

1.1. Preamble

In order to ensure the best service to members, the Remuneration Policy of Profmed should reflect its philosophy of attracting, retaining and motivating a Principal Officer of exceptional talent. The Principal Officer should be remunerated in such a way as to attract and retain a person of above average ability, capable not only of performing appropriate management functions but also of actively promoting the growth of Profmed, driving superior performance and pursuing business opportunities which will enhance the value of Profmed to its members over the long term.

1.2. Policy

- 1.2.1. The remuneration element comprises two components, namely a fixed component which is guaranteed and a variable component which is performance linked. The latter is to encourage performance, growth and the pursuance of business opportunities.
- 1.2.2. The fixed component of the remuneration package is on a 'total cost to company' basis.
- 1.2.3. The "total cost to company" of the package aims to remunerate in line with the 60th Percentile of the market of comparable positions as indicated by annual market surveys conducted by independent consultants with access to up-to-date and reliable survey data. It will take into account the appropriateness of the fixed to variable remuneration mix of Profmed, to ensure that it reflects the remuneration philosophy and strategy. It will also take into account the performance of the Principal Officer in meeting his or her KPAs as set out below.

1.3. Fixed Remuneration

When fixing the package, the following must be taken into account:

What the market is paying persons in similar positions with similar responsibilities in open and closed schemes of similar stature, size and complexity to Profmed. In order to assess this, the services of a consultant having access to up-to-date and reliable market surveys must be engaged.

1.3.1. The assessment of the Principal Officer's performance by the Board of Trustees.

1.3.2. The affordability to Profmed.

1.4. Key Performance Areas (KPA's)

The assessment of the Principal Officer's performance is conducted as set out below.

1.4.1. In order to be able to assess the Principal Officer's performance, KPA's in support of the strategic objectives of the organisation, must be agreed in advance at the beginning of the year between the Principal Officer and the Trustees. These must as far as possible be based on measurable performance criteria and be supported by objectives and indicators, and must be weighted.

1.4.2. When setting the indicators, the difficulties of setting easily-measurable indicators in the light of Profmed's non-profit nature must be recognised. This will make assessment relatively more difficult but will not obviate the need for such indicators.

1.5. Incentive Remuneration

1.5.1. Incentive remuneration will be determined according to the Principal Officer's

achievement of his KPAs as evaluated by the Trustees. The Remco will recommend to the Board the quantum of the Principal Officer's remuneration after considering the report of Trustees on the evaluation.

1.5.2. The Principal Officer's overall performance must be rated on the following scale:

- 1 – Unacceptable
- 2 – Needs improvement
- 3 – Meets and at times exceeds expectations
- 4 – Consistently exceeds expectations
- 5 – Excels

1.5.3. Should the Principal Officer's overall performance be rated at 5, a bonus of 30% of his or her fixed annual remuneration will be granted. A rating of 3 will result in a bonus of 15% of the fixed annual remuneration being granted with a straight line relationship for an overall performance rating between these two anchors. A performance rating below 3 will result in a zero bonus.

2. Members of the Board and Board Committees

2.1. Preamble

Remuneration of the members of the Board and Board committees must recognise that most persons occupying such positions sacrifice income from their practices in order to be able to serve on the Board or committee and must also recognise the serious responsibilities borne by these individuals serving on the Board and its committees. Accordingly, remuneration must be reasonable, fair and market related in order to attract the most appropriately skilled and competent people with relevant expertise to make themselves available. When determining the trustee and committee member remuneration and structure, the Council for Medical Schemes' (CMS) guidelines and the King III Practice Notes on remuneration should be taken into account.

2.2. Policy

- 2.2.1. The Chairman receives a retainer related to the time he/she spends on Board and committee matters as well as *ad-hoc* meetings attended on Profmed's affairs, and the expertise he/she makes available to Profmed.
- 2.2.2. Board members other than the Chairman are paid a base fee and a fee per Board and/or committee meeting attended. Independent committee members are paid a fee per meeting attended. *Ad hoc* official activities engaged in on Profmed affairs are remunerated at an hourly rate.
- 2.2.3. The chairmen of the Board committees and independent committees are remunerated at 50% above the rate paid to the committee members.
- 2.2.4. The amounts payable in terms of 2.2.1, 2.2.2 and 2.2.3 above will be determined after taking into account:
 - 2.2.4.1. The King III Remuneration Practice Notes. In order to facilitate this, the services of a consultant having access to up-to-date and reliable market surveys, must be regularly engaged.
 - 2.2.4.2. The affordability to Profmed.
 - 2.2.4.3. In the case of the Chairman, the estimated time spent on Profmed's affairs and the expertise he/she is likely to make available to Profmed.
 - 2.2.4.4. The assessment as set out in Clause 3 below.

3. Assessment of Chairman

The performance of the Chairman must be assessed annually by the members of the Board of Trustees. The Board members must submit their written assessments to an independent person (being the Chairman of the Remco) in time for that person to inform the Committee thereof at the first meeting of the Committee each year. Such meeting will normally take place once the final financial figures for the previous year are available.

4. Authority

All the amounts payable in terms of the above will be recommended by the Remco in accordance with the policy as laid down by the Board and set out above.

5. Reporting

Full disclosure of each individual trustee's and the Principal Officer's remuneration, giving details of base pay, bonuses and all other benefits, must be provided in the annual remuneration report, to be included in the annual integrated report. The remuneration policies followed throughout the Scheme must be explained, with special focus on executive management, and the strategic objectives that it seeks to achieve, and must provide clear disclosure of the implementation of those policies. The report should indicate the members of the Remco, a summary of the purpose of the Remco and its roles and responsibilities, and a schedule of the Remco meetings held and attendance by its members.

The remuneration report must explain the policy on base pay and short terms incentives, including the use of appropriate benchmarks. A policy to pay salaries on average at above median requires special justification. It must also explain and justify any material *ex gratia* payments.

6. Policy Review

This policy shall be reviewed annually by the Remco and any substantive review thereof shall be recommended to the Board for approval and recommendation to the Annual General Meeting for a non-binding advisory vote.