



Discovery Health Medical Scheme

Framework for the Nomination and Election of Trustees

1. Background

Succession planning, in the context of Discovery Health Medical Scheme (“DHMS”) and the Board, relates specifically to ensuring that at all times there are experienced Trustees serving on the Board. The Rules allow for the appointment of Trustees in order to ensure the appropriate balance of skills and experience and to facilitate staggered rotation, continuity and succession in the event of expiry of Trustee terms.

The Rules of the Discovery Health Medical Scheme (“DHMS”) provide as follows:

DHMS Rule 17.2

At least half of such trustees must be elected by members from amongst members. (Section 57(2) of the MSA - At least 50 per cent of the members of the board of trustees shall be elected from amongst members.)

DHMS Rule 17.3

The balance of the trustees may be elected by members, or appointed by incumbent member elected trustees: provided that the trustees appointed in terms hereof by the incumbent trustees shall at any given time not exceed 2 trustees.

Based on the Scheme Rules and the appointment terms of the current Board of Trustees DHMS proposes to:

- conduct elections in 2016 to fill 4 Trustee vacancies - the Board remains constituted in terms of Rule 17.1 and;
- conduct elections again in 2017 to fill 2 Trustee vacancies.

It has been decided that the nominations and election processes be outsourced to an Independent Third Party.

The document provides a high level overview of the proposed processes to be followed by DHMS for the 2016 Trustee elections. The following processes, relating to the 2016 AGM, will be outsourced:

- The Trustee nominations and vetting processes;
- The proxy appointment process; and
- The election and voting process on the day of the AGM.

The independent Third Party for this purpose has been identified as the PricewaterhouseCoopers Advisory Services (Pty) Ltd (“PwC”) which has dealt with these processes for a number of medical schemes with the desired results and outcomes based on the post-election risks identified.

2. Details of the Process

2.1 Nomination Committee

The Nomination Committee is constituted:

- When a Trustee is to be appointed to the Board; or
- In the event of Trustee elections.

The Nomination Committee will comprise of three independent members, who are independent of the Board and Board Committees.

The Nomination Committee has the authority to outsource the nominations process to an Independent Third Party. In this process the Nomination Committee exercises this authority and outsources the following activities to an Independent Third Party:

- Nomination process;
- Proxy appointment process; and
- Election and voting process on the day of the AGM.

2.2 Design of the Forms by PwC and DHMS' Involvement

The Independent Third Party will design the necessary correspondence including the content of the nomination form.

DHMS will be responsible for the branding of the nomination form prior to circulation to all members. In this regard, the Independent Third Party will be responsible for ensuring a sufficient number of nomination forms are printed and posted to members (members who do not have email addresses) or emailed to those members whose chosen communication mechanism is that of email.

Completed Nomination Forms need to be returned to the Independent Third Party.

2.3 Vetting Criteria and Process

2.3.1 Independent Third Party is responsible for the vetting of Nominees

Subsequent to the close of the call for nominations, the Independent Third Party will undertake a vetting process to ensure that only eligible candidates stand for election. During the vetting process, each nominee will be subject to strict vetting criteria. The vetting criteria will be based on the provisions contained in the Scheme Rules. Further to the Rules, additional criteria to be used in respect of the vetting process include:

- ❖ Credit Checks,
- ❖ Criminal Checks,
- ❖ Qualification Verification,
- ❖ Assessment of information held by the Council for Medical Schemes and
- ❖ Verification of good standing in respect of the candidates tax affairs.

2.3.2 Nominee to be notified prior to disqualification

Prior to the disqualification of any nominee, the nominee will be consulted by the Independent Third Party and provided with an opportunity to supply any information as it relates to their potential disqualification.

2.3.3 Draft Candidate list to Nomination Committee and final candidate list to Board

A draft candidate list will be presented to the Nomination Committee. The Nomination Committee has the authority to challenge the list with the Independent Third Party. Thereafter a final candidate list will be compiled and presented to the Board by the Nominations Committee.

2.3.4 Candidate Introduction Process

After the vetting process and the finalisation of the candidate list, a candidate introduction process will be undertaken by the Independent Third Party.

The aim of the introduction process is to inform candidates of the roles and responsibilities of a trustee in order for them to fully appreciate and understand what will be expected of them should they be elected into office.

The content of this introduction process includes, but is not limited to:

- ❖ Introduction to DHMS,
- ❖ Fiduciary responsibilities,
- ❖ Regulatory and legislative requirements,
- ❖ Time commitments,
- ❖ Remuneration and
- ❖ Examples of where Boards have failed and why.

2.4 Proxy Appointment Form

The Independent Third Party will design the necessary correspondence including the content of the proxy appointment form.

The Independent Third Party will ensure that the proxy appointment forms includes relevant built-in security features and unique identification numbers in order to ensure adequate controls and to limit the risk of manipulation of the proxy appointment process.

2.4.1 Proxy Appointment Process

- ❖ Availability of Proxy Appointment Form

The proxy appointment form will only be available on request from the Independent Third Party. The Independent Third Party will be responsible for ensuring that the proxy appointment forms are emailed/faxed to those members who have requested forms. Proxy appointment forms have to be completed and submitted to the Independent Third Party.

❖ Proxy Appointment Form Collection Sites

The Independent Third Party will establish proxy appointment form collection sites at a selection of sites around the country as well as provide a dedicated National Private Bag postal address and email address in order to receive and collate all original proxy appointment forms.

❖ Proxy Vetting Process

The Independent Third Party will vet all proxy appointment forms received and will address the following in relation to the nominator and nominee:

- Whether the nominator and nominee are both registered Principal Members of DHMS.
- Whether the membership contributions of both the Nominator and Nominee are paid up to date.

❖ All proxy vetting is to be completed within 7 days prior to AGM.

All proxy appointment forms will be vetted within 7 days prior to the Annual General Meeting. Any proxy forms that are produced on the day of the AGM will be invalid.

2.5 Post-Election Results and Reporting

The Independent Third Party shall be obliged to produce a written report to the Board of Trustees in which the processes followed during the election shall be set out in full detail.

3. Trustee Election

The trustee election will take place at the Annual General Meeting, which will be held on 23 June 2016.

3.1 Ballot Papers

Prior to the AGM the Independent Third Party will design the layout of the ballot papers, including relevant built-in security features and unique identification numbers to minimise the risks associated with tampering or manipulation of the ballot papers.

3.2 Process at the AGM

During the course of the AGM, the Independent Third Party will:

- Oversee and authenticate the completion of the Attendance Registers by all members in attendance at the meeting.
- Verify that members in attendance are eligible to attend and to vote at the meeting,
- Ensure that the voters roll is signed by all members who are eligible to vote and who decide to vote on the day of the AGM.
- Ensure that all ballot papers are secured to ensure that they are not tampered with or manipulated prior to the election process.
- Provide an appropriate number of electoral officers to assist with the electoral process.
- Monitor the completion of the ballot papers by the members in attendance to ensure that there is no undue influence on members when casting their votes.
- Seal the ballot boxes at the conclusion of the electoral procedure.