

# PROFMED

## CHARTER

*V1/2020*

*A restricted medical scheme, for the benefit of its members, which provides medical cover, ensuring peace of mind and security to members and their families.*

***Vision:***

***Addressing the health care needs of professionals through appropriate benefits***

***The information in this charter is confidential and is legally privileged. It is intended for perusal by the Board of Trustees and members of the designated Board committees of Profmed Medical Scheme (hereinafter referred to as 'the Scheme').***

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## 1. PURPOSE

The purpose of this Charter is to regulate the conduct of business of the Board of Trustees (“the Board”) in accordance with the principles of good corporate governance as entrenched in the common law, supplemented by the King Report on Corporate Governance and the Medical Schemes Act 131 of 1998 (as amended), as well as the rules of the Scheme. The Charter sets out the specific responsibilities to be discharged by the trustees individually and collectively.

The Board is responsible for the Scheme’s corporate governance. It is ultimately accountable and responsible for the performance and affairs of the Scheme.

Trustees must subscribe and adhere to the Code of Conduct and Conflict of Interest Policy, i.e. Annexures A and B, respectively.

## 2. OBJECTIVES

The objectives of this Charter are to ensure that:

- 2.1. all trustees acting on behalf of the Scheme are aware of and abide by their duties and responsibilities in terms of the various legislative provisions; and
- 2.2. the principles of good corporate governance are applied in all their dealings in respect of and on behalf of the Scheme.

In pursuit of the ideals in this Charter, the intention is to exceed "minimum requirements", with due consideration given to recognised standards of best practice locally and internationally.

## 3. BOARD OF TRUSTEES

The Scheme shall be governed by the Board in accordance with section 57(1), (2) and (3) of the Medical Schemes Act 131 of 1998, other relevant laws and directives and the registered rules of the Scheme.

There must be a clear division of responsibilities amongst trustees and appropriate delegations of authority to ensure a balance of power and authority, such that no individual has unfettered powers of decision-making.

The Board must provide leadership and vision to the Scheme in a way that will enhance member value and ensure long-term sustainable development and growth of Profmed.

## 4. THE CHAIRMAN

- 4.1 Each year the Board must appoint from among its members a Chairman, who shall preside at meetings and which appointment could be made for consecutive terms, subject to the consensus of the Board.
- 4.2 The Chairman must provide leadership and guidance to the Board without limiting the principle of collective responsibility for Board decisions and must carry out all duties as mandated by the Board.
- 4.3 The Chairman has no executive function.
- 4.4 The Chairman is accountable to the Board.
- 4.5 The Chairman is responsible for ensuring the integrity and effectiveness of the governance processes of the Board.
- 4.6 The Chairman must arrange, through the Principal Officer, for new trustees appointed to the Board to be properly inducted.
- 4.7 The Chairman must establish standards for preparation of Board papers and reports.
- 4.8 The Chairman must ensure that the Board agendas adequately address the business of the Scheme. The Chairman must also ensure that the trustees are properly briefed on issues arising at Board meetings and that all available information on an issue is placed before the Board.
- 4.9 The Chairman must act as facilitator at meetings of the Board to ensure that no trustee dominates discussion, that appropriate discussion takes place and that relevant opinion among trustees is forthcoming. The Chairman must encourage proper deliberation of all matters requiring the Board's attention and obtain optimum input from the other trustees. The Chairman must ensure that he or she is adequately skilled and equipped to undertake these functions.
- 4.10 The Chairman may attend meetings of the standing committees ex officio and may participate in the meetings but does not have a voting right. The Chairman does not form part of the quorum of these meetings.
- 4.11 The Chairman may attend Audit and Risk Committee meetings by invitation of the Committee. The Chairman may participate in the meetings but does not have a voting right and does not form part of the quorum of the meeting.
- 4.12 The Chairman is a member of the Remuneration Committee but does not form part of the quorum of the meeting. The Chairman may participate in deliberations but does not have voting rights

- 4.13 Unless conflicted, the Chairman may attend Nominations Committee meetings ex officio and may participate in the deliberations of the meeting but does not have voting rights.
- 4.14 In between Board meetings the Chairman must maintain a link between the Board and the Principal Officer and be available to the Principal Officer to provide counsel and advice, where appropriate.
- 4.15 The Chairman must ensure effective mechanisms are in place to evaluate the Principal Officer.
- 4.16 In order to determine whether the Chairman is able to perform the duties of this office, the Chairman, together with the Board, should determine the number of external professional positions that the Chairman is allowed to hold, taking into account the relative size and complexity of the organisations involved.
- 4.17 The evaluation of the Chairman to be co-ordinated by the Principal Officer and conducted by the Board.

## **5. THE TRUSTEES**

### **5.1. INDUCTION OF NEW TRUSTEES**

- 5.1.1. On election or appointment, trustees must submit to an induction programme aimed at providing an understanding of the operations of the Scheme, the business environment and markets in which the Scheme operates. The induction programme should include at least the following aspects:
- 5.1.1.1. Knowledge of the Scheme (rules, legislation, Board structure, membership, this Charter and processes);
  - 5.1.1.2. Knowledge of the CMS structure(s) and levels of authority;
  - 5.1.1.3. Knowledge of the business of the Scheme (business processes, corporate strategies, organisation, management and people);
  - 5.1.1.4. Knowledge of relevant financial matters; and
  - 5.1.1.5. Discussions with the Chairman with regard to their expected role, potential contribution, particular knowledge, other relevant Scheme issues such as personal liability, significant legal cases, etc.
- 5.1.2. As part of induction, new trustees must receive induction material, which contains essential Board and Scheme information.

## **6. THE BOARD**

### **6.1. GENERAL**

- 6.1.1 The main role of the Board is to govern and direct the affairs of the Scheme.
- 6.1.2 The Board must be disciplined in fulfilling its role.
- 6.1.3 Discussions of the Board and records related to Board meetings will remain confidential unless there is a specific directive from the Board to the contrary.
- 6.1.4 The Board may, if necessary, for the effective discharge of its duties, take independent professional advice at the Scheme's expense in accordance with the procedures laid down by the Board for this purpose.
- 6.1.5 The Board is accountable to the members.
- 6.1.6 The Board must familiarise itself with issues of concern to the members.
- 6.1.7 The Board must consider economic, political, social and legal issues on an on-going basis, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the members.
- 6.1.8 The Board must ensure fair treatment of members and seek to act in the best interests of members at all times.
- 6.1.9 The Board when assessing a Board member's independence, must consider holistically and on a substance-over-form basis, whether the member has been in the employ of the organisation as an executive manager during the preceding three (3) financial years, or is a related party to such executive manager or service provider.

### **6.2. FREQUENCY OF BOARD MEETINGS AND QUORUM**

- 6.2.1 Meetings of the Board will be held at such time and at such venue as the Board deems appropriate, but it must generally meet at least quarterly and convene additional meetings as necessary.
- 6.2.2 The quorum necessary for the transaction of business is a majority of the Board members.
- 6.2.3 Meetings and proceedings of the Board are governed by the rules of the Scheme, this Charter, relevant legislation and other relevant directives.
- 6.2.4 At least 14 days' notice must be given of a meeting of the Board unless exceptional circumstances prevail whereupon the Board members can waive the 14 days' notice.

### **6.3. AGENDAS, MINUTES AND MEETING DOCUMENTS**

- 6.3.1 The Board has sole authority over its agenda. Any trustee may request the Chairman to add an item to the agenda in accordance with the procedures prescribed from time to time for this purpose.
- 6.3.2 The Chairman must ensure that the agenda is prepared by the Principal Officer prior to the meeting, raising issues that require attention, ensuring that proceedings are conducted efficiently, and all appropriate matters addressed.
- 6.3.3 The quarterly Board agendas must include at least:
- 6.3.3.1 a quarterly financial report and management accounts;
  - 6.3.3.2 an operational report including the Managed Healthcare reports from the administrator of the Scheme.
- 6.3.4 Reports from the various Board committees must be submitted to the Board at its next meeting.
- 6.3.5 The Principal Officer must circulate the agenda and other meeting documents to the trustees at least five working days before the date set down for the meeting.
- 6.3.6 A record of submissions made to the Board and documents of material presented to the Board, must be maintained in accordance with the provisions of the relevant legislation and held by the office of the Principal Officer together with the minutes of the meeting and must be accessible to trustees. All documents must also be electronically stored and effectively backed up.
- 6.3.7 Draft minutes of Board meetings must be circulated to all trustees within ten working days after the meeting and finalised minutes at least five working days prior to the next meeting, together with the agenda for the next meeting.
- 6.3.8 The practice for the compilation of minutes must be to establish prudence and clarity of the decision-making process and to record decisions and rationale for such decisions rather than the course of discussion.

### **6.4. BOARD DECISION-MAKING**

- 6.4.1 The Chairman must pursue consensus at a Board meeting but may, where considered necessary call for a vote. When a vote is called for, decisions are taken by a majority vote.

The Chairman has a deliberative vote and, in the event of a split decision, has a casting vote. The Board's discussions must be open and constructive.

6.4.2 Round-robin voting is the process by which, in exceptional and urgent circumstances, the Board of Trustees or the Board committees can reach a decision on any given matter outside of the official Board or Board committee meetings. The process of a round-robin vote is as follows:

6.4.2.1 A proposal document setting out all relevant details in respect of the matter under review must be submitted to the relevant Board/committee members and the written vote simply agreeing or disagreeing with the proposal must be returned to the Principal Officer by the stipulated deadline;

6.4.2.2 A majority vote by the relevant trustees or Committee members is required to carry a decision unless a trustee or committee member invites discussion or requests a meeting to be held. The results of the round-robin vote must be ratified at the next meeting of the relevant Board/committee.

## **6.5. RESPONSIBILITIES OF THE BOARD OF TRUSTEES**

The Board is responsible for the overall stewardship of the Scheme. The responsibilities of the Board are contained in sections 57(4) and (5) of the Medical Schemes Act 131 of 1998 (as amended), and the rules of the Scheme. The Board has the following specific responsibilities, namely:

### **6.5.1. FINANCIAL**

6.5.1.1. approve the annual budget and monitor performance against budget;

6.5.1.2. manage reserves to ensure the solvency ratio remains within the targets set by the Board and the statutory requirements;

6.5.1.3. approve the policy that articulates the Board's direction on responsible investment. This policy to provide for the adoption of recognised responsible investment principles and practices;

6.5.1.4. ensure that management and/or the investment advisor make investment decisions and activities that are based on the Board's policy on responsible investment;

6.5.1.5. review investment proposals;

6.5.1.6. oversee the management of the Scheme's finances;

- 6.5.1.7. review the performance of the Scheme against business plans, budgets and industry standards;
- 6.5.1.8. delegate authority for capital expenditure as appropriate;
- 6.5.1.9. Recommend the choice of an external auditor who can be expected to perform their functions independently and ensure monitoring thereof;
- 6.5.1.10. determine, approve and periodically review specific financial objectives for the Scheme;
- 6.5.1.11. approve any significant expenditure which is outside of the budget;
- 6.5.1.12. recommend the appointment of the external auditor of the Scheme to the membership;
- 6.5.1.13. adopt any significant change in or departure from the accounting policies and practices of the Scheme;
- 6.5.1.14. approve and monitor the investment strategy and performance and implement corrective action where necessary;
- 6.5.1.15. Review and monitor the performance of the asset managers and compliance with Schedule B to the Regulations in terms of the Medical Schemes Act 131 of 1998; and
- 6.5.1.16. approve the annual integrated report, including the audited annual financial statements of the Scheme.

## **6.5.2. GOVERNANCE, RISK & STRATEGY**

- 6.5.2.1. provide strategic direction to the Scheme, which includes the determination of its business model, and monitor the implementation thereof;
- 6.5.2.2. provide direction on the management of information technology, and how it should be approached and addressed by the Scheme;
- 6.5.2.3. provide oversight of Scheme performance against set strategic targets and objectives;
- 6.5.2.4. identify and evaluate the Scheme's exposure to actual and potential risk areas, including risks related to:
  - Operations including oversight of the outsourced service providers; administration services to members; managed care functions and marketing and broker services for new members
  - Clinical Risk

- Human Resources
- Technology
- Business continuity and disaster recovery
- Investments and other financial instruments
- Compliance;

- 6.5.2.5. determine its tolerance for risk;
- 6.5.2.6. effectively manage risk and ensure that appropriate systems are in place, and to identify and effectively measure the impact of the risks so that the Scheme's assets and reputation are suitably protected;
- 6.5.2.6. devise strategies and policies to promote and grow membership;
- 6.5.2.7. determine membership targets;
- 6.5.2.8. convene general and special general meetings of members of the Scheme;
- 6.5.2.9. report to members on the direction, governance and performance of the Scheme;
- 6.5.2.10. determine the Scheme's mission and values;
- 6.5.2.11. ensure the establishment of organisational structures and procedures to achieve its objectives;
- 6.5.2.12. approve the terms of reference for all committees of the Board;
- 6.5.2.13. support the Principal Officer in ensuring effective control over the Scheme;
- 6.5.2.14. oversee functions of the Executive Office and monitor compliance with the requirements of the Medical Schemes Act 131 of 1998, the rules of the Scheme, instructions of the Board and any other statutory/regulatory requirements or directives;
- 6.5.2.15. direct any requests from trustees for the requisitioning of documentation and information from Management and/or Staff, and the arranging of meetings, to be directed to the Principal Officer;
- 6.5.2.16. direct any requests from trustees for the requisitioning of information from or interaction with the Scheme's Contracted Outsourced Partners (COPs), to be directed to the Principal Officer;
- 6.5.2.17. establish a succession plan for the Board, to include the identification and development of future appointments of the Board;
- 6.5.2.18. ensure appropriate policies and procedures are implemented;

- 6.5.2.19. manage the intellectual property owned by the Scheme;
- 6.5.2.20. ensure compliance by the Scheme with relevant legislation and directives, audit and accounting principles, the Scheme's rules and this Charter;
- 6.5.2.21. strive to achieve and exceed performance standards;
- 6.5.2.22. reserve specific powers for the Board and delegate matters as appropriate to the Principal Officer;
- 6.5.2.23. institute effective mechanisms to monitor the performance of the Executive Office;
- 6.5.2.24. act responsibly towards the Scheme's business associates and other stakeholders;
- 6.5.2.25. monitor compliance in terms of the applicable social and ethics responsibilities of the Scheme and that these are monitored and reported on (*Refer to Annexure A of the Charter*);
- 6.5.2.26. monitor compliance with corporate governance principles and practices of King IV;
- 6.5.2.27. appoint a fit-and-proper person as the Principal Officer;
- 6.5.2.28. delegate appropriate authority to the Principal Officer and other relevant parties. Delegating authority to the Principal Officer and other parties does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities;
- 6.5.2.29. remove the Principal Officer from office, if deemed necessary;
- 6.5.2.30. ensure that there is a succession plan in place for the Principal Officer and other key personnel in the Scheme and it is reviewed periodically;
- 6.5.2.31. be attentive to and respect the demarcation of powers and responsibilities attributed and delegated to the Principal Officer and the Executive Office;
- 6.5.2.32. review the Board's composition and structure, and that of its committees;
- 6.5.2.33. appoint or remove trustees in terms of the rules of the Scheme and the Medical Schemes Act.
- 6.5.2.34. approve amendments to the rules of the Scheme;
- 6.5.2.35. appoint an accredited administrator and other relevant outsourced parties; review the performance of the administrator and other outsourced parties to assess their efficiency, appropriateness and cost-effectiveness;
- 6.5.2.36. pursue defence or settle legal or arbitration proceedings;

6.5.2.37. make a decision whether to terminate membership of a member in the event of a dispute;

## **6.6. BOARD EVALUATION AND PERFORMANCE**

- 6.6.1 The Board must undertake a self-evaluation of its performance and effectiveness annually in order to improve or enhance its effectiveness.
- 6.6.2 The evaluation must be structured and supervised by the Board Chairman and its results discussed with the Board.
- 6.6.3 The Board to mandate the Audit and Risk to assess and recommend whether an external evaluation of its performance should be conducted.

## **7. BOARD COMMITTEES**

### **7.1. GENERAL**

- 7.1.1 The Board may establish standing, independent and ad hoc committees as required from time to time for the proper discharge of its functions. In terms of independent committees, the Board will determine the process to be followed as well as the criteria for the appointment of an independent committee member.
- 7.1.2 Board committees assist the Board in the execution of its duties, powers and authorities and facilitate efficient decision-making. Delegating authority to Board committees does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities.
- 7.1.3 Delegation of authority to Board committees must be properly documented by means of terms of reference or a mandate.
- 7.1.4 The Board committees must regularly report to the Board on their operations, except where a committee has been mandated otherwise by the Board.
- 7.1.5 Board committees must observe the same rules of conduct and procedures as the Board unless the Board determines otherwise.
- 7.1.6 Board committees may speak or act on behalf of the Board, when so authorised by the Board.
- 7.1.7 The Board committees are subsidiary to the Board and carry no executive power or authority, other than to advise and make recommendations to the Board for approval or final decision,

unless a specific function is delegated by the Board. The committees may accordingly not perform any management function or assume any managerial responsibility.

7.1.8 Board committees must operate in terms of this Charter, their terms of reference and the rules of the Scheme.

7.1.9 Current standing committees of the Board are:

- Medical Committee; and
- Investment Committee

7.1.10 Current independent Board committees are:

- Audit and Risk Committee; and
- Remuneration Committee.

These Committees operate in terms of their own Terms of Reference.

7.1.10 Ad hoc committees include:

- Fraud Committee; and
- Nominations Committee.

7.1.11 The ad hoc committees will be established as and when required. The terms of reference/mandate and constitution of the ad hoc committees will be decided by the Board at the time they are constituted.

7.1.12 All standing and independent committees must annually undertake an evaluation of their own functioning and effectiveness. This must be structured and supervised under the guidance of the chairmen of the committees and the results discussed with the committees and reported to the Board.

7.1.13 A Board member is entitled to attend any committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the Chairman; does not have a vote; and is not entitled to fees for such attendance, unless payment of fees is agreed to by the Chairman and/or Board.

## **7.2.MEETINGS**

7.2.1. The notice of each meeting, confirming the venue, time and date and enclosing an agenda of items to be discussed must, other than under exceptional circumstances, be forwarded to each member of the committee not less than five working days prior to the date of the meeting.

- 7.2.2. The chairmen, at their discretion, may invite such executives and senior management of the administrator or other outsourced parties as appropriate to attend and be heard at meetings of the committees.
- 7.2.3. The secretarial duties of the committees, including the taking of minutes, are the responsibility of the Executive Office of the Scheme.
- 7.2.4. The Executive Office must support the committees established by the Board in order for the committees to effectively fulfil their functions.
- 7.2.5. Meetings and proceedings of the committees must be governed by the rules of the Scheme regulating the meetings and proceedings of trustees and committees.
- 7.2.6. Approved minutes of meetings must be submitted to the Board of Trustees at the next relevant meeting of the Board.

### **7.3. COMMITTEE TERMS OF REFERENCE**

#### **7.3.1. GENERAL**

- 7.3.1.1 In carrying out their tasks under these terms of reference, committees may obtain such outside or other independent professional advice as considered necessary, in accordance with this Charter and the rules of the Scheme.
- 7.3.1.2 The committees must have access to any information needed to fulfil their responsibilities.
- 7.3.1.3 The committees may consider and deliberate on matters only within their terms of reference.
- 7.3.1.4 The terms of reference of committees may from time to time be amended as decided by the Board.

#### **7.3.2. MEDICAL COMMITTEE**

##### **7.3.2.1 CONSTITUTION**

- 7.3.2.1.1 The Medical Committee will be constituted annually by the Board of Trustees at the first Board meeting after the Annual General Meeting.
- 7.3.2.1.2 The Chairman will be appointed annually by the Board of Trustees at the first Board meeting after the Annual General Meeting.

#### **7.3.2.2. MEMBERSHIP**

The Committee will comprise of at least three trustees and not more than four trustees with medical experience, and the Principal Officer. This can also include co-opted members. The Medical and Clinical Advisors attend by invitation.

#### **7.3.2.3.VOTING**

All members of the Committee have one vote. In the event of an equal vote, the chairman has a deliberative vote in addition to a casting vote.

#### **7.3.2.4. QUORUM**

A quorum is a majority of the members of the Committee.

#### **7.3.2.5. MEETINGS**

Meetings of the Medical Committee will be held three times a year or as and when necessary in terms of business requirements.

#### **7.3.2.6. TERMS OF REFERENCE**

The Committee has the following responsibilities:

- 7.3.2.6.1. Review the performance and quarterly reports of the managed health care providers;
- 7.3.2.6.2 Consider ex gratia requests and record any approved requests in the Medical Committee report to the Board;
- 7.3.2.6.3 Delegate committee members to participate in the benefit design to ensure clinical appropriateness, quality of care and cost-effectiveness;
- 7.3.2.6.4 Consider appeals from members;
- 7.3.2.6.5. Provide support to the Medical and Clinical Advisor; and
- 7.3.2.6.6. Other relevant matters referred to it.

### **7.3.3. INVESTMENT COMMITTEE**

#### **7.3.3.1 CONSTITUTION**

7.3.3.1.1 The Investment Committee will be constituted annually by the Board of Trustees at the first Board meeting after the Annual General Meeting

7.3.3.1.2 The Chairman will be appointed annually by the Board of Trustees at the first Board meeting after the Annual General Meeting.

#### **7.3.3.2 MEMBERSHIP**

The Committee will comprise of at least three trustees and not more than four trustees, and the Principal Officer.

#### **7.3.3.3 VOTING**

All members of the Committee have one vote. In the event of an equal vote, the chairman has a deliberative vote in addition to a casting vote.

#### **7.3.3.4 QUORUM**

A quorum is a majority of the members of the Committee.

#### **7.3.3.5 MEETINGS**

Meetings of the Investment Committee will be held twice a year, or as and when necessary in terms of business requirements.

#### **7.3.3.6 TERMS OF REFERENCE**

The Committee has the following responsibilities:

7.3.3.6.1 To monitor, review and assess:

7.3.3.6.1.1 Profmed's investments in accordance with:

- the Investment Policy approved by the Board of Trustees;
- Section 35 of the Medical Schemes Act 131 of 1998; and
- Regulation 30 read with Annexure B to the Medical Schemes Act 131 of 1998;

- 7.3.3.6.1.2 the performance of investments (cash; cash equivalents; property; equities, etc) against the performance benchmarks and against peer managers within each asset class;
- 7.3.3.6.1.3 the performance of portfolio managers and the investment advisor;
- 7.3.3.6.1.4 the performance of peer-group asset managers in the broader investment management market;
- 7.3.3.6.1.5 the allocation of funds between categories of assets and asset managers;
- 7.3.3.6.1.6 the fees charged by the portfolio managers and investment advisor, and;
- 7.3.3.6.1.7 the ongoing appropriateness of Profmed's Investment Policy.
- 7.3.3.6.2 To assess and recommend to the Board of Trustees any proposed change in investment advisor and/or underlying portfolio managers upon the formal six-yearly review, or whenever required in light of poor manager/advisor performance or poor expected future performance.

## **8. THE PRINCIPAL OFFICER**

### **8.1. GENERAL**

- 8.1.1 The Board appoints the Principal Officer.
- 8.1.2 The Principal Officer must attend all meetings of the Board of Trustees and its committees (unless otherwise required by the Board or relevant committee) but has no voting rights except on the Investment Committee.
- 8.1.3 The specific functions of the Principal Officer are contained in the rules of the Scheme.
- 8.1.4 The Board should agree on whether the Principal Officer may take up additional professional positions, including membership to other boards, committees outside of the Scheme, taking into account time constraints and potential conflict of interests and be weighed against the opportunity for professional development.

## **8.2. ROLE OF THE PRINCIPAL OFFICER**

- 8.2.1. The Principal Officer is responsible for the day-to-day management of the Scheme, to give effect to the strategic direction provided by the Board and implement the decisions of the Board.
- 8.2.2. The Principal Officer is accountable for the proper discharge of his/her functions against the targets and objectives of the Scheme.
- 8.2.3. The Principal Officer has a key role to play in ensuring that Board procedures and the rules of the Scheme are complied with and reviewed regularly. He or she has the responsibility to ensure that each trustee is made aware of and provided with guidance as to his or her duties, responsibilities and powers as well as the effective discharging of these duties in accordance with the best interests of the Scheme.
- 8.2.4. The Principal Officer is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and all matters associated with its efficient operation are maintained.
- 8.2.5. The Principal Officer must maintain minute books and other records as required by law.
- 8.2.6. The Principal Officer is responsible for the accounting of the Scheme.
- 8.2.7. The Principal Officer is responsible for the staffing and functioning of the Executive Office.
- 8.2.8. The Principal Officer must keep abreast of and inform the Board of current governance thinking and practice applicable to the Scheme as well as any other developments in the medical scheme, economic and political environments that may impact the Scheme.
- 8.2.9. Trustees have unlimited access to the Principal Officer.
- 8.2.10 The Principal Officer must keep the Chairman timeously informed of all important and relevant matters pertaining to the Scheme.
- 8.2.11 The Principal Officer should not be the Chairman of the Board and the retired Principal Officer should not become Board Chairman until three (3) years have passed after the end of the Principal Officer's tenure.

## **9. CHARTER REVIEW**

- 9.1 This Charter and the annexures hereto must be reviewed on an annual basis.
- 9.2 Updates to the Charter must be approved by the Board by a 75% majority vote of the trustees present at the Board meeting.

# PROFMED

## CODE OF CONDUCT AND ETHICS OF PROFMED (THE SCHEME) TRUSTEES

### 1. Preamble

#### Code of Conduct

The trustees of the Scheme regard corporate governance as vitally important to the success of the business of the Scheme and are unreservedly committed to applying the principles necessary to ensure that good governance is practised in all of its business dealings.

#### Ethics

The Scheme is committed to maintaining the highest standards of ethical behaviour, by upholding ethical standards in all its activities, and complying with all prevailing laws that are applicable to its business and the environments in which it operates. Being ethical, is to strive towards a value system that is based on meeting the fundamental responsibilities inter alia in the areas of human rights, labour, environment and anti-corruption.

#### Therefore:

- All trustees are expected to act in a professional manner, thereby upholding the core values of integrity and ethics, and with due regard to their fiduciary duties and responsibilities in accordance with the Charter and the Conflict of Interest Policy for trustees as set out in Annexure B.
- All trustees are responsible for the Scheme achieving the highest level of ethical conduct.
- This Code of Conduct and Ethics constitutes and forms an integral part of each trustee's appointment letter.

### 2. The Trustees

- 2.1 The conduct of trustees must be in accordance with their duties and responsibilities to the members.
- 2.2 Trustees are required to act in the best interests of the Scheme as a whole.
- 2.3 Trustees must always act within the limitations imposed by the Board on their activities.

- 2.4 Before accepting his or her appointment, it shall be incumbent upon each trustee to become familiar with their fiduciary responsibilities, the legal and regulatory requirements pertaining to their functions, the Scheme Rules and relevant procedures.
- 2.5 Trustees should avail themselves for development and training opportunities to inform them of their duties, including fiduciary responsibilities, powers and potential liabilities.
- 2.6 All trustees are expected to keep themselves abreast of changes and trends in the Scheme's environment, which shall include general changes and trends in the economic, political, social and legal spheres.
- 2.7 Trustees bring to the Board their individual experience, skills and expertise. The full and free exercise of these qualities should be encouraged to facilitate independence of analysis, judgement and decision-making.
- 2.8 Trustees must exercise their duties in a responsible manner.
- 2.9 The participation of trustees should reflect their independent judgement, ethics, integrity and decision-making.
- 2.10 Trustees must exercise their functions and duties with the utmost care, in good faith, and with the diligence and prudence expected of a person in their position.
- 2.11 Trustees must dedicate the necessary time and attention to fulfil their duties, which includes regular attendance of Board and relevant committee meetings. Trustees who are unable to attend must advise the relevant chairman and the Principal Officer accordingly.
- 2.12 Trustees must observe and comply with the relevant legislation and other provisions applicable to the use and confidentiality of Scheme information.
- 2.13 Trustees must ensure that they are given sufficient information to permit proper deliberation of issues at Board and committee meetings. It is their duty to request from the relevant chairman and/or the Principal Officer information they consider necessary to effectively fulfil their functions timeously. Trustees must have access, at reasonable times, to all Scheme information and the Principal Officer where necessary for the proper discharge of their duties and responsibilities and to enable them to make informed decisions.
- 2.14 Trustees must express their views clearly and concisely to justify the validity of their position in any matter.
- 2.15 Trustees must subscribe to the Scheme's ethos of professionalism, partnership, team spirit, value creation, integrity and ethics and commit to upholding these values and ensuring their correct

implementation. Consequently, the trustees must not only take into account the financial and business implications of their decisions, but also the consequences and impact of the decisions on the members.

- 2.16 Trustees should strive to keep debating points concise, relevant, impersonal and in the best interests of the Scheme.
- 2.17 Trustees must act in the interests of the members of the Scheme. Trustees must ensure that Scheme decisions do not favour the interests of any particular individual, category of individuals or any special interest group.
- 2.18 Trustees must ensure that no single person on the Board and within the Scheme can exercise uncontrolled discretionary powers.
- 2.19 To maintain independence in all circumstances, each trustee undertakes:
  - 2.20.1 to resist any pressure, direct or indirect, which may be exercised on them, whether by other trustees, members, stakeholders or any other party.
  - 2.20.2 neither to seek nor to accept, directly or indirectly, any advantage, benefit or remuneration that might be considered as compromising their independence.
- 2.21 Trustees must comply with the Conflict of Interest Policy, Gift Policy, Fraud Protection and Prevention Policy, Training Policy, Information Technology (IT) Governance Policy and the Travel and Subsistence Policy.

### **3. Corporate Responsibility and Integrity**

- 3.1 Trustee applicants may not make false statements regarding their qualifications, references or competency.
- 3.2 The Board of Trustees must implement corrective action in the event of any wrongdoing by any trustee.
- 3.3 Trustees must inform the Chairman of the Board of Trustees of any issues that could bring the Scheme into disrepute.

## **4 Confidentiality**

- 4.1 Trustees must comply with all applicable confidentiality and privacy policies, legislation and regulations relating to the Scheme and maintain the confidentiality and privacy of all information entrusted to them by the Scheme or its suppliers, clients or other business partners, except where disclosure is authorised by the Scheme or an authorised third party.
- 4.2 Trustees must maintain the confidentiality of information obtained in the course of fulfilling their duties as a trustee or in the normal course of their appointment as a trustee of the Scheme and may not make any unauthorised disclosures. Trustees may, in particular, not disclose to unauthorised third parties or use confidential information that they obtained during their term of office as a trustee of the Scheme, which could be detrimental to the Scheme and its interests. This includes all electronic communications with other trustees or the Scheme staff.
- 4.3 Trustees may not use any confidential information acquired in the course of their duties for personal advantage or for the advantage of another party, either during or after their term of office.

## **5 The Law and Governance**

- 5.1 Trustees are expected to ensure that the Scheme complies with all its legal obligations during the conduct of its business.
- 5.2 Trustees are expected to ensure that the Scheme fulfils all its contractual obligations transparently, responsibly and with integrity.

## **6 Public Statements**

- 6.1 Trustees who are requested to give a public interview, opinion or statement must defer such request to the Principal Officer for comment and attention.

## **7 Convictions**

Trustees must immediately inform the Board of Trustees if they are convicted of any offence, which could bring the Scheme into disrepute.

## **8 Complaints Procedure**

- 8.1 Where a trustee becomes aware of any evidence of misconduct, suspected violations of applicable law, regulations or contracts on the part of anyone associated with the Scheme, he/she must inform, as appropriate, the Principal Officer, Chairman of the Audit and Risk Committee, Chairman of the Board, and/or any or all of the trustees, with relevant details, provided such trustee(s) is not the offending person.

8.2 Where the nature of the matter requires anonymity, the relevant process should be followed as contained in the Scheme's Fraud Protection and Prevention Policy,

## **9 Failure to Comply with the Code**

9.1 Trustees are responsible for ensuring that their conduct complies fully with this Code.

9.2 Violations could result in suspension or expulsion from the Scheme's Board of Trustees.

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# PROFMED

## CONFLICT OF INTEREST POLICY OF PROFMED

### 1. Preamble

- 1.1. The Conflict of Interest Policy applies to all trustees on the Board of Trustees of Profmed, members of Board committees and Profmed employees (hereinafter referred to as “functionaries”).
- 1.2. The Policy sets out the standards and requirements to which each of the functionaries is bound and against which complaints and compliance will be assessed. It should be read in conjunction with the Board Charter in the case of trustees and members of Board committees.
- 1.3. Profmed acknowledges and respects the rights of individuals to engage in business and other commercial activities, provided that such activities are permitted by law and are not in conflict with the duties of functionaries of Profmed.
- 1.4. Functionaries must avoid any situation and/or activity that could result in an actual or perceived conflict of interest or which could be regarded as interfering with their ability to make impartial and unfettered decisions in the best interests of Profmed.
- 1.5. Functionaries must use their judgment to make sure that they avoid any perceived impropriety. In the event of any uncertainty, clarity or guidance should be sought from the Chairman of the Board or the Principal Officer, as the case may be.

### 2. Defining Conflict of Interest

- 2.1. A conflict of interest is more often a situation than an action. A conflict of interest can take many forms. It arises when a functionary is in a position to influence Profmed business or other decisions in ways that could lead directly or indirectly to financial gain for the functionary or their family or business associates or give improper advantage to others to the detriment of Profmed or to others with whom Profmed engages in the normal course of its business.

- 2.2. A conflict of interest does not need to infer a financial opportunity or advantage.
- 2.3. A conflict of interest can be either a perceived or an actual conflict of interest. It is therefore incumbent on functionaries to take due care in their dealings and conduct where such dealings and conduct could affect the interests or activities of Profmed.
- 2.4. A functionary has a potential conflict of interest when Profmed considers a transaction with a current or prospective investment manager, consultant supplier, service provider, stakeholder or other vendor (hereinafter referred to as “service providers”) that at any time during the past twelve months had a close association with:
- 2.4.1. the functionary concerned;
  - 2.4.2. a member of that functionary’s family or household; or
  - 2.4.3. a friend or business associate of that functionary.
- 2.5. “Close association” includes situations where the functionary:
- 2.5.1. owes/d a fiduciary duty to the service provider or one of its affiliated or associated companies, for example, as a shareholder, trustee, director, officer, pensioner, creditor or employee;
  - 2.5.2. holds/held a financial interest in the service provider or one of its affiliated or associated companies, for example, as a shareholder, vendor, pensioner or other creditor; or
  - 2.5.3. receives/d significant benefits (financial or otherwise) from the service provider or one of its affiliated or associated companies.
- 2.6. The following list includes examples of conflicts of interest:
- 2.6.1. Self-dealing: This refers to the use of one’s position as a functionary of Profmed or affiliation with Profmed in such a way as to create a conflict between one’s personal interests and those of Profmed, and to pursue or advance one’s personal interests or those of a person described in paragraph 2.5 above, directly or indirectly.
  - 2.6.2. Accepting benefits: This refers to the acceptance with improper intent of gifts, money, favours or benefits from service providers that have or intend to have business relationships with Profmed.
  - 2.6.3. Using Profmed assets for private advantage.

- 2.6.4. Using or disclosing confidential or privileged information (about the property or the affairs of Profmed) acquired during the exercise of one's duties in such a way that might be construed to compromise the interests of Profmed.
- 2.6.5. Performing any type of work for service providers, members or competitors that relates to or impacts on the activities or interests of Profmed.
- 2.6.6. Having an economic or financial interest, directly or indirectly, in activities of service providers, or competitors of Profmed.

### **3. Conflict of Interest**

- 3.1. Functionaries must be sensitive to and avoid situations which could result in potential or actual conflicts of interest between those of functionaries, entities contracted and those of Profmed.
- 3.2. Functionaries must disclose any potential or actual conflict of interest, including any affiliation they might have with an actual or potential service provider of Profmed, that might influence their conduct as a functionary of Profmed.
- 3.3. Functionaries must not allow their personal views or the views of others to influence their objectivity and judgment.
- 3.4. Functionaries may not use or be perceived as using their positions or status to gain access to service providers or members of Profmed to present goods or services or other proposals for business relevant to their direct or indirect personal interests.
- 3.5. Functionaries must not carry on any business or activity, or work for or own shares in a business providing goods or services to Profmed, unless the full extent of their interests has been disclosed and sanctioned in writing by the Board of Trustees.
- 3.6. Functionaries may not use any facilities, property, equipment or information gained as a result of their association with Profmed for any business activity outside Profmed. Functionaries may only use any facilities, property, equipment or information gained to perform their duties and responsibilities to Profmed, unless the express consent of the Board of trustees has been granted.
- 3.7. In particular, functionaries may not, without disclosing such interests and provided that such interests are not regarded as material by the Board of Trustees, act as consultants, directors, officers or employees or otherwise of entities that:
  - 3.7.1. market products or services in competition with those of Profmed; or

- 3.7.2. supply products or services to Profmed.
- 3.8. Functionaries may not request or accept personal benefits for performing their functions or duties other than those directly accruing to their position or function.
- 3.9. Functionaries must recuse themselves from any discussion and not be part of any meeting or discussion on any issue in which there is a conflict of interest of the nature described in this Policy, unless otherwise agreed to by the Board of Trustees, Committee or other relevant body.
- 3.10. Where an actual or perceived conflict of interest is of a continuing or repetitive nature, the functionary will be required to resign or cease the performance of any further functions or duties on behalf or for the benefit of Profmed.

#### **4. Financial Interests**

- 4.1. Functionaries must disclose any secondary financial interest they might have or any personal gain which has been accrued to them as a result of the provision or receipt of services in the course of their appointment as a functionary of Profmed.
- 4.2. Functionaries must disclose any financial benefit they might receive from/have with service providers and any benefits or interests they might have in any matter in which they are engaged with on behalf of Profmed.
- 4.3. "Financial benefit" means anything of monetary value, and is not limited to:
  - 4.3.1. salary, other income or payments or remuneration for services such as consulting fees or honoraria;
  - 4.3.2. equity interest such as shares, share options, real estate, other ownership interests or any other investment of ownership interest;
  - 4.3.3. intellectual property interest and rights such as patents, trademarks, copyright and royalties from such rights; and
  - 4.3.4. an existing or potential ownership or investment interest in any entity or person with which Profmed has or is negotiating a transaction, contract or other arrangement or whose business or operation has been or will be directly affected by a decision or action of Profmed.

## 5. Disclosure

All actual, potential and perceived conflicts of interest must be disclosed to the Board of Trustees, relevant committee or other relevant body, which must assess that interest to ascertain whether it is a conflict of interest and if so, determine the actions to be taken, if any.

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