

PROFMED

Remuneration Policy

*Effective from 1 January 2020
V1/2020*

*Approved by the Board
8 April 2020*

Contents

1. Principal Officer	3
1.1. Preamble	3
1.2. Policy	3
1.3. Fixed Remuneration	4
1.4. Key Performance Areas (KPA)s.....	4
1.5. Incentive Remuneration	5
2. Members of the Board and Board Committees	6
2.1. Preamble	6
2.2. Policy	7
3. Scheme Staff	7
4. Authority	8
5. Reporting	8
6. Policy Review	9

1. Principal Officer

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 and sustainability 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 three components, namely a fixed component which is guaranteed and a variable component of a maximum of 45% of the fixed component, which variable component is performance linked. The variable component is split between a Short-Term Incentive and a Long-Term Incentive. The incentives are aimed to encourage performance, growth, sustainability, the pursuance of business opportunities and to retain the Principal Officer.
- 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 the fixed component of comparable positions as indicated by market surveys conducted by independent consultants with access to up-to-date and reliable survey data. These surveys are to be conducted biennially and will provide sufficient comparison to establish market relativity for the Principal Officer. It will take into account the appropriateness of the fixed remuneration in 1.3 below.

1.3. Fixed Remuneration

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

1.3.1. 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.

1.3.2. 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, Key Performance Areas ("**KPA's**") in support of the strategic objectives of the organisation must be agreed between the Principal Officer and the Trustees before (or at the beginning of) the year. These must as far as possible be based on specific and measurable performance criteria and be supported by objectives and Key Performance Indicators ("**KPI's**"), and must be weighted.

1.4.2. The Board of Trustees will monitor the Principal Officer's KPA's and KPI's at every mid-year (to 30 June of each year) and the KPA's and KPI's will be assessed, for purposes of the incentive bonus, on an annual basis for the period 1 January to 31 December of each year.

1.4.3. 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 performance and will be annually measured by the Trustees, on an agreed and pre-approved balanced scorecard comprising of KPAs, with specific and measurable KPIs for each KPA.
- 1.5.2. The Remuneration Committee (Remco) will recommend to the Board the quantum of the Principal Officer's remuneration after considering the report of the Trustees on the evaluation.
- 1.5.3. An incentive bonus of up to 45% of the fixed component of the remuneration package may be awarded annually. The incentive bonus will be allocated as to 70% short-term incentive bonus and 30% long-term incentive bonus.
- 1.5.4. Any short-term incentive bonus awarded will be in respect of the preceding year's KPAs and KPIs and paid on or before 31 May of the immediately following year, after the audited financial statements have been finalised for the preceding year.
- 1.5.5. Any long-term incentive bonus awarded will be in respect of the preceding year's KPAs and KPIs and paid into an interest-bearing escrow account, on or before 31 May of the immediately following year, after the audited financial statements have been finalised for the preceding year.
- 1.5.6. Any long-term incentive bonus awarded will be paid to the Principal Officer on 31 May of each year, two years after the amount has been invested into the escrow account, together with the interest accrued to that amount.
- 1.5.7. Any long term incentive bonuses awarded will be entirely forfeited by the Principal Officer in the event of his/her resignation or dismissal and in the event of any illegal act, dishonesty, maladministration, or deliberate concealment of pertinent information from the internal auditors, external auditors, any regulator or the trustees.

1.5.8. Any long-term incentive bonuses awarded may be entirely forfeited by the Principal Officer for any reason(s) outside of the circumstances stipulated above and will be at the discretion of the Board.

1.5.9. The long-term incentive bonus may vest in full where the Principal Officer exits on a good leaver basis. In this case, the Board's discretion will apply.

2. Members of the Board and Board Committees

2.1. Preamble

2.1.1. 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 IV principles on remuneration should be taken into account.

2.1.2. Trustee, committee members and the Chairman of the Board's remuneration will be benchmarked biennially to determine their relative position to the market. The fees will be benchmarked to a comparator group that comprises of medical schemes with a similar profile to that of the Scheme and by analysing remuneration data from the Council of Medical Schemes' annual report. Comparative ratios will be calculated to indicate the relative positioning of the Profmed Trustee Fees relative to the market.

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 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 IV principles. 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.

3. Scheme Staff

3.1. In order to ensure the best service to Profmed members, the Remuneration Policy recognises the need to remunerate the staff of the Executive Office in such a way as to attract and retain persons of above average ability.

- 3.2. The Principal Officer is responsible for determining the remuneration of staff in relation to the annual budget as approved by the Board of Trustees and in accordance with the staff remuneration policy as approved by the Board.
- 3.3. The Remco will recommend to the Board the percentage increase to be applied to Scheme staff.

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

- 5.1. Full disclosure of each individual trustee's and the Principal Officer's remuneration, giving details of guaranteed pay, bonuses, and all other benefits, must be provided in the annual remuneration report, to be included in the annual integrated report.
- 5.2. 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.
- 5.3. The remuneration report must explain the policy on guaranteed pay and incentives, including the use of appropriate benchmarks. 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.