Bestmed Medical Scheme

Highlights of the Annual Financial Statements

HAFS

For the year ended 31 December 2020

At Bestmed

MEDICAL AID IS PERSONAL

bestMed

personally yours

Your personal invitation

You are invited to attend Bestmed's 57th Annual General Meeting

2020 will be remembered as the year that the novel coronavirus (COVID-19) arrived in South Africa and the changes that it brought with it. It was a year of courage in the face of adversity. Most importantly, the role that medical schemes play in the lives of our members, was amplified as our nation and the world faced the COVID-19 pandemic. When we reflect on the year past, despite the changes it brought about within Bestmed, we know that the fundamentals never changed. We kept going. We kept doing what we have always done: we cared about our members; we cared for them when they were in need. We cared for our colleagues. And we cared for our business.

We cordially invite you to share in the operational and financial highlights of 2020 at our Annual General Meeting (AGM).

Date:	Thursday, 24 June 2021
Time:	Registration - 08:00 AGM - 08:45 - 11:30
Virtual event link:	http://bit.ly/bestmed_2021_virtual_agm_event
Register by:	Thursday, 10 June 2021
Enquiries:	Refilwe Moloisane (Bestmed Team Leader: Events) via e-mail at bestmed-agm@bestmed.co.za

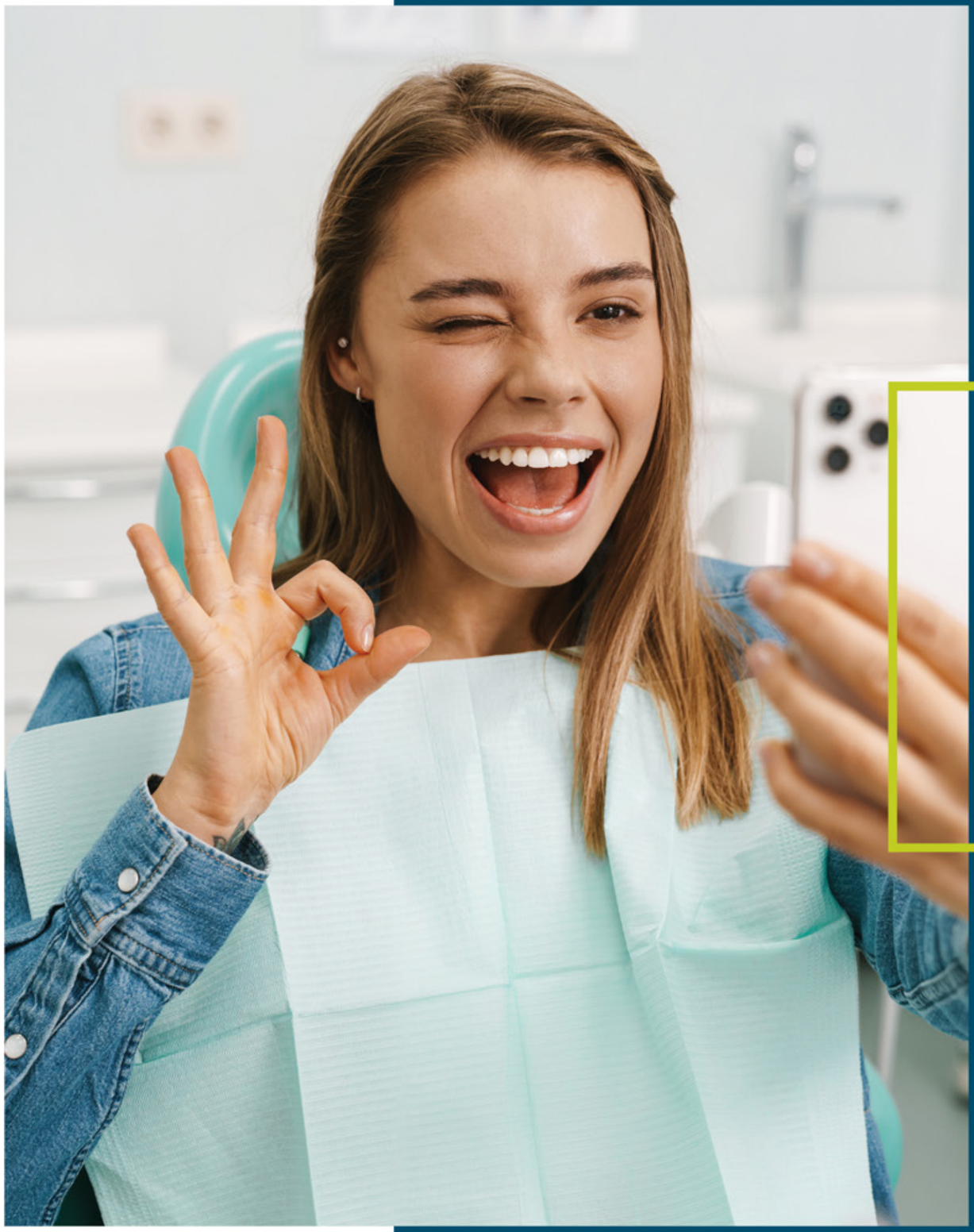
You will receive a user guide to navigate the virtual event platform prior to the AGM.

Should you wish to submit a motion for the AGM, kindly e-mail bestmed-agm@bestmed.co.za by no later than Thursday, 10 June 2021.

Programme

08:00 - 08:45	Online registration and log in
08:45 - 09:00	Opening
09:00 - 11:30	AGM

Contents



Agenda for the 57th AGM

Bestmed's 57th Annual General Meeting

Notice is hereby given that the 57th Annual General Meeting of the members of Bestmed Medical Scheme will be held at 08:45 on Thursday, 24 June 2021 virtually via the following link: http://bit.ly/bestmed_2021_virtual_agm_event

- Opening and welcome
- House rules for the virtual event format
- Finalisation of agenda
- Minutes of previous AGM held on 23 September 2020
- Matters arising from the minutes
- Chairperson's report
- Financial statements and auditor's report
- Appointment of auditors for 2021
- Motions received in terms of rule 26.1.4
- Approval of the amended Trustee Remuneration Policy and proposed increase in Trustee Remuneration for 2021/2022
- Closure

PLEASE NOTE: Documents are printed in the same language that they were presented in and submitted to the Registrar of Medical Schemes. A full set of the financial report is available electronically on request. For your copy, please send an e-mail to: communications@bestmed.co.za

Minutes of the 56th AGM

Minutes of the 56th Annual General Meeting of members held virtually at 9:00 on Wednesday, 23 September 2020

1. OPENING BY CHAIRPERSON

The Master of Ceremonies, Ms Madelein Barkhuizen, opened the Annual General Meeting (AGM) and introduced herself to the meeting. She warmly welcomed all the attendees, including the Bestmed Board of Trustees, to the 56th AGM, which was a virtual meeting.

The house rules for the virtual AGM were then explained. The 2019 Annual Financial Statements, the highlights of the Annual Financial Statements and the agenda for the AGM were available on the electronic platform. Members who had not received the one-time pin (OTP), which was required to access the voting functionality, were requested to phone 012 111 7015 for assistance. Members were also requested to mute their microphones and to use the question and answer (Q&A) functionality available on the screen to raise any comments or questions. In addition, the AGM would be managed strictly according to the agenda provided for the AGM and, therefore, questions made via the Q&A functionality should only relate to the matters relevant to the AGM. Members were advised to dial the telephone number displayed on the screen, should they have any other medical scheme related enquiries not pertaining to the AGM. Bestmed employees would answer all telephone calls and assist with resolving these enquiries.

Furthermore, members would be required to vote on a number of matters at the AGM. Members' attention was drawn to the fact that they would only be allowed one opportunity to cast their vote on each matter, and after submitting a vote, members would not be able to amend or resubmit the vote. A message acknowledging receipt of the vote would be displayed on the screen once the vote had been successfully submitted. Members experiencing technical difficulties with the voting functionality or the streaming functionality were reminded to refresh the screen by pressing F5 on the keyboard or clicking on the icon next to the address bar. In addition, members were requested to adjust the volume on their computers to ensure maximum audio quality.

The Master of Ceremonies then welcomed the Chairperson of the Board of Trustees, Mr Colin Mowatt, to the stage. The Chairperson took over the proceedings of the AGM. He introduced himself to the attendees and indicated it was the first AGM he was attending in the capacity of Chairperson of the Board.

The Chairperson proceeded by explaining the reason for conducting a virtual AGM, which was the first virtual AGM held in Bestmed's history. In view of the COVID-19 restrictions and the uncertainties related to the progression of the pandemic, the Council for Medical Schemes (CMS) had resolved that it would be prudent for medical schemes to consider holding virtual AGMs in 2020. The health and wellbeing of the Scheme's members, employees and other stakeholders remained a priority during the COVID-19 pandemic. As a result, the Scheme had submitted an exemption request to the CMS to host a virtual AGM, and the CMS had approved the exemption request. The AGM had originally been scheduled for June 2020. The Chairperson indicated that all possible measures had been taken to ensure the event would proceed as smoothly as possible and he apologised for the technical difficulties which certain members were experiencing.

The Chairperson then declared the meeting properly constituted, members and employers having been given adequate notice of the meeting in terms of Rule 26.1.1 and more than 25 members being present to constitute a quorum.

1.1 Present

1.1.1 137 active voting members virtually present

1.1.2 6 members of the Board of Trustees

1.1.3 1 guest from the Council for Medical Schemes (CMS)

The Chairperson asked the attendees to observe a moment of silence to honour the memory of those who had passed away due to COVID-19 as well as the late Mr Wicus Kotzé, former Bestmed Managed Healthcare Executive who had tragically passed away due to a cycling accident in August 2019. He also expressed his sincere condolences to the CMS who had recently lost two Chairpersons, Dr Clarens Mini and Prof Lungilwe Rapeta due to COVID-19. In addition, the Chairperson expressed his heartfelt gratitude to the South African healthcare workers who were risking their lives for their fellow citizens in fighting the COVID-19 pandemic.

Next, he welcomed, in addition to the Scheme's members who were attending the virtual meeting, the members of the Board of Trustees, Executive Management, the Company Secretary and certain support staff members of Bestmed as well as employees from the Internal Audit and Compliance departments who were attending the AGM at the physical venue.

In addition, the Chairperson extended a word of welcome to Mr Gordon Nzalo, the independent Chairperson of the Bestmed Audit Committee, Mr Johannes Grové and Mrs Alke Biggs, the representatives of PricewaterhouseCoopers (PwC), the Scheme's external auditors, and the CMS' representative attending the AGM. Finally, he welcomed Ms Crystal Africa of the Electoral Institute for Sustainable Democracy in Africa (EISA), the independent electoral body that had managed the 2020 Board elections.

1.2 Apologies

Apologies had been received from Prof Piet Delport, former Bestmed Board member. No further apologies were noted.

2. FINALISATION OF AGENDA

The meeting proceeded with the finalisation of the agenda. The Chairperson informed the meeting that agenda item 9 dealt with the motions that members would be required to vote on at the AGM. A total of 10 valid motions had been received in terms of Rule 26.1.4 of the registered Bestmed Rules. In addition, members' attention was drawn to agenda items 8 and 10, dealing with the appointment of external auditors and the approval of the Trustee remuneration respectively, which members would also be required to vote on.

The meeting then proceeded with the approval of the minutes of the previous AGM held on 12 June 2019, as published on page 13-25 in the Highlights of the Annual Financial Statements document.

3. MINUTES OF PREVIOUS ANNUAL GENERAL MEETING HELD ON 12 JUNE 2019

Members were requested to submit proposed amendments to the minutes via the Q&A functionality. This Q&A functionality would also be used to propose and second the approval of the minutes.

After granting adequate time for input, the minutes of the 55th Annual General Meeting were unanimously approved as a fair and accurate record of the proceedings.

Proposed: Mr RF Camphor; seconded: Ms Annelise Hartzenberg

The Chairperson indicated that the minutes would be published and made available to the CMS.

4. MATTERS ARISING FROM THE PREVIOUS ANNUAL GENERAL MEETING

Next, the following matters arising from the minutes were tabled at the meeting:

- 2020 Board elections (page 18 of the minutes of the 2019 AGM in the Highlights of the Annual Financial Statements document) – the stipulation in the Bestmed Rules on the timeous dissemination of the required documentation to members on 1 November 2019 for the commencement of the 2020 Board elections had been met.
- Approval of Trustee remuneration (page 23-24 of the minutes of the 2019 AGM in the Highlights of the Annual Financial Statements document) – the stipulation in the Trustee Remuneration Policy on the timeous submission of the Policy and related documents to members and the CMS for approval at the AGM had been met and the documentation had been submitted electronically to members within the required period of 21 days prior to the AGM.
- The report issued in respect of the Section 44(4) investigation conducted by Ligwa Advisory Services – the CMS had ordered a Section 44(4) investigation in 2016 and the matter had been covered in detail in the minutes of the 2019 AGM. The CMS had recently confirmed that the inspection report submitted to Bestmed on 4 October 2017 and to which the Scheme had submitted its comments, was the final report. As the report included findings on matters prior to the appointment of both the current Board and the current PO/CEO, the newly appointed Board would need time to re-peruse and consider the contents of the report in order to take an informed decision on further action to be taken.
- The CMS Section 47 complaint lodged by Adv J Stanbury in December 2018 against rule 28.1, as referred to at the previous AGM - the Chairperson reported that the CMS had ruled against Adv Stanbury's complaint. The reasons for this ruling were outlined in their report which had recently been submitted to Bestmed. As a result, the matter was regarded finalised.

The Chairperson asked whether there were any matters requiring clarification or matters which could be regarded as additional matters arising from the minutes of the 2019 AGM. In response to a question raised via the Q&A functionality, the Chairperson assured the members that voting was completely secured and the Internal Audit Department's employees would count and verify the votes to ensure the validity and reliability of the voting results.

After it was determined that no further questions had been raised, it was confirmed that all matters in the minutes of the 2019 AGM had been dealt with appropriately and that no matters for further discussion and clarification had been identified. To substantiate this, confirmation was obtained from the technical team that the virtual meeting was fully operational.

The Chairperson informed the attendees that agenda item 5, dealing with the Chairperson's report, would be presented next. In addition, members were requested to use the Q&A functionality as explained by the Master of Ceremonies, to direct any questions or to make comments. It was pointed out that this functionality would be closed after the discussion of the Chairperson's report and, therefore, questions and comments relating to the Chairperson's report should be raised during the presentation.

5. REPORT OF THE CHAIRPERSON

The report of the Chairperson had been sent to the members prior to the meeting and was also available on Bestmed's website. The following matters were highlighted from the Chairperson's report:

5.1 Overview

Although 2018 could best be described as a year of consolidation, 2019 could be described as a year of growth. Despite the challenging socio-economic and political environment, the Scheme's solid financial performance in 2019 confirmed that Bestmed was one of the healthiest open medical schemes in the industry. The Chairperson thanked Bestmed management and employees for their sterling work and exceptional service delivery, especially over the past six months during the national lockdown, when employees had been working from home.

The Chairperson also thanked the previous Chairperson of the Board, Mr Fred Camphor, whose term as Chairperson had terminated at the 2019 AGM, for his leadership and direction as Chairperson of the Scheme. It was under his guidance that the Scheme had grown into the status it was today.

The Chairperson proceeded by emphasising certain operational highlights in 2019 from the report. Bestmed had concluded the year with good results. Membership had grown by 1.8% in 2019, comprising approximately 95 000 principal members and 104 200 dependants. Bestmed was now the fourth largest open medical scheme in the country. The average age of the Scheme's beneficiaries of 37.4 years in 2019, versus an average age of 37.3 years in 2018, indicated the Scheme's ability to attract younger members which was strategically important to the Scheme.

> Bestmed's amalgamation with Grintek Electronics Medical Aid Scheme (GEMAS), comprising approximately 470 principal members, had been finalised on 30 June 2020. The Chairperson extended a special word of welcome to the GEMAS members and wished them a healthy association with Bestmed. GEMAS had selected Bestmed as amalgamation partner from a number of open medical schemes. The Chairperson emphasised that Bestmed members were not materially affected by the amalgamation.

Next, the Chairperson gave an overview of the results of the Organisational Human Factor Benchmark (OHFB) survey – a workplace evaluation system undertaken annually by an external agency. Bestmed employees had rated the Scheme in the "as an employer" category significantly higher across a number of parameters when compared to other organisations.

The Chairperson then continued by giving an overview of the financial highlights. In 2019, membership contributions had increased by 8.9%, which was the third lowest in the industry, compared to an average of

9.6% in the medical schemes industry. In addition to membership growth, risk contributions for the year had increased to R4.8 billion. Of these funds, 84.4% had been used for the payment of members' healthcare claims, while 7.0% and 2.5% had been used towards the payment of administration costs and managed healthcare fees, respectively. Claims related mainly to in-hospital expenses (approximately 50% of the total number of claims) and specialist services.

To manage the increases in healthcare costs and to ensure that the Scheme's members derive value for money from service providers, Bestmed had entered into more than 15 200 agreements with service providers in 36 healthcare networks. The benefits of this increased in-network spend across all healthcare networks had contributed significantly to lower co-payments and the positive growth in the net healthcare result for 2019. Approximately 81% of all healthcare claims for 2019 related to services rendered by network providers. To put this in context, for every R100 paid to a healthcare provider, approximately R81 would be paid to a healthcare provider in a network.

The Bestmed product range was favourably positioned in the medical schemes industry, with a range of 13 benefit options. A total of 96% of members had not changed options in 2020, indicating their satisfaction with the Scheme's products.

5.2 Financial performance

Compared to the financial results achieved during the previous financial year, Bestmed's balance sheet had strengthened from R2.9 billion to R3.3 billion in 2019, and the net healthcare result achieved in 2019 was R203.8 million, compared to R87.6 million in 2018. Bestmed's solvency ratio had improved from 31.9% at 31 December 2018 to 35.4% at 31 December 2019, exceeding the statutory required solvency level of 25%. The Scheme had earned investment returns amounting to R211.8 million, compared to R156.8 million in 2018.

Bestmed had achieved a net surplus of R349.7 million in 2019, compared to R187.7 million in 2018.

Although the report was in respect of 2019, the Chairperson thought it prudent to update members on the Scheme's position in view of the COVID-19 pandemic. He indicated that the past six months during the national lockdown, which had been introduced to combat the novel coronavirus pandemic, Bestmed had fulfilled its most critical role, by offering members peace of mind in trying times. The Scheme, including its Call Centre and Pre-authorisation Centre, had remained fully operational during each phase of the lockdown, while rendering the same level of Personally Yours service which members had become accustomed to, despite the numerous challenges the Scheme's employees had been facing while working remotely. The Chairperson thanked all employees for maintaining the service levels during these challenging times.

5.3 Bestmed's position during and the impact of the COVID-19 pandemic

The CMS had issued Circular 28 of 2020 explaining the protocols for the payment of claims pertaining to the diagnosis and treatment of COVID-19 as a Prescribed Minimum Benefit (PMB).

Bestmed had submitted exemption requests for payment relief to the CMS to assist members in financial distress. The CMS had not approved this exemption request, which would allow members to discontinue the payment of subscription fees for a specific period. However, the CMS had approved the following exemptions:

- Allowing members to interchange to cheaper, less comprehensive benefit options from a future date
- Allowing members to pay contributions from the accumulated funds in their vested savings account, subject to certain qualifying criteria
- Offering debit order deduction relief for those members qualifying for SASSA pensioner grants

From feedback received from corporate clients and members, the regular communication on the benefits and assistance that Bestmed could offer members had proven to be key to Bestmed's service offering during the COVID-19 pandemic.

An overview of the impact of the COVID-19 pandemic on Bestmed was given. Weekly reports, prepared by the Scheme, had been submitted to the Board and other regulatory authorities. At the time of publishing the previous week's report, a total of 4 037 members had tested positive for the coronavirus, while 888 members had been admitted to hospital. Of the 4 037 members who had contracted the virus, 3 856 members had recovered and 731 members had been discharged from hospital, while 168 members had passed away. Since the outbreak of the coronavirus, 29 139 tests had been performed on Bestmed members and the total COVID-19 related costs incurred by the Scheme year to date amounted to R124.4million.

With regard to other indirect impacts of COVID-19 on the Scheme, contrary to what had been initially anticipated, the number of voluntary membership terminations due to financial pressure were lower year to date, when compared to the corresponding period in 2019. Although a number of late subscription payments had occurred, no instances of bad debt had occurred. The membership of one corporate group in the airline industry had been terminated, resulting in a loss of 45 members.

In addition, the impact of the pandemic on the fund's balance sheet, especially investments, were also presented. Financial markets had experienced major volatility due to the pandemic. Although a 4% reduction in the returns on the Scheme's investments had occurred in March 2020, these losses had been fully recovered by the end of August 2020. This could mainly be attributed to the conservative investment strategy adopted by the Investment Committee, with more than 50% of funds invested in cash and money market instruments.

5.4 Fraud, Waste and Abuse

The CMS acknowledged the phenomenon of fraud, waste and abuse (FWA) as an industry imperative, due to numerous incidences reported in the medical schemes industry. In 2019, the CMS had hosted a summit to discuss FWA. The cost implications of FWA could not be accurately determined, although it was estimated that approximately 5 to 15% of all healthcare expenses were subject to FWA, either by members or service providers, equating to approximately R20 million (BHF report 2018). The Chairperson of the Audit Committee had requested that certain measures to combat FWA be implemented by the Scheme, including the analysis of historic claims and certain other proactive measures.

5.5 Marketing

The South African Consumer Satisfaction Index (SA-csi) is a national independent benchmark of customer satisfaction on the quality of services and products available to consumers and households in South Africa. Bestmed had participated in the research for 2020 in the medical schemes category, together with the five largest open medical schemes in the country. Bestmed performed best on perceived quality, perceived value, customer service index and customer loyalty. In addition, complaints against Bestmed were the lowest in the industry. The Scheme had also obtained the second place in customer expectations. In addition, Bestmed's brand exposure, or Share of the Voice, had increased substantially over the past years.

5.6 Corporate Governance

Rule amendments

During the year, certain amendments had been made to the Bestmed Rules, specifically to the rules pertaining to corporate governance, aimed at alignment with the CMS model rules. Members had been given 30 days' notice to make representations against the proposed rule amendments. The rule amendments had been approved by the CMS and had come into effect in December 2019.

Board of Trustees

Professor Piet Delport had retired from the University of Pretoria on 31 December 2019. Consequently, his term as elected Board member had terminated. He had served as the Vice-chairperson of the Board since 2015. The Chairperson thanked him for his valuable contributions over the past four years and wished him all the best for his retirement.

In July 2020, Mr Louis Heyl, an individual member representative appointed in 2018, had resigned from the Board due to health reasons. The Chairperson thanked him for his contribution and wished him well for the challenges ahead.

In terms of the 2019 rule amendments, the number of Board members had been reduced from 12 to 10. The Board now comprises

- five elected Trustees, constituting two employee representatives, two individual member representatives and one continuation/widowed/pensioner member representative, and
- five appointed Trustees, taking into account the skills set required on the Board.

2020 Board elections

A number of challenges had been experienced with the 2020 Board elections. Due to the outbreak of the COVID-19 pandemic, the CMS had advised medical schemes to postpone their Trustee elections. As EISA, the independent electoral body that had managed the elections on behalf of the Scheme, had been unable to complete the vetting process by the initial deadline of May 2020, the elections had been subsequently postponed to August 2020.

The term of office of two elected Board members expired at the 2020 AGM. The results of the 2020 Board elections had been announced by the EISA and the following two members had been elected to the Board of Trustees.

- Ms Clarette Lombard (individual member representative)
- Ms Elmarie Marx (employer representative) who had been re-elected to the Board for a second term, after initially appointed to the Board in 2016.

The Chairperson welcomed these members to the Board and expressed the confidence that they would use their knowledge and skills to the benefit of the Board. After the AGM, the new Board would be duly constituted.

5.7 Strategic review

The Board annually reviewed and approved the Scheme's strategic direction as presented by Executive Management. In 2020, the annual review of the strategic framework had resulted in the realignment of Bestmed's organisational structure to ensure alignment with the key strategic goals, namely growth, service excellence and innovation.

> The BIT computer system remained key in the medical schemes industry. Additional enhancements completed in 2019 had enabled Bestmed to improve member experience at minimal cost. The ability to communicate by means of modern technology made the IT platform an invaluable tool in the Scheme's future strategic direction.

In 2019, stakeholder engagement sessions had been hosted, which had given Management insight into members' needs. The COVID-19 pandemic had temporarily put a hold on these engagement sessions in 2020. However, these would be resumed once the regulations on social distancing had been lifted.

5.8 The future

It was anticipated that the intended implementation of National Health Insurance (NHI) would remain one of the South African Government's objectives, particularly after the national healthcare sector had to deal with COVID-19. However, uncertainty existed about the format and funding of the NHI as well as the timeframe for implementation.

The Board and Executive Management could not determine with exact certainty what the impact of COVID-19 would be on the Scheme. However, the Board supported the view that the Scheme's strong financial position and reserve levels would allow Bestmed to absorb the potential direct and indirect negative impact of the COVID-19 pandemic.

The Board also recognised the importance of members retaining their healthcare cover despite difficult socio-economic circumstances and financial pressure. The Chairperson took great pleasure in informing the attendees that, considering the Scheme's financial position and members' needs, an average increase of 4% in subscription fees for 2021 had been announced at the 2021 product launch on Friday 18 September 2020. In addition, benefit limits for 2021 would increase by 5%. The Board was confident that the Scheme would be able to ride the COVID-19 storm and look after the members' healthcare needs in 2021.

Finally, the Chairperson assured the members that the Bestmed team remained focused on the Personally Yours brand promise and achieving the Scheme's strategic objectives.

5.9 Acknowledgements

The Chairperson conveyed his sincere appreciation towards his colleagues on the Board for their input, guidance and support during the year. He also expressed his heartfelt gratitude to Bestmed's Management and employees for their loyalty and dedication to increase the membership base, and for realising the Personally Yours brand promise. He expressed the Board's confidence in their ability to keep Bestmed at the forefront of developments in the medical schemes industry and to render exceptional client service. In addition, he thanked the members of Bestmed for their continued support, especially during difficult economic times.

After dealing with the Chairperson's report, the attendees were afforded the opportunity to ask questions through the relevant Q&A functionality. Only one question was received from Dr DC Luyt. In view of the nature of the question, the Chairperson confirmed that it would be dealt with by the Chief Financial Officer (CFO) during the review of the Annual Financial Statements.

Since there were no further questions pertaining to the Chairperson's report, the Chairperson handed over to the CFO to discuss the Scheme's financial results for 2019.

6. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Members' attention was drawn to the full set of financial statements for 31 December 2019 provided in the Annual Report and the accompanying comprehensive notes. The CFO expressed his appreciation for the dedication and hard work of his staff in preparing these documents. He also thanked the auditors for their professional work, and the Chairperson of the Audit Committee and its members for their expert guidance.

6.1 Auditor's report

The auditors advised that, in their opinion, the 31 December 2019 Annual Financial Statements presented fairly, in all material respects, the financial position of Bestmed Medical Scheme and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act, 1998 (Act No 131 of 1998) as amended, section 33(2).

> The CFO reported that, in view of the COVID-19 pandemic, the Scheme had received an exemption from the CMS that, for purposes of the virtual AGM, the financial statements should only be noted by the members.

In 2019, the country had faced a number of issues, including unemployment, weakening rand, increasing fuel prices and reduced return on investments. Despite these challenges, 2019 had been a stellar year for Bestmed, and the Scheme's sound financial performance could be largely attributed to the continued support of the Bestmed members. The Scheme had recorded a net healthcare result of R203.8 million together with a solvency ratio of 35.4%. The claims ratio was 86.8% and the non-healthcare cost as a percentage of risk contributions was 8.9%. Management remained conscious that healthcare costs were effectively managed.

6.2 Financial results for the year ended 31 December 2019

Highlights from the statement of comprehensive income

The financial statements reflected a total risk contribution income of R4.8 billion for 2019, compared to R4.5 billion for 2018. Risk contribution had increased by 8.1%, relative to the subscription contributions increase of 8.9%, which, on an increased membership basis, suggested that more members had interchanged to cheaper, less comprehensive benefit options.

Relevant healthcare expenditure had increased from R3.9 billion in 2018 to R4.2 billion in 2019, representing an increase of 5.4%. The gross healthcare result had increased from R489.9 million in 2018 to R637.7 million in 2019. The Scheme had recorded a net healthcare result of R203.8 million, compared to R87.6 million in 2018, while the net surplus had increased from to R187.7 million in 2018 to R349.7 million in 2019. The total comprehensive income for the year after accounting for fair value adjustments was R350.8 million in 2019, compared to R159.1 million in 2018.

The claims ratio was 86.8%, versus the budgeted 89.1%. The lower than budgeted claims ratio could be partly attributed to the Scheme's mature service provider network, as mentioned by the Chairperson. In addition, a number of wellness as well as managed healthcare initiatives had been introduced and members had responsibly taken up the initiatives, so as to reduce the level of claims. The non-healthcare cost year on year had remained on 8.9% of risk contributions.

The other income and expenses largely represented the Scheme's investment income, which had performed well, considering the fact that almost 60% of the Scheme's reserves were invested in cash and cash equivalents.

Highlights from the statement of financial position

Total assets had increased from R2.9 billion in 2018 to R3.3 billion in 2019. This amount included non-current assets at R1.8 billion and current assets at R1.5 billion, which then equated in the member funds of R2.1 billion, non-current liability of R16.7 million and current liability of R1.2 billion, the majority of that made up of member savings.

The Scheme's liabilities included R805.6 million in respect of the personal medical savings accounts of members, on which members earned interest and which were used to pay for their day-to-day benefits. The Scheme had opted not to incorporate members' funds in the Scheme's funds as per the ruling in the Genesis court case. Instead, the Scheme had taken the conscious decision to ringfence those funds, and, as a result, those funds still belonged to the members, and not the Scheme. This was, once again, indicative of the responsible financial management by the Executive team and the Board.

Members' funds had increased from R1.8 billion in 2018 to R2.1 billion in 2019, while investments had amounted to R2.3 billion in 2019. A return on investments of 8.3% had been achieved in 2019, which represented a slight decrease from 2018, although the Scheme had managed to achieve a real return above inflation. In addition, over the period since inception, the Scheme was exceeding its target of 3%.

Cash and cash equivalents in 2019 had amounted to R117.9 million, compared to R16.8 million the previous year.

Solvency

The solvency ratio at 31 December 2019 was 35.4%, compared to the statutory requirement of 25%. This was a clear message that the Scheme was financially strong with adequate cash reserves. Should the Scheme not generate any revenue, it would be able to pay members' claims for a period of almost seven months.

The CFO then addressed a question raised by Dr DC Luyt regarding the disclosure in the financial statements relating to the repayment of bonuses that had been awarded to the former acting PO/CEO. The CFO referred to note 27 in the Annual Financial Statements which stated that a repayment of R350 846 relating to the 2017 and 2018 bonuses on acting allowances had been made by the former acting PO/CEO. This was the result of a difference in interpretation between the CMS and the Board on the application of the Scheme's Remuneration Policy, specifically the calculation of a portion of the bonus amount. The Board had obtained a legal opinion which supported the Board's interpretation. However, the former acting PO/CEO offered to repay the disputed amount to settle the matter in an amicable manner. This decision had been taken in the best interest of the Scheme.

No further questions were raised, and the Chairperson took over the proceedings of the meeting. The Chairperson indicated that the attendees would proceed with the voting section of the AGM.

7. APPOINTMENT OF AUDITORS FOR 2020/2021

The meeting was informed that the members present at the AGM should appoint the external auditors for the next financial year. PwC had served as the Scheme's auditors for the financial year ending 31 December 2019.

The Board and the Audit Committee had noted the provisions of the South African Institute for Chartered Accountants (SAICA) in respect of the mandatory rotation of auditors, stipulating that organisations were required to rotate their auditors every 10 years. This regulation would come into effect in April 2023.

In view of the disruptions caused by the COVID-19 pandemic, the Board of Trustees and the Audit Committee had recommended that PwC be reappointed as the Scheme's auditors for the financial year ending 31 December 2020.

The members were then requested to vote on the re-appointment of PwC as the Scheme's external auditors for the financial year ending 31 December 2020. The Chairperson then announced the results, confirming that the majority of the members had voted in favour of the appointment of PwC as the Scheme's external auditors for the financial year ending 2020.

The meeting then proceeded with the next agenda item, dealing with the motions received in terms of Rule 26.1.4.

8. MOTIONS RECEIVED IN TERMS OF RULE 26.1.4

As already indicated by the Chairperson, 10 valid motions had been received in terms of Rule 26.1.4 of the registered Bestmed Rules. Ms Suzanne Stevens, a Board member, was welcomed to the stage to present the motions. The members would be required to vote on each of these motions.

Motion 1: Composition of the Board of Trustees

Proposed amendment/motion submitted by member: Dr DC Luyt

The member proposed that the Bestmed Rules be amended to stipulate that all 10 members of the Bestmed Board of Trustees be nominated and elected from registered Bestmed members. According to the proposed amendment, five Employee member representatives from participating employers would be elected by all members and five Individual member representatives, which would now include continuation/retired/widowed members, would be elected by all the members. All Trustees should be elected and registered as principal members of the Scheme.

Motivation of the proposed change/motion submitted by member

In terms of the current Bestmed Rules, 50% of Board members (5 out of 10) were elected from and by members to the Bestmed Board of Trustees. The member argued that there were no criteria or defined requirement for the appointment of the remaining 50% to the Board of Trustees. He was of the opinion that the current status could lead to a risk of specific individuals being possibly favoured by existing Board members and that the whole of Bestmed be "captured" in the process. In the member's opinion, the main requirement of Trustees was wisdom and loyalty, and that it would be unnecessary to co-opt more knowledgeable persons to the Board.

Bestmed's response

The proposed motion contradicted the stipulations of the current version of the registered Bestmed Rules and was also contrary to Principle 7 of the King IV Code, stipulating that a governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The current status should be maintained for the following reasons:

- To attract relevant industry-related skills and a balanced mix of expertise.
- Independence of Trustees entrenched diverse decision-making.
- The current Board composition should be aligned with the provisions of the Medical Schemes Act, 1998 and registered Rules of the Scheme.
- The inclusion of independent directors on the Board was widely recognised and practised in and outside the industry. This also applied to listed companies.

The Scheme did not support this motion. It was explained to the members that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 2.

Motion 2: Re-instatement of former rule 20.4 on possible outsourcing of the administration of the Scheme

Proposed amendment/motion submitted by member: Mr AM la Grange

The member proposed that the Bestmed Rules be amended to provide for the reinstatement of the former version of rule 20.4, as approved by the members at the 2015 AGM.

Motivation of the proposed change/motion submitted by member

At the 2015 AGM, a rule had been passed via a vote that a majority vote of 66% by members voting via return ballot be required in order to approve the appointment of a new administrator. In 2019, this rule had been overturned by the Board so that, in future, the Board could, if needed, appoint an administrator without member approval. The motion moved to reinstate the rule that had been approved at the 2015 AGM, stipulating as follows:

'20.4 To appoint a duly accredited administrator for the proper execution of the business of the Scheme, subject to:

20.4.1 The terms and conditions of such appointment being contained in a written contract which shall comply with the requirements of the Act;

20.4.2 The Board having pre-arranged for all existing members to decide by ballot whether any proposed appointment of an administrator on the proposed terms and conditions should be proceeded with or not; and

20.4.3 At least 66% of the return ballots of the members in favour of the proposed appointment and the proposed terms and conditions referred to in rules 20.4.1 and 20.4.2 respectively.'

The member stated that the Scheme and members would be at the receiving end of a more expensive outsourced administration model, which included profit in the administrator's fees and Value-added Tax on the fees. To ensure history would not repeat itself, the member proposed that rule 20.4 be amended to the former version, as approved at the AGM in June 2015.

Bestmed's response

The current reading of the registered Bestmed Rules was based on rule 19.4 of the CMS model rules, which provided for the Board to appoint an administrator on such terms and conditions as it may determine, for the proper execution of the business of the Scheme.

In addition, the Board was not considering changing from the self-administered to an outsourced administration model.

Bestmed supported that member approval be requested in an instance where the administration of the Scheme was being considered for outsourcing, however ensuring a practical and attainable member approval process was essential. In this regard, the Scheme proposed an alternative to the proposed 66% required by all members who cast a vote to a 51% majority of members present at the appropriate AGM.

The Scheme did not support the motion in its current form, and therefore proposed the change of 66% to 51%. It was explained to the members that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 3.

Motion 3: Time-based restriction on ex-employees from serving as Trustees of the Bestmed Board

Proposed amendment/motion submitted by member: Adv J Stanbury

The member proposed an amendment to the Bestmed Rules on the restriction placed on former employees prohibiting them to serve as Trustees within a period of five years after having left the employ of Bestmed.

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Motivation of the proposed change/motion submitted by member

In 2019, the Bestmed Rules had been amended by the Board of Trustees by adding rule 18.2.2 which barred a former employee or a related party to an employee from being eligible to serve as a Board member within five years after having left the employ of Bestmed. No period had been stipulated in the previous version of the Rules. Although not explicitly stipulated in the Rules, the previous practice had barred former employees for three years. The current rule 18.2.2 stipulated as follows:

'18.2.2 A person who has served as an employee or a related party to an employee shall not be eligible to serve as a Board member within 5 (five) years of having left the employ of Bestmed.'

According to the King Code on Corporate Governance, a cooling-off period of three years was provided. The member proposed that the above rule be amended to provide for a period of only three years.

Bestmed's response

The King Code served as a guideline which should be applied for the ultimate good of the Scheme and all its members.

The three-year cooling-off period stipulated in the King Code only referred to Executives. The Board had considered this stipulation and had decided to extend this to all employees with a cooling-off period of five years.

The five-year period further gave confidence that a former employee (or such excluded party) had obtained sufficient independence and additional knowledge and experience away from the Scheme.

Other entities had imposed similar cooling-off periods in order to achieve the same objective.

The Scheme did not support the motion. It was explained that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 4A.

Motion 4(A): Proposed amendments to various clauses of the Rules of the Scheme

Proposed amendment/motion submitted by member: Adv J Stanbury

The member proposed that the notice convening the AGM should include all general motions and rule amendments. The Board should provide all information considered with regards to a motion to the members seven days prior the AGM.

In terms of rule 26.1.1, the notice convening the AGM, together with the agenda, financial highlights and proposed amendments to the Bestmed Rules should be made available electronically or otherwise, to all members for their information, not less than 21 days prior to the date of the meeting. A member requiring a full set of Annual Financial Statements may apply to the Scheme or may inspect the financial statements free of charge and make extracts for a fee from the registered office of the Scheme. The fee(s) should be indicated in the Scheme's Promotion of Access to Information Act (PAIA) Manual published on the Scheme's website or supplied on request. Non-receipt of such notice would not invalidate the proceedings at the meeting.

Rule 26.1.4 dealing with motions at the AGM stipulated that notice of motions to be placed before the AGM should be proposed by a member and be provided in writing and reach the PO/CEO not later than 14 days prior to the date of the meeting: provided that each motion should be seconded by two other members of the Scheme. All information regarding these motions, which should be considered at the meeting, should be made available to the members electronically, or otherwise, for their information, not less than seven days prior to the date of the meeting.

Motivation of the proposed change/motion submitted by member

The rule amendment was proposed to allow members sufficient time to consider the motions and rule amendments, allowing them time to prepare to vote.

Bestmed's response

The proposed amendment that general motions should be included in the notice convening the AGM was impractical in terms of timelines.

The Scheme was required to dispatch the notice to members not less than 21 days prior to the AGM, while motions (in terms of rule 26.1.4) should reach the PO/CEO no later than 14 days prior to the date of the AGM.

The proposal that motions be circulated to members with the Annual Financial Statements would prevent members from raising motions, based on the most recent Annual Financial Statements and, as a result, members would only have the opportunity to raise motions at the next AGM.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 4B.

Motion 4(B): Proposed amendments to various clauses of the Rules of the Scheme

Motivation of the proposed change/motion submitted by member

The member proposed that rule 32.1 be amended to entitle the Board to amend or rescind Annexure A of the rule, dealing with PMBs, prescribed minimum conditions and total monthly subscriptions.

Bestmed's response

The proposed amendment that the Board only be empowered to amend certain aspects of the Rules would limit the Board's ability to manage the daily affairs of the Scheme, which would undermine the very role of the Board.

It would be impractical to have member involvement whenever there was a need for an amendment which did not affect the objects of the Scheme. The insertion of PMBs and monthly subscriptions specifically limited the Board's powers to amend or rescind Rules dealing with other issues, for example the proposed amendment did not provide for the exclusions with regard to PMBs.

The Board was an extension of the members and appreciated the importance of member participation. However, it was not feasible to consult and call a general meeting of members (at a high cost) in each and every instance where a rule amendment was required.

The proposed amendment would result in the inefficient running of the Scheme, which could be to the members' detriment.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 5.

Motion 5: Remuneration and disbursement of expenses of Trustees

Proposed amendment/motion submitted by member: Adv J Stanbury

This motion related to remuneration and disbursement of expenses of Trustees. The member proposed that all clauses contained in rule 18.8 be removed and replaced with reference to the Trustee Remuneration Policy, to read as follows: "Remuneration of Board members and reimbursement of justified expenses are fully regulated by the Scheme's Trustee Remuneration Policy."

Motivation of the proposed change/motion submitted by member

The Trustee Remuneration Policy covered all possibilities and, in order to avoid confusion, it was proposed that all clauses in the rules relating to Trustee remuneration be replaced by reference to the policy. This policy states (inter alia) the following:

'It is the policy of Bestmed to remunerate its Trustees and Board committee members fairly, responsibly and competitively, taking affordability and ability to pay into consideration.'

'The fees as approved by the Annual General Meeting (AGM) in terms of 4.3 below are detailed in Annexure A of this policy. Payments outside the scope of this policy or not provided for in this annexure require approval by the AGM.'

'The AGM must approve any amendments to the approved fees payable as set out in Annexure A of this policy.'

Bestmed's response

Bestmed appreciated the need to eliminate duplication which was what the member was proposing be done, but the scope of the Rules extended beyond that of the policy.

Rules 18.8.1 and 18.8.2 provided guidelines to the Board and Remuneration Committee on how Trustees should be remunerated and compensated.

The retention of the current provisions contained in Rule 18.8 did not create confusion to the members.

Members did not need to access different documents to establish the principles, scope and extent on which Trustee remuneration was based.

Removing the clauses would create additional difficulties to members who did not have copies of and/or access to the Trustee Remuneration Policy and would thus have to request a copy from the Scheme.

Bestmed believed that Rule 18.8 should be retained as a supplementary and guiding provision to the Trustee Remuneration Policy.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 6.

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Motion 6: Proposed amendment to rule 28 regarding the settlement of disputes

Proposed amendment/motion submitted by member: Adv J Stanbury

The purpose of the motion was to amend the manner in which the rules dealt with disputes declared by members, allowing the scope to be expanded beyond the member's status and Scheme benefits. The member proposed that rule 28.3 be deleted, which empowered the Disputes Committee to adjudicate and rule only on complaints pertaining to the membership status (for example, waiting periods, suspensions, terminations and/or contributions) and/or the medical scheme benefits (for example, payments to members or providers, PMBs, data requirements and/or protocols). Furthermore, it was proposed that the Committee should consist of a minimum of three (3) members.

Motivation of the proposed change/motion submitted by member

The member was of the view that the Disputes Committee should have the authority to investigate all complaints objectively and independently. According to the member, the issue was that the Scheme took no responsibility for investigating the validity of any complaint, whether the complaint was justified or whether the Scheme should take corrective action. In terms of sound corporate governance, it was required that all complaints be fully investigated.

Bestmed's response

From a governance perspective, a committee appointed by the Board should not have authority to investigate the Board.

The Disputes Committee was appointed by the Board. Therefore, it should not be tasked with investigating the same Board, instead, such should be considered by the Regulator.

The current framework guaranteed the independence and impartiality of the Disputes Committee to settle issues in its domain promptly and effectively.

Although it may be viewed that members were no longer entitled to lodging a governance dispute with the Disputes Committee, the decision of the Committee in this regard was binding on neither the member nor the Scheme (depending against whom a decision had been taken). This implied that the aggrieved party was entitled to appealing against the decision of the Committee to the CMS.

The basis and justification for proposing a provision to appoint more than three members to the Committee was not clear. In terms of rule 19.14, the Board was allowed to obtain expert advice on any matter where the members of the Board lacked the required expertise.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent a member's support of the proposed motion, a negating vote would represent a member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 7.

Motion 7: Proposed amendments to various clauses of the Rules of the Scheme

Proposed amendment/motion submitted by Adv J Stanbury

The motion was aimed at amending the manner in which the Bestmed Rules and annexures may be created, amended, rescinded or added to, or to creating additional rules or annexures. The member proposed the following amendments to the rules below:

Rule 32.1 – the Board shall be entitled to amend or rescind Annexure A of the rule dealing with PMBs, prescribed minimum conditions and total monthly subscriptions.

Rule 32.2 – the Board or a member shall be entitled to propose a motion for an amendment or rescission of any rule or annexure, or to make any additional rule or annexure.

Rule 32.3 – no alternation, recission or addition to any rule or annexure, or any additional rule or annexure, except Annexure A to the Rules, shall be valid, unless approved by a 66% majority of members present at a general meeting or a special meeting or by ballot.

Motivation of the proposed change/motion submitted by member

At the 2015 AGM, a rule amendment had been passed via a vote that a 66% majority vote was required in order to approve the appointment of a new administrator. In 2019, this rule had been overturned by the Board so that, in future, the Board could appoint an administrator without member approval. Bestmed stated that rule amendments should follow the Medical Schemes Act, 1998, while the Act stated that Bestmed Rules should be followed. To correct this anomaly, the member suggested that 66% of members present at a general meeting should vote in favour of the proposed amendment.

Bestmed's response

In respect of the appointment of an administrator, the registered Bestmed Rules were aligned to rule 19.4 of the CMS model rules, as quoted below:

'The Board has the power to appoint a duly accredited administrator on such terms and conditions as it may determine, for the proper execution of the business of the Scheme. The terms and conditions of such appointment must be contained in a written contract, which complies with the requirements of the Act and the regulations.'

The proposed amendment that the Board was only empowered to amend certain aspects of the Rules would place undue obstacles in the Board's ability to manage the Scheme.

Stipulating PMBs and monthly subscriptions specifically limited the Board's powers to amend or rescind Rules dealing with other issues, for example the proposed amendment did not provide for the exclusions with regard to PMBs.

It would be impractical to have member involvement when an amendment was required which did not affect the objects of the Scheme. This negated the very role of the Board, which was to manage the daily affairs of the medical scheme.

The Board was an extension of the members and appreciated the importance of member participation. However, it was not feasible to consult and call a general meeting of members (at a high cost) in each and every instance where a rule amendment was required.

Should this motion be approved, it would result in the inefficient running of the Scheme, which could be to the members' detriment.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent the member's support of the proposed motion, a negating vote would represent the member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 8.

Motion 8: The duties of the Board of Trustees

Proposed amendment/motion submitted by member: Adv J Stanbury

The motion related to the duties of the Board of Trustees, as provided for in Sections 57 (6)(a) and (d) of the Medical Schemes Act, quoted below:

a) 'The Board will take all reasonable steps to ensure that the interests of the members in terms of these rules and the Act are always protected.'

d) 'The Board shall act with impartiality in respect of all members.'

Motivation of the proposed change/motion submitted by member

The member was of the view that the two above duties as provided for in Sections 57 (6)(a) and (d) of the Medical Schemes Act,1998 were not stipulated in the Bestmed Rules.

Bestmed's response

In terms of rule 19.8 of the registered Bestmed Rules, the Board was required to take steps to ensure that the interests of beneficiaries were protected, and act with impartiality in respect of all beneficiaries.

Therefore, the Rules provided for the two duties in Sections 57 (6)(a) and (d) of the Medical Schemes Act, thus expanding the scope of the duties beyond just members to include all beneficiaries.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent the member's support of the proposed motion, a negating vote would represent the member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 9.

Motion 9: Disclosure of the computation of the total remuneration of all Executive Managers

Proposed amendment/motion submitted by member: Mr AM la Grange

The member proposed that the computation of the total remuneration of all Executive Managers, per position, be disclosed in the Annual Financial Statements, commencing for the year ending 31 December 2020.

Motivation of the proposed change/motion submitted by member

The member argued only the full remuneration due to the PO/CEO of the Scheme had been disclosed in the notes of the Annual Financial Statements under the heading "related party transactions". In his view, this represented only a fraction of the total Executive Management remuneration cost and did not provide an indication to the members of the amount paid in respect of remuneration to the remainder of the Executive Managers.

The King IV Code recommended detailed and specific disclosure of remuneration of an Executive team. The Institute of Directors (IoDSA) also emphasised the requirement that remuneration of the Executive Management be disclosed for each reporting period. This motion proposed that such detailed disclosure be included in the Annual Financial Statements distributed to members prior to the AGM.

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Bestmed's response

Although the Scheme acknowledged the King IV Code, Bestmed operated in a competitive industry characterised by a shortage of Executives with industry-specific skills.

Detailed disclosure of Executive remuneration could expose the Scheme to competing schemes recruiting from Bestmed.

Point 144 of the SAICA guidelines, which regulated what disclosures were to be made in the Annual Financial Statements, clearly defined aspects which a medical scheme was required to disclose. These included management services; association fees; fees and disbursements to the auditors; fidelity guarantee and professional indemnity insurance premiums; marketing expenses; penalties; Principal Officer's fees and Trustee remuneration. The disclosure of the Executive salaries and/or bonuses was, however, excluded from the SAICA guidelines.

It was unclear how the additional detailed disclosure which was managed by the Board would improve executive performance and ultimately benefit the Scheme.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent the member's support of the proposed motion, a negating vote would represent the member's support of the Scheme's recommendation and not support of the proposed motion.

After granting members sufficient time to cast their vote, Ms Stevens proceeded with the presentation of motion 10.

Motion 10: The performance information of Executives

Proposed amendment/motion submitted by member: Mr AM la Grange

The member proposed that the contracted performance goals of each Executive, proof of achievement and the associated incentive for the achievement thereof be disseminated. The member proposed the following amendment to rule 26.1.1 below:

'The notice convening the annual general meeting, together with the agenda, financial highlights, the performance report which provides detailed information regarding the goals contracted and achieved with each Executive Manager and the incentive amount paid to each such manager, and proposed amendments to these Rules shall be made available electronically or otherwise, to all members for their information not less than 21 days before the date of the meeting. A member who requires a full set of financial statements may apply to the Scheme or may inspect it free of charge and make extracts for a fee from the registered office of the Scheme. The fee(s) shall be indicated in the Scheme's PAIA Manual published on the Scheme's website or available on request. Non-receipt of such notice shall not invalidate the proceedings at the meeting.'

Motivation of the proposed change/motion submitted by member

The member required the disclosure of the total cost spent on Executive remuneration and performance bonus/incentives in compliance with the recommendations of the King IV Code and IoDSA. In the member's view, very little information was provided to members regarding the performance bonuses or short-term incentives paid annually to Executive Management. The full financial statements for 2019 reflected an amount that had been recovered from the former acting PO/CEO as a result of an incorrect performance bonus payment to him, which the Regulator had identified. However, according to the member, the 2019 Annual Financial Statements failed to disclose the total amount paid to the Executive team as performance bonusses, or the basis of computation thereof.

The only other information regarding the payment of performance bonusses was the total amount paid as reflected in the interim management statements. Previously, members could request copies of the management accounts from the Scheme, according to rule 31 of the Bestmed Rules, but since questions had been raised at the 2019 AGM regarding the quantum of performance payments, the rule had been amended by the Board on 18 September 2019 and the former right to obtain the management statements had been summarily amended away by the removal of rule 31.1.3, which had previously served as the operative stipulation in this regard.

Bestmed's response

Management accounts did not disclose the amount of the incentive bonus paid to each Executive Manager. This detail was only included in the Scheme's payroll system.

The management accounts disclosed the total of the incentive bonuses paid to Executive Managers. As a result, the removal of the right to obtain management accounts (rule 31.1.3) had not disadvantaged members.

Members were reminded that it was in principle the members who elected the Board to manage the affairs of the Scheme. Managing the affairs of the Board included contracting organisational and individual performance outputs and performance management for Executives. The Remuneration Policy of the Scheme clearly stipulated it was the responsibility of the Board to monitor that annual performance objectives and measurable outputs of Executives were properly aligned with the Scheme's overall strategy.

It was unclear how this operational information (which would be a first in the industry) would assist members at an AGM. The discussion of operational matters at the AGM had to be discouraged.

Although the Scheme acknowledged the King IV Code, Bestmed operated in a competitive industry characterised by a shortage of Executives with industry-specific skills. As a result, consideration should be given as to how this additional disclosure would affect Bestmed's ability to attract and retain skilled Executives with medical schemes industry experience.

Point 144 of the SAICA guidelines clearly defined the aspects which medical schemes were required to disclose in the Annual Financial Statements. These excluded the disclosure of the Executive salaries and/or bonuses.

The Scheme did not support the motion. It was explained to the members that a vote in the affirmative would represent the member's support of the proposed motion, a negating vote would represent the member's support of the Scheme's recommendation and not support of the proposed motion.

Sufficient time was granted for voting.

All 10 motions were kept open for voting during the timeframe allocated for the motions.

Discussion points submitted as motions: The draft Ligwa Report

Proposed discussion points submitted by Dr DC Luyt

1. The draft Ligwa Report and the fact that members' approval had not been sought in relation to payment to the CMS.
2. The delay with respect to the resolution of the consultation fee complaint against two members of the Board, by the CMS, was unacceptable.
3. Clarification in the registered Bestmed Rules of the commencement of members' terms of office as Board of Trustees.

Bestmed's response

1. This issue had been disclosed and addressed at the AGM the previous two years. The Scheme was of the view that this point did not require voting, however the contents were noted by the Board.
2. This matter had been dealt with in detail at the previous AGM and was currently before the CMS for consideration.
3. The term of office of a Board member was four years, commencing from the AGM of the member's election/appointment to the fourth AGM thereafter. The commencement of the terms of office of all members of the Board would be communicated to members after each AGM.

Proposed discussion points submitted by member: Dr DC Luyt

1. Re-election of a member with complaint against that member of the Board.
2. Inconsistent application of policies for alleged misdemeanours.

Bestmed's response

1. The factual inaccuracy of this motion needed to be corrected, as the member concerned had neither been charged nor found guilty of any contravention. Rule 4.32 of the registered Bestmed Rules defined 'Fit and Proper' and the member concerned had been found to meet this definition.
2. The issue raised was, in the Scheme's view, an operational matter. The relevant member was invited to liaise with the PO/CEO in this regard.

The Chairperson indicated that he had received information from the technical team that the Internal Audit Department was still busy counting votes. He proposed that the meeting proceed with the discussion of agenda item 10, dealing with the Trustee Remuneration Policy. After finalisation of this agenda item, he will revert to the members with the results of the voting on the motions. Since no objections were received, the meeting proceeded with the discussion of agenda item 10.

9. APPROVAL OF AMENDED TRUSTEE REMUNERATION FOR 2020-2021

Trustee Remuneration

The PO/CEO took over the proceedings of the meeting to discuss the proposed amendments to the Trustee Remuneration Policy, which included the proposed increase in Trustee remuneration.

In terms of clause 4.3 of the Trustee Remuneration Policy, the members at the AGM were required to approve any amendments to the approved fees payable as set out in Annexure A of the Policy. Furthermore, it was stipulated in clause 4.2(d) of the Trustee Remuneration Policy that the Scheme should ensure that the members and the CMS be provided with all information relating to proposed principles and remuneration of Trustees, at least 21 days prior to the mentioned AGM. The PO/CEO assured the members that this information had been sent timeously to the CMS and the members, and thus, to facilitate the discussion, only certain aspects would be highlighted in his presentation. At the end of the presentation, members would be required to vote on the proposed Trustee remuneration increase and the PO/CEO

provided a high-level overview of the voting process.

The PO/CEO indicated it was one of Management's functions to ensure that the Trustee remuneration remained fair. At the Board meeting on 7 August 2020, when the amended Trustee Remuneration Policy had been approved, it had been decided that, instead of proposing a single percentage increase in Trustee remuneration, the Board would put three different percentage increases – 0%, 5% and 10% – to members at the AGM so members could decide on the appropriate percentage increase as they deemed fit.

The PO/CEO indicated that medical schemes functioned in a highly competitive and regulated environment. In this context, discharging the Board's responsibility of oversight, governance, compliance, implementing strategic objectives and risk management presented risks to both the Scheme and Trustees. Trustees could be held personally liable for the actions taken on behalf of the Scheme. These should all be complied with, whilst ensuring positive member experiences and the sustainability of the medical scheme. Consequently, the level of Trustee remuneration should take into account the responsibility, risk, expertise, and time devoted to the Scheme, which extended far beyond preparing and attending Board meetings, as well as the level of Trustee remuneration relative to similar schemes.

To compare Bestmed's Trustee remuneration relative to that of other schemes, a benchmarking study had been commissioned by PwC in 2019. According to the results of the benchmark analysis, the Bestmed Trustees were remunerated well below the market median.

BDO had conducted a similar benchmarking study among 10 medical schemes, including Bestmed, in July 2020, based on 2018 information. At the time of doing the study, 2018 information was the most recent information available. Two perspectives were covered by the BDO study:

- the average annual remuneration per individual Trustee, and
- the total amount paid in respect of remuneration to Trustees as a collective (total Trustee remuneration paid by the medical scheme for the year).

An overview of the benchmark results for each of the 10 schemes for each of the two perspectives was given. In the case of the average annual remuneration per individual Trustee, Bestmed's remuneration was the lowest of the 10 medical schemes included in the study. With regard to the total amount paid in respect of remuneration to Trustees as a collective, Bestmed's remuneration was the fourth lowest. Thus, the fees paid to Bestmed's Board and subcommittee members were positioned far below the average as was clearly evidenced from the comparative figures.

As already indicated, the BDO benchmark study was based on 2018 data. To determine an estimate of Trustee remuneration in 2019 and 2020, a 10% increase in Trustee remuneration for all 10 medical schemes in both years was assumed. However, Bestmed had not increased the Trustee remuneration in 2019, while the increase in Trustee remuneration for 2020 was to be voted upon at the AGM (0% or 5% or 10%). Thus, to normalise the data for comparison purposes, an annual increase for the other nine schemes of 6.5% and 5% in 2019 and 2020 respectively was assumed, and a 0% and 10% annual increase in 2019 and 2020 respectively for Bestmed was assumed.

> The PO/CEO highlighted that, based on the normalised data for 2019 and 2020, in the case of the average annual remuneration per individual Trustee, Bestmed's remuneration remained the lowest of the 10 medical schemes included in the study. With regard to the total amount paid in respect of remuneration to Trustees as a collective, Bestmed's remuneration was the fourth lowest. As a result, the normalised 2019 and 2020 comparison highlighted that fees paid to Bestmed Board and subcommittee members were still positioned far below the average.

The Trustee Remuneration Policy had been enclosed with the information disseminated to the members 21 days prior to the AGM. A number of editorial amendments had been made to the policy. The proposed editorial changes to the Trustee Remuneration Policy were briefly explained. In addition, Annexure A detailed the fees payable to Trustees with the impact of the proposed three levels of increase (0%, 5% and 10%) adjustment in 2020.

The voting was then opened, and members were requested to cast their vote on the approval, or otherwise, of

- the proposed editorial amendments and
- either a 0% increase, a 5% increase or a 10% increase.

10. VOTING RESULTS

After the members had cast their votes, the Chairperson took over the proceedings of the meeting. He informed the members that the Compliance team was reviewing the results of the voting. He announced that a 10-minute break would be taken to allow the employees from the Internal Audit Department sufficient time to audit the results.

After the break, the Chairperson announced the voting results. He indicated that, should any member require the voting results, they may contact the PO/CEO in writing.

Motion 1

Submitted by Dr DC Luyt: members had voted against the motion put forward by the member

Motion 2

Submitted by Mr AM la Grange: members had voted against the motion put forward by the member

Motion 3

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 4a

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 4b

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 5

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 6

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 7

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 8

Submitted by Adv J Stanbury: members had voted against the motion put forward by the member

Motion 9

Submitted by Mr AM la Grange: members had voted against the motion put forward by the member

Motion 10

Submitted by Mr AM la Grange: members had voted against the motion put forward by the member

Next, the results of the voting on the proposed amendments to the Trustee Remuneration Policy were given. The Chairperson confirmed that the results had been audited and were available upon written request. He then announced that the members had approved the proposed editorial amendments and had voted in favour of a 10% increase in Trustee remuneration. The Chairperson thanked the members on behalf of the Board of Trustees for the confidence placed in the Board.

11. CLOSURE

The Chairperson thanked the members for attending the virtual AGM and their patience with the technical difficulties experienced. In addition, he thanked the Sales, Distribution, Marketing and Communication Executive and her team as well as the external providers for the effort and assistance.

The 56th AGM was adjourned at 12.52.

Signed in Pretoria on this _____ day of _____ 2021.

_____

CM Mowatt
Chairperson
Bestmed Board of Trustees

MINUTES OF THE 2020 ANNUAL GENERAL MEETING

Chairperson's Report

OVERVIEW

It is my privilege to present Bestmed Medical Scheme's 2020 financial year highlights to you.

While Bestmed continued to build on the membership growth achieved in 2019, 2020 will be remembered as the year that the novel coronavirus (COVID-19) arrived in South Africa and the changes that it brought with it. Most importantly, the role that medical schemes play in the lives of our members, was amplified as our nation and the world faced the COVID-19 pandemic. I would like to express my gratitude to the South African healthcare workers who risked their lives for their fellow citizens in fighting the pandemic. The health and wellbeing of the Scheme's members, employees and other stakeholders remains a priority during the pandemic. With the announcement of the national lockdown, Bestmed implemented and continues to operate under strict lockdown conditions while still providing the excellent service levels that members have grown accustomed to. 2020 was characterised by consistent change and the need to adapt and be agile, as a society and as a Scheme. It was a year of courage in the face of adversity.

In terms of financial performance, Bestmed's financial position remained strong with a solvency reserve of 47.3% and total assets of R4.3 billion as at 31 December 2020.

I am also proud to report that Bestmed is at the forefront of customer experience in the South African medical scheme industry as confirmed via external, independent research. Bestmed ranked first in the majority of categories among the open and closed medical schemes in the South African Customer Service Index (SA-csi) survey and was the winner of the 2020 Ask Afrika Orange Index's® medical aid industry category.

The Scheme was also recognised for its COVID-19 relief initiatives by winning the "Excellence in Creating Access to Quality Healthcare (Organisations)" category at the 6th annual Titanium Awards hosted by the Board of Healthcare Funders (BHF) in November 2020. The efforts included the allocation of funds for food and sanitising parcels that were distributed to vulnerable families via Operation Hunger. Funds were also allocated for sanitary pad kits and masks to be distributed in underprivileged communities.

Bestmed also initiated various initiatives to ensure the wellbeing of its employees during lockdown as part of the Wellness of Heartbeats initiative run by Bestmed's Talent Team. The annual Organisational Human Factor Benchmark (OHFB) results for 2020 confirm the internal organisational health of the Scheme. Bestmed obtained the highest corporate citizenship score of all participants. The Scheme also obtained the highest score ever since introducing the OHFB.

FINANCIAL PERFORMANCE

I am happy to report that Bestmed maintained its strong financial and market position for the year under review. One of the Scheme's main objectives is to maintain sustainable membership growth. This was achieved with principal member growth of 2.4% (2019: 1.8%). Also, despite socio-economic challenges, there were fewer 'option buy-downs' during 2020.

Bestmed's performance continues to be solid, not only in comparison to previous financial years, but also against the industry averages.

	BESTMED (31/12/2020)
Solvency Ratio	47.3%
Principal Member Growth	2.4%
Average Age	37.3 years
Risk Contribution per average beneficiary per month	R2 154
Healthcare Expenditure per average beneficiary per month	R1 652
Claims Ratio	76.7%
Net Healthcare result (R million)	R767.8
Net Assests (R million)	R3 006

The Council for Medical Schemes (CMS) requires all medical schemes in South Africa to have a minimum reserve of 25% to ensure solvency in the event of a sudden and/or unexpected increase in claims. For 2020 Bestmed has exceeded this requirement with a solvency ratio of 47.3% (2019: 35.4%) and has improved its balance sheet from R3.3 billion to R4.3 billion at 31 December 2020.The importance of a stable financial position has become even more significant, considering the impact of the COVID-19 pandemic.

During 2020 the Scheme paid R228 million in COVID-19 related claims comprising COVID-19 testing, in- and out-of-hospital and prescribed minimum benefit (PMB) costs. However, these COVID-19 costs were offset by a decline in the claims for general and elective procedures resulting in a claims ratio of 76.7% as at 31 December 2020 (2019: 86.8%).

Bestmed's healthcare provider network has grown to more than 16 000 service providers towards the end of 2020, with an average in-network spend of over 80%. Bestmed continues to invite non-network healthcare service providers to join its network. During 2020, Bestmed paid R4 billion (2019: R4.2 billion) in healthcare costs aimed at improving the health of its members. The net healthcare result for the year under review was R767.8 million (2019: R203.8 million).

Although financial market performance was adversely affected by the pandemic and ensuing lockdowns, Bestmed's investment objective of maximising the return on its investments on a long-term basis at limited risk, resulted in the Scheme achieving an annual return on investments 4.7%. (2019: 8.3%), which equates to investment and other income for the year (net of related expenses) of R110.2 million (2019: R145.9 million). The net surplus for the year was R878 million (2019: R349.7 million).

COVID-19: IMPACT AND POSITION OF BESTMED

The onset of the pandemic required swift decision-making to ensure that the health and wellbeing of the Scheme's members and employees remained a priority. In terms of support to our members, a day after the National Institute of Communicable Diseases confirmed South Africa's first positive case, Bestmed offered our members extensive information on the virus, and more importantly provided details on the benefits that the Scheme would offer them including the costs related to diagnosis, treatment and care.

As an essential services provider during a pandemic, Bestmed mobilised all Call Centre agents to work from home within two weeks to ensure that member support would be uninterrupted. Additional platforms for contactless support, including queries via email, SMS, and the website's ChatNow platform, continued to run smoothly. The Scheme also introduced telephonic and video consultations with healthcare providers to enable members to consult their healthcare professional from the comfort of their homes.

During the early stages of lockdown Bestmed also considered various alternative payment options to support principal members who were unable to pay their premiums as a result of the economic effects of lockdown. The Scheme offered payment relief alternatives aligned with the CMS' directives and approvals. To support members further, Bestmed announced an average contribution increase of 4% for 2021, the lowest increase in the history of the Scheme. In addition, benefit limits for 2021 were increased by 5%.

> The Scheme ensured, and continues to ensure, that beneficiaries are covered for in- and out-of-hospital COVID-19-related costs regardless of their benefit option. Bestmed further supports beneficiaries in their precautionary measures by refunding costs spent on hand sanitisers at registered pharmacies from their over-the-counter benefits.

Bestmed also enhanced its Bestmed Tempo wellness programme to make provision for virtual offerings to both members and corporate groups. Communication has been key to Bestmed's service offerings during COVID-19. Regular newsletters are sent to all stakeholders which speaks to best practices during lockdown, mental and physical wellbeing tips, nutrition and ease of access to benefits and services.

Mental health issues have been exacerbated by the challenges that individuals face during the COVID-19 pandemic. Bestmed has partnered with the South African Depression and Anxiety Group (SADAG) to offer our members a dedicated, toll-free, 24-hour mental health support helpline. Bestmed trusts that this helpline has been and will continue to be beneficial to our members during and beyond the pandemic.

STRATEGIC REVIEW

Executive management undertake an annual strategic planning process whereby the Scheme's strategy is reviewed and updated, and their buy-in to the updated strategic framework is confirmed. Thereafter, the Board of Trustees reviews and approves the strategic framework, and Bestmed's annual business plan is developed and compiled therefrom. The outcome of the strategic review for 2020 was to keep the focus on membership growth, member experience, affordability, and product enhancement. This resulted in the average increase of 4% for 2021, increased benefits on various options and an overall improvement in customer satisfaction. This while driving our strategic imperatives of operational excellence, growth, and innovation.

A sustainable increase in membership and larger risk pool are important to secure the long-term survival of the Scheme. In this regard, an amalgamation with Grintek Electronics Medical Aid Scheme (GEMAS) was concluded in the first half of 2020, effective as of 1 July 2020. Bestmed will continue to explore possible amalgamation opportunities with identified medical schemes, while taking cognisance of the fact that it should not allow any change in service and product quality.

STAKEHOLDER ENGAGEMENTS

Over the past year, the CMS has been hard at work regulating the industry and laying the foundations for more equal access to quality healthcare.

During 2020, to continue the Scheme's commitment to quality Personally Yours service, stakeholder engagements with employees, advisor networks, healthcare providers and members were held online to ensure the safety of its stakeholders during a pandemic. As always, the main objective of these engagements is to gain an awareness and understanding of any concerns that the stakeholders have, to identify potential opportunities to grow stakeholder relationships, and to identify any measures required to maintain sustainable and mutually beneficial relationships. Stakeholder engagements also ensure that the Scheme reaches its goals of greater transparency and good corporate governance, as well as creating an opportunity for stakeholder inclusivity in the Scheme's strategic goals.

GOVERNANCE

During the year under review, the election process for one Employee and one Individual member representative on the Board of Trustees was held as the terms of office for both positions were due to terminate at the 2020 Annual General Meeting (AGM). As with other Schemes, the CMS encouraged medical schemes to apply for the postponement of Trustee elections due to the COVID-19 pandemic and the effect of lockdown on business operations. Following CMS approval, the voting, which was originally scheduled to take place in May 2020, prior to the original AGM date of 12 June 2020, was rescheduled to 1 August 2020. Bestmed appointed the Electoral Institute for Sustainable Democracy in Africa (EISA) as the independent electoral body to conduct and oversee the 2020 Board of Trustees elections. The outcome of the elections was the election of Ms Elmarie Marx as the Employee member representative and Ms Clarette Lombard as the Individual member representative.

In July 2020, Mr Louis Heyl, Individual member representative appointed in 2018, resigned from the Board due to ill health reasons. The term of office of Mr Peter Kennedy, Appointed Trustee, also terminated at the 2020 AGM, thereby leaving a further two vacancies. I would like to thank both Louis and Peter for their valuable contributions over the past years. In terms of the rules of the Scheme, Mr Desmond Smith, who had participated in the 2020 Individual member representative election, was appointed to serve out Mr Heyl's term i.e. until 2022. A separate process to replace Mr Kennedy was initiated. The Trustees determined that the appropriate Trustee replacing Mr Kennedy should have a legal qualification and appropriate legal expertise. Four nominations were received and voted on, and Mr Leon Jordaan was the successful candidate. The Bestmed Board of Trustees is now fully constituted with five Members Representative Trustees and five Appointed Trustees.

Member Representative Trustees:

Mr MJ Joubert	Employee Member Representative
Ms E Marx	Employee Member Representative
Ms C Lombard	Individual Member Representative
Mr DK Smith	Individual Member Representative
Ms A Hartzenberg	Continuation Member Representative

Appointed Trustees:

Mr CM Mowatt (Chairperson)
Mr GS du Plessis (Vice-chairperson)
Ms S Stevens
Dr BE Legobye
Mr L Jordaan

As a result of the COVID-19 pandemic and the associated lockdown, the Bestmed AGM, which was originally schedule for 12 June 2020, had to be postponed, and the Scheme applied for an exemption from the CMS to host the AGM virtually so as to protect the health and wellbeing of its members. The request was duly approved and Bestmed's 56th Virtual AGM was successfully held on 23 September 2020.

As reported in my 2019 Chairperson's report, in April 2020 Mr Dries le Grange the Scheme's previous Chief Executive Officer (CEO)/Principal Officer (PO), issued a summons against Bestmed in the North Gauteng High Court in respect of the 2017 mutual separation agreement entered into with Bestmed. The Scheme is taking the appropriate legal action to defend this claim.

THE FUTURE

2021 has been marked by the two significant developments within the medical schemes industry, namely the publishing of the report on the Section 59 investigation into racial profiling and South Africa's COVID-19 vaccine rollout strategy.

- In January 2021, the interim report on the results of the Section 59 investigation into the allegations of racial profiling pertaining to Fraud, Waste and Abuse (FWA) was released. Three large medical schemes were implicated. This report found that there was racist behaviour in the manner in which certain schemes identify and investigate FWA. All three mentioned medical schemes are formulating comments and arguments which will be considered prior to finalisation of the report. Although Bestmed was not implicated in the Section 59 complaints, the Scheme is patently aware that the outcome of this investigation will impact the entire medical scheme industry and not only the implicated medical schemes.
- The CMS announced, early in 2021, that the COVID-19 vaccine had been included in the amended PMB regulations. This means that members of medical schemes will receive the vaccine as part of their benefits under PMBs. The procurement of vaccines is centralised with Government being the sole purchaser and medical schemes are currently not able to procure the vaccines themselves. The CMS continues to engage medical schemes on the development of the framework that will the industry on how the vaccines will be administered. Bestmed has indicated its support to a collaborative approach and is participating via the two major industry associations to ensure that the interests of the Scheme and its members are protected.

The Board continues to recognise the importance of members retaining their healthcare cover despite difficult socio-economic circumstances and financial pressure particularly during the COVID-19 pandemic and is confident that the Scheme would be able to meet the ongoing challenges of the COVID-19 pandemic and look after members' healthcare needs going forward.

Since our employees have worked from home since the end of March 2020, I am confident that they are better equipped to handle the challenges that 2021 may bring and that they will build on the many successes of the Scheme in 2020. However, I am cognisant of the fact that lockdown does have an impact on the mental health and productivity of employees, and Bestmed will continue to implement initiatives and programmes to support our Heartbeats.

> Bestmed remains fully committed to the Personally Yours brand promise and strategic objectives that the Scheme needs to achieve, including product development, maintaining a strong service provider network, remaining a preferred choice for members and advisors, retaining existing members and growing the principal membership.

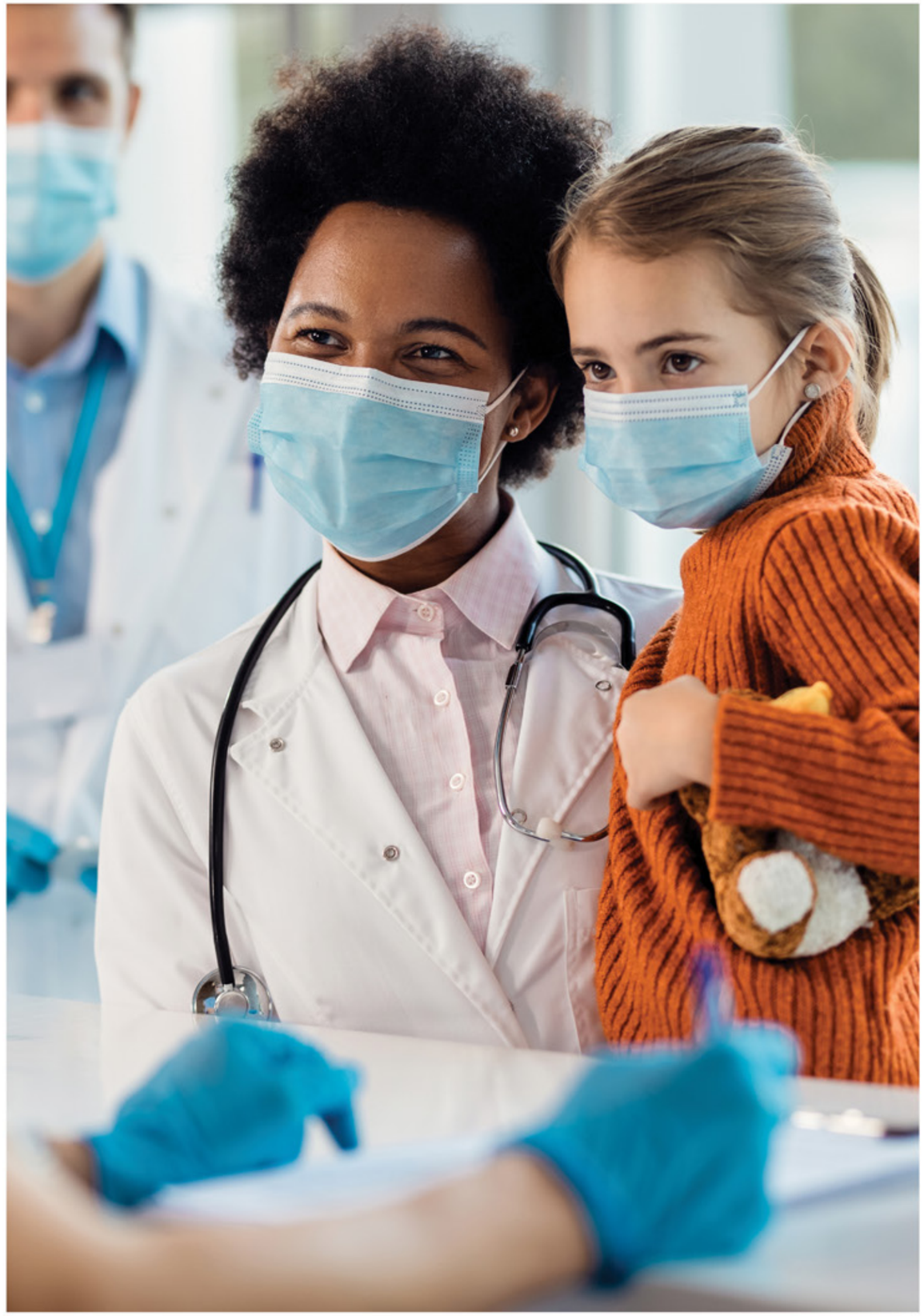
APPRECIATION

Though 2020 was a challenging year in many aspects, it is never more difficult than when one loses a loved one. I would like to take a moment to remember those Bestmed members who lost their lives due to COVID-19. May their families and friends be comforted. I especially express my sincere condolences to the family, friends and colleagues of one of our Heartbeats, Kathy Stapelberg, who passed away in January 2021.

I would like to thank our members for their continued loyalty and support. You are the reason that Bestmed strives to continue to deliver quality service that is Personally Yours.

I would also like to thank Bestmed's management and employees (Heartbeats) for their dedication and hard work to make the Personally Yours promise a reality for our members despite the difficult work circumstances over the past year.

Finally, my sincere thanks to my colleagues and fellow Board members. Thank you once again for your wisdom, knowledge, support, co-operation and continued commitment to Bestmed. Without your dedication, Bestmed would not be the fourth largest and much respected open medical scheme that it is.



CM Mowatt
Chairperson

CHAIRPERSONS REPORT

Operational Highlights

Report from the Chief Executive Officer

THE YEAR OF COVID-19 AND CARE BEYOND A CASE NUMBER

2020 was most certainly a year characterised by local and global changes in business and society. The very words we heard, read and uttered every day – pandemic, virus, infection, quarantine, economic collapse, social distancing – were foreign and uncommon. Our everyday activities became taboos and we had to acquire strange new habits in the blink of an eye.

When I reflect on the year past, despite the changes it brought about within Bestmed, I know that the fundamentals never changed. We kept going. We kept doing what we have always done: we cared about our members; we cared for them when they were in need. We cared for our colleagues and we cared for our business.

The information in my report of the Scheme's achievements and challenges in 2020 will, I hope, reflect some of the outcomes of our enduring culture of care far beyond case numbers and claim numbers.

GROWTH IN MEMBERSHIP

For 2020 Bestmed experienced another year of solid net growth in principal members. Principal members grew by 2.4%, which was 0.6% higher than the 1.8% for 2019. This growth translated to us providing medical cover to 97 335 principal members compared to 95 044 as at 31 December 2019. The average age of the new principal members who joined was 38.7 years, whilst the average age of all beneficiaries was 37.3 years. According to the CMS Annual Report 2019/2020, the gap is steadily narrowing between the Scheme's overall average age and that of the industry average for open schemes, which was 34.9 years. We will continue to focus and strengthen our efforts to acquire more young members. Our pensioner ratio remains 13.6% against the 10.3% average for open schemes per the CMS Annual Report 2019/2020.

Overall, we have retained our position as the fourth largest open medical scheme in South Africa, and we remain the largest self-administered medical scheme in the country.

CONTRIBUTIONS AND BENEFIT SATISFACTION

One of our consistent goals is to keep annual increases in members' contributions low. For 2020, the Scheme's average increase was 8.9%, the third lowest in the industry. For 2021, we managed to align with the Council for Medical Schemes' directives for 2021 medical aid increases by announcing an average increase of 4%, one of the lowest increases in the Scheme's history. This was the second lowest increase in the open medical schemes industry and was well received by our stakeholders.

An equally important goal is to achieve the correct balance between member contributions and member benefits. The correct balance will ensure that members get value for money, while experiencing superior service. For 2021, we increased our benefit limits by 5% across the board, exceeding the average contribution increase, and this yielded very satisfying outcomes, with 97.8% of our members opting not to make any changes to their benefit options. Of the 2.2% (2 117 members) who did make a change, 1.3% selected more affordable options and 0.9% selected options offering a larger range of benefits.

SUSTAINABILITY

With many elements of our lives turned upside down in 2020, it became crucial for us to ensure that members continued to receive excellent service. Under normal circumstances, financial stability is an important indicator in reassuring members that they belong to a sustainable medical scheme. But when the world turns upside down and we can no longer trust the air that we breathe, people want to know that their medical scheme will not fail them when they need it most and that their medical cover will not be compromised, even when the office buildings of their scheme are empty.

The Scheme continued to ensure excellence in service provision, whilst maintaining healthy financial reserves. The Scheme's solvency ratio for the year ended 31 December 2020 was 47.3%, up from 35.4% at the end of 2019. Despite fears that the COVID-19 outbreak would result in high claims from medical scheme members, subsequently driving up the cost of healthcare, the opposite has proven to be true. Since the outbreak of the pandemic, schemes have built up surpluses due to fewer claims as members opted not to visit their respective healthcare providers, including elective procedures being deferred to make way for COVID-19 related hospitalisations. The 2020 net surplus of R878 million is particularly reassuring and signals the Scheme's ability to meet large, unpredictable variations in members' claims. We will channel some of these healthy reserves to enhance our 2022 product offering and remain competitive in the healthcare market.

VALUE AND COMPETITIVE ADVANTAGE

Despite slow economic growth and significant affordability issues for a large part of the population, we have managed to retain members due to their satisfaction with our products and service. Bestmed is favourably positioned in the market, with a comprehensive range of 13 benefit options. In reviewing and assessing our 2021 benefit options, we steered away from making major benefit and structural changes, yet still ensuring that our products remain competitive and responsive to our members' evolving needs.

ACCOLADES/AWARDS

Bestmed received the highest rating in the South African Customer Satisfaction Index's (SA-csi's) medical scheme industry research regarding perceived quality, perceived value, overall customer service index, and customer loyalty; and the second highest rating for customer expectations. It is also significant that the Scheme's beneficiary complaints were the lowest in the industry.

We were also placed first in the Ask Afrika Orange Index® Benchmark 2020 in the Medical Aid Industry performance category, rising above the industry average for the year.

These assessments provide us with objective feedback on how our members experience the Scheme and how it compares with other schemes. This feedback ensures that we dedicate effort to improving the relevant service to members, and that our organisation remains strong and healthy. The outcomes of the 2020 assessments were very gratifying, especially given the unusual difficulties of the year.

We went on to win the 6th annual Titanium Awards in the category for Excellence in Creating Access to Quality Healthcare (Organisations), mainly due to our extensive Corporate Social investment (CSI) project to assist local communities.

We are proud to have stayed true to our promise of being Personally Yours during challenging and uncertain times. We all endured and responded to not only the needs of our beneficiaries, but also of our service providers, Heartbeats (employees) and underprivileged members of the community.

ORGANISATIONAL HUMAN FACTOR BENCHMARK (OHFB) SURVEY

The Scheme annually participates in the OHFB – a workplace evaluation system which is a standardised and culturally sensitive Human Resources risk management instrument. It identifies employee and workplace functioning risks that might impede the ability of Bestmed employees to act on strategic intent.

In 2020, the psychological energy ("can do") and psychological desire ("will do") elements of the Bestmed sample exceeded the norm and the South African Benchmark.

The work-related wellbeing scores of Bestmed's employees mostly exceeded the SA benchmark; an excellent result especially considering the impact of the COVID-19 pandemic on people's mental health. The stress-related health impairment risk of Bestmed was 22% versus the SA Benchmark of 31%.

Collectively the Bestmed employees' morale and workplace functioning reflect the stand-out qualities of a high-performance culture. In simple terms, we like one another, and we work well together.

CONCLUSION

Bestmed's positive results in 2020 provided certainty in uncertain times. We have shown that continuous hard work and innovations such as our Personally Yours service yield results, even though 2020 stripped away the usual workplace support and required courage from us all.

Members can rest assured that Bestmed will continue to act in their best interests while adhering to the governance and ethical principles we regard as being the basis of this self-administered medical scheme.

At the time of producing this Annual Report, South Africans are experiencing the ebbing of the second COVID-19 wave, and the country is holding its breath, waiting for certainty about the efficacy of the COVID-19 vaccine and the controlled rollout of a national vaccination programme. I am confident that we will attain population immunity but fears of potential infection and an increase in the burden of disease will linger, and our economy will remain fragile for some time to come. Medical schemes will therefore continue to grapple with loss of income among their members during the transition to the "new normal".

However, whatever the future brings, I have the rock-solid certainty that Bestmed's members will continue to experience the peace of mind of knowing that their medical scheme will carry on caring.

Legal and Governance

2020 will, without any doubt, be remembered as one of the prominent years in our recent history – not just by the health sector or the South African society but throughout the world. The corporate world has certainly not been spared, as we have had to manage the twists and turns of the journey through COVID-19 and the resulting disruption in work patterns. The year has also exposed potential vulnerabilities in aspects such business continuity, risk management and workforce management. These were tested and will continue to be tested for the foreseeable future.

Notwithstanding these inescapable challenges, Bestmed remained financially resilient and fulfilled its responsibilities as a good corporate citizen. The King Code, which sets out the principles of good governance in South Africa, remains the foundation of our governance focus and aspiration. In the past few years, the Scheme has progressed to its most stable and sustainable position in several areas including risk management, legal compliance, and good governance.

During 2020, the Scheme finalised the process of reviewing and aligning its rules to best practice. The rules are now aligned to the provisions of the Medical Schemes Amendment Bill read with the CMS model rules and the King Code principles.

During the past few years, positive progress has been made in terms of transformation. In 2020, the Scheme continued to make advancements to be Broad-Based Black Economic Empowerment (B-BBBEE) accredited. This process saw most of the elements of the scorecard being successfully achieved in 2020. The intent for 2021 is for the Scheme to accelerate its progress in this regard to achieve a level eight (8) B-BBBEE status by the end of 2021.

The Scheme is also finalising efforts to ready itself for the 1 July 2021 deadline on which the Protection of Personal Information Act (POPIA) will become fully effective and enforceable. Much of the work towards compliance was completed in 2020 and will continue into 2021.

The importance of cyber security is closely aligned to compliance with the POPIA and remained an area of focus during 2020. More specifically to ensure the protection of our members' personal information.

The year under review has also seen the finalisation of the Section 59 inquiry on racial profiling, despite the CMS report only having been issued in early 2021. No findings have been made against Bestmed, however the draft findings, and more importantly, the recommendations of the report have industry wide implications and the Scheme has taken cognisance of these. Bestmed will continue to be pro-active and co-operative in providing inputs where necessary to ensure industry-wide improvements in this regard.

We remain positive and focussed to ensure that we continue building a Scheme that looks after its members' interests. Accordingly, we will continue in our efforts to monitor changes in the regulatory landscape and remain a compliant and good corporate citizen to the benefit of all our stakeholders.

Operational Excellence

During the year under review, COVID-19 presented all the operational divisions with unique challenges to mobilise employees, empower them with the necessary equipment and connectivity, and keep them motivated to continue to deliver our *Personally Yours* service promise. The work from home environment has certainly not been ideal from a human resource management perspective and necessitated constant communication and interventions with employees.

The workforce was mobilised within a short space of time and team members have become accustomed to working from home, working after hours and over weekends in order to maintain turnaround times and to measure and manage the incoming workflows. Connectivity remains a very high priority to continue to ensure operational excellence.

It was imperative to measure and report on organisational, departmental, and individual performance and outputs during the lockdown phases and this has become our new reality.

Considering the operational challenges that the pandemic posed in 2020, we are proud of the various teams across business who are in control of their work environments and who adjusted quickly and efficiently to the rapidly changing circumstances.

We are confident that our stakeholders are satisfied with the overall performance in the client service and processing spaces, as substantiated by Bestmed obtaining the highest scores of the open schemes in the SA-csi 2020 and the Ask Afrika Orange Index 2020 for the medical schemes category.

The Claims division managed to maintain quick and consistent service and achieved a 24-hour processing turnaround throughout the year. The fact that the Scheme facilitates two claims payment runs per week, provides members with high levels of awareness and oversight regarding their individual claim profiles. Healthcare providers also benefit by having fast processing of their claims.

The Scheme finalised a comprehensive Fraud, Waste and Abuse (FWA) data analysis and investigation project into the 2018 and 2019 claims data of the Scheme. All findings across the different disciplines were investigated and validated and detailed and complex investigations of claim transactions were done. Our rules-based system, internal identification processes, management processes, and approach to alleged irregular claiming practices and unwanted behaviour, limited our exposure in this area of concern. The mini claims statements or claims notifications issued by the Scheme before a payment run, and the ad hoc communication on pre-authorisation level, have had the desired effect and have enabled members to get in touch with the Scheme immediately to report any suspicious activity.

The biggest challenges that the Client Service Department experienced in 2020 were the power-outages caused by load shedding, which resulted in drops in VPN connectivity and loss of network coverage and secondly the challenge to manage employees remotely and keep them engaged. Regardless of these obstacles, teams working from home offered opportunities to experiment with workflows and work allocations when faced with connectivity challenges due to load shedding. Employees remained dedicated to maintaining service levels and performed well in achieving and surpassing turn-around times in all areas.

The Scheme has gone live with the Provider Portal Online Benefit Access (POBA) project and is steadily experiencing a drop in the volume of engagements within the ChatNow tool on the provider portal since more providers have started using the new functionality.

Within the Membership and Subscription reconciliation divisions, it became clear that members wanted to retain their membership and benefits during the COVID-19 period of uncertainty, and as such the Scheme was fortunate not to experience major fluctuations in membership numbers. The number of corporate clients also remained stable during the period under review. The subscription and reconciliation processes have been managed well, resulting in contracted outcomes being achieved. The turnaround times in the areas of member registrations and changes to membership status are of absolute essence and the Scheme managed to maintain the contracted service promise to members and corporate clients.

Corporate Relations and Wellness

MEMBER ENGAGEMENTS

The Scheme planned to continue with the member engagement sessions that were introduced in 2018, but the COVID-19 pandemic necessitated a review of this strategy due to the national lockdown periods.

To align with new circumstances, the Scheme changed the scheduled physical meetings to virtual meetings. Overall, the attendance of the virtual sessions exceeded the traditional onsite sessions that were hosted in previous years, and the participation of members was very positive.

The issues that were raised during the webinars will be attended to as part of the Scheme's service enhancement projects in 2021 and beyond.

Going forward, the Scheme will continue to host the year-end member engagement sessions on an annual basis – as we had done during the 2020 year-end period. More virtual events, aimed at explaining specific Scheme related processes or procedures, will also be hosted.

CORPORATE SERVICE PROGRAMME

Corporate clients were kept informed about changes in funding principles for treatment related to the COVID-19 pandemic and other developments in the industry that might be relevant to them. The COVID-19 regulations required changes to the corporate service offering to become a largely virtual engagement offering during 2020. COVID-19 was also, undeniably, the most relevant topic of discussion during the information sessions hosted for the corporate clients and these sessions were well attended.

Key Account Consultants made the necessary arrangements with their corporate clients to be available virtually to assist with member and other queries.

The Bestmed Tempo wellness programme offerings for corporates were also amended to make provision for the implementation of various virtual initiatives.

BESTMED TEMPO WELLNESS PROGRAMME

As of 31 December 2020, a total of 2 902 adult beneficiaries have registered on the Tempo wellness programme and have taken part in the programme's interventions.

The virtual Tempo wellness programme was implemented at 34 corporate clients during 2020. These groups are all continuing with the interventions in 2021.

MEMBER RETENTION

During the past three years, the number of principal members who cancelled their membership has decreased. The lower number of membership terminations in 2020 can be ascribed to the outbreak of the COVID-19 pandemic and people's uncertainty about their own and their family's healthcare needs during the pandemic, solid relationships with key stakeholder groups such as the advisor community and healthcare providers as well as the Scheme's high levels of service and member loyalty that have consistently increased.

For 2020, membership terminations decreased with 1.8% from 9.2% in 2019 to 7.4% in 2020.

Managed Healthcare and Service Providers

The Scheme's managed healthcare initiatives maintain the balance between clinical and financial risk by providing the best medical care to our members within the parameters of the Scheme's Rules, affordability and sustainability. The Department for Managed Healthcare & Service Providers consists of Hospital Benefit Management, Pharmaceutical Benefit Management & Prescribed Minimum Benefit (PMB), Advisory, Risk and Quality Management, Disease Management and Service Providers, Contracting and Research. During 2020, these intra-departmental teams improved the service levels through quicker turn-around times and implemented various system enhancements.

SERVICE PROVIDERS, CONTRACTING AND RESEARCH

The year 2020 brought about many challenges and changes, however, it also brough about new ways of building relationships and networks. The healthcare provider networks have grown to over 16 000 registered healthcare providers.

While visits to providers were not allowed due to the COVID-19 pandemic, the team pioneered new ways to provide our Personally Yours service to all providers. Over 2 000 letters and agreements were disseminated, ensuring providers of Bestmed's support during the pandemic and thanking them for taking care of Bestmed members that needed to be hospitalised. These letters of support and thanks were well-received by healthcare providers.

HOSPITAL BENEFIT MANAGEMENT

The Hospital Benefit Management team implemented 27 quick-authorisation (quick-auth) protocols. These protocols were designed with the intention of providing faster authorisation and simultaneously reducing turn-around times and employee intervention. This improved approach is a pre-curser for automated authorisations, where hospitals and selected network providers will be able to apply for authorisation online. Member interaction became more personal to lessen the anxiety that many members experienced around hospital admissions during COVID-19.

PHARMACY BENEFIT MANAGEMENT & PMB

The Prescribed Minimum Benefit (PMB) team focused on the implementation of processes for the pro-active management of PMBs. Possible PMB claims, with a PMB ICD-10 code that was rejected or paid from savings or short-paid are reviewed, assessed and re-processed to pay from Scheme Risk where applicable, without the member or provider submitting an application for review.

DISEASE MANAGEMENT

Bestmed introduced its Diabetes Management Programme in 2019 and has since registered more than 9 000 diabetic members onto the programme. The programme offers support and guidance to members regarding regular visits to healthcare providers, medicine, and lifestyle. The Oncology, HIV/AIDS and Dialysis management programmes are also performing well, with members actively utilising the benefits of these programmes. The members enrolled on the respective HIV/AIDS and Oncology management programmes, are all supported by qualified nurses, pharmacists and medical doctors, and both these programmes, as with all the others, are supported by trusted third party partners.

ADVISORY, RISK AND QUALITY MANAGEMENT

The Advisory, Risk and Quality Management team was established in 2020 due to the updates to all current managed healthcare protocols as well as advisory and alternative reimbursement model investigations. The clinical value brought about by this team, consisting of two medial doctors and a senior registered nurse, is an asset to the Scheme and, most importantly, our members.

Sales and Marketing

Following a slight decline in principal membership for the 2017 and 2018 financial years, the Scheme has experienced two successive years of positive membership growth. For 2020, the Scheme's principal membership increased with 2.4%. This growth was the net effect of an increase in new member registrations combined with a decline in member terminations, supported by an organisation-wide effort to render excellent service.

Although the COVID-19 pandemic had an impact on the sales teams, swift action was taken to ensure that employees were able to continue their sales efforts from the comfort of their homes. This included the provision of soft phones and sufficient data and managing the human element via visible leadership and active support. In the Direct Sales environment, significant changes were made to the Leads Management System (LMS) to further improve leads and sales management as well as compliance to the Financial Advisory and Intermediary Services (FAIS) Act.

Most of the Scheme's new registrations is generated via its valued advisor panel. The national lockdown caused challenges for the advisors, as well as the Business Consultant (BC) team who service the advisor panel, in that corporates in general did not allow for any physical presence at their locations. Nevertheless, the team managed to acquire new corporates as well as new advisors and brokerages.

Engagements, including the 2020 Product Launch event, were mostly done virtually. The focus for the 2020 year-end period was on retaining existing members rather than acquiring additional business and the result thereof was evident in the Scheme's low rate of terminations for the year.

Several concerted plans and strategies were implemented in the Marketing and Communications division to increase brand awareness, improve engagements with key stakeholders, enhance stakeholder communication and improve the Scheme's digital presence. A brand awareness campaign continued throughout 2020 with tweaks in certain areas to make provision for changes in consumer behaviour due to the COVID-19 pandemic and consequent national lockdown periods and levels. Radio advertising time slots were amended, and live streaming was included to continue capturing broad audiences as listener habits shifted. Out-of-home billboard advertising was adjusted from static billboards to digital versions, to allow flexibility during specific lockdown levels and enhanced targeting to reach audiences as their outdoor movements changed. Social media brand awareness campaigns were supplemented and diversified to capitalise on the growth of this communication medium.

No new material sponsorships were introduced in 2020 with the intent to maximise the returns of the existing sponsorship investments. The approach for the year consisted of sport and corporate sponsorships. In terms of the flagship sporting sponsorship events, the Bestmed TuksRace was hosted in February with a record 6 657 entries (representing a 23% increase compared to 2019), but unfortunately due to COVID-19 the 2020 Bestmed Tshwane Classic cycle race, scheduled to take place in November, could not be hosted.

In addition to the above, a few strategic positions have been created and filled in the Marketing and Communication and Sales Departments, to ensure that the capacity exists to leverage from the improvement opportunities identified.

CORPORATE SOCIAL INVESTMENT (CSI)

Several CSI projects were implemented in 2020. Considering the plight of communities during COVID-19, it was important for the Scheme to act promptly and provide support to the communities in which it operates. Bestmed employees donated an amount of R 624,992 to supplement the Scheme's contribution to CSI initiatives in this regard. This resulted in the distribution of 15 500 high-quality cloth masks, 2 380 Sanitary Pad kits and 2 352 food parcels in local communities.

The Scheme also donated funds to assist disadvantaged students impacted by COVID-19 and the countrywide lockdown, with learning devices such as laptops and tablets.

In addition to the aforementioned COVID-19 specific initiatives, we also continued our involvement with Partners for Possibility (PfP), a unique programme that partners business leaders with principals from under-resourced schools in a year-long, collaborative, and very practical journey. Projects for the year included a wellness day, Health Assessments and first aid kits for all educators, installation of a borehole and irrigation system, donation of five projectors, projector stands and laptop charging trolleys.

Human Resources (HR)

OUR EMPLOYEES - THE HEARTBEAT OF BESTMED

Managing talent in times of crisis requires the ability to adapt to unpredictable circumstances, as was the case with the COVID-19 pandemic. The Talent Team implemented various improvements to the Scheme's employee value proposition to support employees (also referred to as our heartbeats) during these unprecedented times.

The significant efforts, over the past few years, to implement process workflows on Beatzone, the Scheme's employee portal, proved to be instrumental in our ability to transition from the physical workplace to a remote work environment. For example, the training team designed and deployed 27 new eLearning modules on Beatzone during the year. A heartbeat communication cubelet was also implemented to ensure that employees had access to internal communication, even when they did not have access to Bestmed's internal servers. Other developments included additional leave type applications and the automation of travel claim approvals. Beatzone also enabled the roll out of an in-house COVID-19 eLearning module and online screening to ensure compliance.

The Scheme continued its organisation wide performance management process by conducting the mid-year and year-end performance reviews remotely, with interactions focused on giving employees the deserved recognition, support and guidance.

Benefit management initiatives, which included surveys, benefit structure changes, COVID-19 leave donations, sales incentive amendments, increases, bonusses, package simulation and recognition programmes were successfully executed during the year.

Talent acquisition and onboarding processes also continued, albeit different to previous years. Onboarding of new talent was one of the most significant elements that required revision given the constraints of working remotely. An abridged version of the induction programme was designed and the team managed to establish interpersonal contact and engagement to ensure that new employees shared in the strong Personally Yours culture and were ready to take on their responsibilities.

27 Learners successfully completed their learnerships and interns remained in service until January 2021. We are proud of our bursary candidates, all of whom continued their studies during 2020 by successfully adapting to online learning platforms.

The Talent team arranged virtual wellness initiatives including Pilates classes, workshops and email initiatives. Financial support sessions continued virtually as did the services of the Employee Assistance Programme. The few heartbeats who contracted COVID-19 were personally supported with messages of encouragement and regular check-ins and every heartbeat received a special gift parcel during winter. This gesture was warmly welcomed and contributed to maintaining employee morale and the corporate citizenship level that is critical to the Scheme's success.

A survey was also conducted to identify the effects of the COVID-19 on employees. The project, called the Wellbeing oF Heartbeats Initiative (WfH), ensured that we lived up to our promise of a Personally Ours organisational culture.

The OHFB workplace analytics system is a standardised and culturally sensitive Human Resources risk management instrument that identifies employee and workplace functioning risks that might impede the ability of employees to act on strategic intent. In 2020 the Scheme yet again obtained the highest corporate citizenship score of all participating organisations and achieved the highest score since the introduction of the initiative.

Information and Communication Technology (ICT)

One of the Scheme's strategic objectives is to continually improve its ICT infrastructure and systems to benefit the end-user, remain relevant and competitive in the industry and enhance the efficiency of the Scheme's operations. As such, ICT needs to be agile enough to adapt to the diverse range of stakeholder needs.

IT-enabled business advances service delivery and innovation and fosters customer-led growth in the information age that we find ourselves in. It continued to be a critical enabler of business transformation and growth for the Scheme in 2020.

The year under review brought about unique challenges, particularly in enabling the workforce to work from home and continue to serve members without interruption. This required the technology and infrastructure to facilitate and support a productive remote working environment while maintaining the high service levels that our stakeholders are accustomed to. The Scheme's BIT administration system remains relevant in the industry, and additional enhancements and projects that were completed during the year, continue to add value to the organisation and the overall member experience. The Scheme has realised cost savings resulting directly from the synergy and competences achieved across departments, due to these enhancements and the resultant efficiencies.

Our digital transformation strategy continues to provide us with rich data that enables us to make informed decisions. And, with the incorporation of machine-learning models for decision-making and other value adds, we will continue to enhance our infrastructure during 2021 with the aim of rendering an even better service to our members and other stakeholders.

LB DLAMINI
Principal Officer

OPERATIONAL HIGHLIGHTS

Highlights of the 2020 Financial Statements

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	2020	2019
	R	R
ASSETS		
Non-current assets	**1 922 240 125**	**1 792 180 460**
Property and equipment	12 832 440	27 079 029
Intangible assets	11 040 516	9 358 781
Lease assets	80 981 300	-
Financial assets at fair value through profit or loss	1 645 210 895	1 579 164 179
Financial assets at fair value through other comprehensive income	172 174 974	176 578 471
Current assets	**2 389 304 884**	**1 517 845 260**
Financial assets at fair value through profit or loss	2 001 043 992	1 164 476 599
Scheme	1 292 763 870	496 496 269
Personal medical savings account trust monies invested	708 280 122	667 980 330
Trade and other receivables	118 005 284	121 955 698
Cash and cash equivalents	270 255 608	231 412 963
Scheme	82 551 499	117 911 183
Personal medical savings account trust monies invested	187 704 109	113 501 780
Total assets	**4 311 545 009**	**3 310 025 720**
FUNDS AND LIABILITIES		
Members' Funds	**3 005 608 874**	**2 122 148 396**
Accumulated funds	3 019 349 271	2 132 167 526
Revaluation Reserve - Financial assets at fair value through other comprehensive income	(13 740 397)	(10 019 130)
Non-current liabilities	**79 135 608**	**16 736 925**
Retirement benefit obligations	11 540 087	11 903 903
Lease liability	67 595 521	4 833 022
Current liabilities	**1 226 800 527**	**1 171 140 399**
Personal medical savings account trust liability	928 285 868	805 552 798
Outstanding claims provision	139 574 345	150 072 214
Lease liability	15 745 333	10 349 063
Trade and other payables	143 194 981	205 166 323
Total funds and liabilities	**4 311 545 009**	**3 310 025 720**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	R	R
RISK CONTRIBUTION INCOME	**5 230 271 100**	**4 842 034 239**
Relevant healthcare expenditure	**(4 012 054 332)**	**(4 204 344 790)**
Net claims incurred	(4 014 211 928)	(4 216 406 669)
Risk claims incurred	(3 894 220 088)	(4 104 189 506)
Third party claims recoveries	7 859 760	7 230 154
Accredited managed healthcare services	(127 851 599)	(119 447 317)
Net income/(expense) on risk transfer arrangements	2 157 595	12 061 878
Risk transfer arrangement premiums paid	(93 366 725)	(89 392 049)
Recoveries from risk transfer arrangements	95 524 320	101 453 928
Gross healthcare result	**1 218 216 768**	**637 689 448**
Broker service fees and other distribution fees	(85 296 672)	(80 578 114)
Administration and other operative expenses	(363 202 226)	(345 624 050)
Net impairment losses on healthcare receivables	(1 937 887)	(7 725 965)
Net healthcare result	**767 779 983**	**203 761 319**
Other income	**175 879 814**	**212 516 932**
Investment income	166 772 580	211 756 335
Scheme	122 046 917	160 744 582
Personal medical savings account trust monies invested	44 725 663	51 011 753
Own facility income	3 050 868	-
Sundry income	6 056 366	760 597
Other expenditure	**(65 669 215)**	**(66 585 184)**
Interest paid on personal medical savings trust accounts	(44 725 663)	(51 011 753)
Interest expense	(3 079 452)	(1 556 048)
Asset management fees	(5 268 705)	(5 245 262)
Own facility expenditure	(12 575 115)	(8 772 121)
Other losses	(20 279)	-
NET SURPLUS FOR THE YEAR	**877 990 583**	**349 693 067**
Other comprehensive income	**(12 065 885)**	**1 149 992**
Fair value adjustment on financial assets through other comprehensive income	(12 065 885)	1 149 992
Realised loss/(gains) on financial assets at fair value through other comprehensive income	8 344 618	(6 875 183)
Reclassification adjustment on realised (loss)/gains	(8 344 618)	6 875 183
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**865 924 698**	**350 843 059**

HIGHLIGHTS OF THE 2020 FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2020

	Accumulated Funds	Revaluation Reserve - OCI	Total Members' Funds
	R	R	R
Balance as at 31 December 2018	**1 775 599 276**	**(4 293 939)**	**1 771 305 337**
Net surplus for the year	349 693 067	-	349 693 067
Other comprehensive income	6 875 183	(5 725 191)	1 149 992
Fair value adjustment on financial assets through other comprehensive income	-	1 149 992	1 149 992
Realised gains on financial assets at fair value through other comprehensive income	6 875 183	(6 875 183)	-
Balance as at 31 December 2019	**2 132 167 527**	**(10 019 130)**	**2 122 148 397**
Net surplus for the year	877 990 583	-	877 990 583
Additional amounts recognised from business combinations during the year	17 535 780	-	17 535 780
Other comprehensive income	(8 344 618)	(3 721 267)	(12 065 885)
Fair value adjustment on financial assets through other comprehensive income	-	(12 065 885)	(12 065 885)
Realised gains on financial assets at fair value through other comprehensive income	(8 344 618)	8 344 618	-
Balance as at 31 December 2020	**3 019 349 271**	**(13 740 397)**	**3 005 608 874**

SOLVENCY RATIO

The accumulated funds ratio is calculated as follows:

	2020	2019
	R'000	R'000
Total members' funds per statement of financial position	3 005 609	2 122 148
Less: Unrealised investment gains	(96 773)	(107 596)
Accumulated funds as per Regulation 29	2 908 836	2 014 552
Gross annual contribution income	6 150 430	5 686 678
Accumulated funds ratio calculated as the ratio of Accumulated funds/Gross annual contributions x 100	**47.29%**	**35.43%**

HIGHLIGHTS OF THE 2020 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS PER BENEFIT OPTION

2020	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	6 990	31 626	7 316	3 343	29 317	8 904	5 093	2 124	2 101	521	**97 335**
Average number of members for the accounting period	6 605	30 542	7 345	3 446	29 405	9 078	5 152	2 179	2 182	554	**96 489**
Dependants at 31 December	7 446	32 200	7 622	3 578	42 977	6 327	4 672	981	1 164	97	**107 064**
Average number of dependants for the accounting period	6 988	31 058	7 629	3 683	42 941	6 520	4 740	1 015	1 217	107	**105 898**
Average beneficiaries for the accounting period	13 592	61 600	14 974	7 129	72 346	15 598	9 892	3 194	3 399	661	**202 386**
Ratio of average dependants at 31 December	1.06	1.02	1.04	1.07	1.46	0.72	0.92	0.47	0.56	0.19	**1.10**
Average age of beneficiaries for the accounting period	35.26	30.46	37.52	45.30	34.39	55.37	54.79	65.13	48.41	76.72	**37.33**
Ratio of beneficiaries older than 65 years	8.32%	3.63%	13.32%	21.47%	9.52%	41.52%	40.63%	61.19%	29.40%	89.81%	**13.56%**
Risk contribution per average member per month	2 638	2 548	3 877	6 344	5 098	7 032	8 317	10 694	3 055	6 723	**4 517**
Risk contribution per average beneficiary per month	1 282	1 263	1 902	3 067	2 072	4 093	4 332	7 296	1 961	5 634	**2 154**
Healthcare expenditure per average member per month	1 944	1 824	2 846	4 839	3 550	6 234	6 985	9 623	2 982	6 809	**3 465**
Healthcare expenditure per average beneficiary per month	945	905	1 396	2 339	1 443	3 628	3 638	6 565	1 914	5 705	**1 652**
Relevant healthcare expenditure as a percentage of risk contributions	73.7%	71.6%	73.4%	76.3%	69.6%	88.7%	84.0%	90.0%	97.6%	101.3%	**76.7%**
Non-healthcare expenditure per average member per month	376	382	391	354	404	384	413	372	367	320	**389**
Non-healthcare expenditure per average beneficiary per month	183	189	192	171	164	223	215	253	236	268	**185**
Non-healthcare expenditure as a percentage of risk contributions	14.25%	15.00%	10.09%	5.58%	7.93%	5.46%	4.97%	3.47%	12.03%	4.76%	**8.61%**

2019	Beat1	Beat2	Beat3	Beat4	Pace1	Pace2	Pace3	Pace4	Pulse1	Pulse2	Total Scheme
Members at 31 December	6 146	28 651	7 279	3 794	29 065	9 399	5 349	2 360	2 409	592	**95 044**
Average number of members for the accounting period	5 942	27 751	7 227	3 894	29 298	9 509	5 393	2 413	2 480	620	**94 527**
Dependants at 31 December	6 404	28 914	7 728	4 084	42 485	6 941	5 025	1 179	1 380	113	**104 253**
Average number of dependants for the accounting period	6 188	27 887	7 569	4 199	42 571	7 090	5 137	1 223	1 445	120	**103 429**
Average beneficiaries for the accounting period	12 130	55 638	14 796	8 093	71 869	16 599	10 530	3 637	3 925	740	**197 956**
Ratio of average dependants at 31 December	1.04	1.00	1.05	1.08	1.45	0.75	0.95	0.51	0.58	0.19	**1.09**
Average age of beneficiaries for the accounting period	35.85	30.41	36.79	45.08	33.94	54.94	54.04	64.14	46.86	78.67	**37.40**
Ratio of beneficiaries older than 65 years	8.92%	3.47%	12.04%	21.06%	8.68%	39.82%	38.31%	57.02%	26.97%	90.64%	**13.53%**
Risk contribution per average member per month	2 433	2 340	3 584	5 862	4 671	6 534	7 694	9 980	2 808	6 229	**4 269**
Risk contribution per average beneficiary per month	1 192	1 167	1 750	2 821	1 904	3 743	3 940	6 622	1 774	5 221	**2 038**
Healthcare expenditure per average member per month	1 751	1 770	3 057	5 219	3 778	6 501	7 405	10 402	2 786	6 409	**3 706**
Healthcare expenditure per average beneficiary per month	858	883	1 493	2 511	1 540	3 724	3 792	6 902	1 761	5 372	**1 770**
Relevant healthcare expenditure as a percentage of risk contributions	72.0%	75.7%	85.3%	89.0%	80.9%	99.5%	96.2%	104.2%	99.2%	102.9%	**86.8%**
Non-healthcare expenditure per average member per month	367	373	382	356	400	378	406	370	361	317	**383**
Non-healthcare expenditure per average beneficiary per month	180	186	187	171	163	217	208	246	228	266	**183**
Non-healthcare expenditure as a percentage of risk contributions	15.10%	15.94%	10.66%	6.07%	8.56%	5.79%	5.27%	3.71%	12.86%	5.09%	**8.96%**

HIGHLIGHTS OF THE 2020 FINANCIAL STATEMENTS

OPERATIONAL STATISTICS FOR THE SCHEME

	2020	2019
Average accumulated funds per average member at 31 December	31 292	22 771
Average accumulated funds per average beneficiary at 31 December	14 919	10 771
Return on investments as a percentage of investments	4.08%	6.72%
Administration and other operative expenses as a percentage of gross contributions	5.91%	6.08%

PERSONAL MEDICAL SAVINGS ACCOUNT TRUST MONIES

In accordance with the Rules of the Scheme, the personal medical savings accounts are underwritten by the Scheme.

The personal medical savings account trust liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrols in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

The carrying amount of the personal medical savings account trust investments approximates their fair values due to the short-term nature of the investments. Interest earned on all personal medical savings account funds invested as cash and cash equivalents and Financial assets investments are allocated to members' personal medical saving account balances, and are not recognised as income for the Scheme.

The Scheme does not charge interest on debit personal medical savings plan balances and advances on personal medical savings accounts are funded by the Scheme and are included and disclosed in trade and other receivables.

Fair value as at 31 December 2020

Cash and Cash Equivalents	
Current accounts	187 704 109
Financial assests at fair value through profit or loss	
Money Market funds	708 280 122
	895 984 231

MATTERS OF NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT 131 OF 1998

NON-COMPLIANCE WITH SECTION 26(7) OF THE MEDICAL SCHEMES ACT - CONTRIBUTIONS NOT RECEIVED WITHIN THREE DAYS OF BECOMING DUE

There were instances where the Scheme, in absence of any agreement or understanding, received contributions more than three days after due date. Contribution receivables are amounts receivable from individuals or employer groups and are collected by debit orders or cash payments. If not received within three days of due date, benefits of individuals are suspended and terminated if not received within 60 days. Employer group discrepancies are actively monitored and rectified on a monthly basis.

NON-COMPLIANCE WITH SECTION 33(2)(b) OF THE MEDICAL SCHEMES ACT - OPTION SELF-SUFFICIENCY IN TERMS OF MEMBERSHIP AND FINANCIAL PERFORMANCE BE FINANCIALLY SOUND.

The Medical Schemes Act stipulates that a benefit option shall be self-supporting in terms of membership and financial performance. During the year under review two benefit options of the Scheme, namely, Pulse1 and Pulse2 made a net healthcare deficit.

The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The different financial results reflect the different disease burdens in each option, among many other factors.

The strategy on sustainability of options has to balance short- and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs.

The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.

NON-COMPLIANCE WITH SECTION 35(6)(a) OF THE MEDICAL SCHEMES ACT - BORROWINGS

Section 35(6)(a) states that "A medical scheme shall not encumber its assets".

The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008.

In addition, the terms of the Scheme building lease agreement required a guarantee to an amount of R2,3 million.

The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.

The Scheme has obtained exemption from the Council for section 35(6)(a) effective until 31 May 2022. The Scheme applied for the FSCA exemption in December 2020 and awaits approval.

NON-COMPLIANCE WITH SECTION 35(8)(a), (c) AND (d) OF THE MEDICAL SCHEMES ACT - INVESTMENTS IN EMPLOYERS, ADMINISTRATORS EMPLOYER GROUPS

Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to
(a) An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme; (b) any other medical scheme; (c) any administrator and (d) any person associated with any of the above.

Due to some of the Scheme's employer groups being listed on the JSE, investments were made in certain of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators groups.

The Council for Medical Schemes has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act effective until November 2022.

NON-COMPLIANCE WITH SECTION 65 (3) OF THE MEDICAL SCHEMES ACT - BROKER SERVICES AND COMMISSION

Section 65 (3) of the Act states: "No person shall be compensated for providing services relating to the introduction or admission of a member to a medical scheme in terms of subsection (1) unless the Council has, in a particular case or in general, granted accreditation to such a person".

The was an instance where a brokerage was paid on behalf of the broker whose CMS accreditation expired.

The exception has been noted and system enhancements are being implemented.

HIGHLIGHTS OF THE 2020 FINANCIAL STATEMENTS

NON-COMPLIANCE WITH SECTION 59(2) OF THE MEDICAL SCHEMES ACT - CLAIM PAID IN EXCESS OF THE CLAIMED AMOUNT

Section 59 (2) of the Act states: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme".

There were instances where the amount for claims paid exceeded the amount claimed by a member/provider. A report which identifies double payments was developed. Such payments are reviewed and corrected, where necessary.

NON-COMPLIANCE WITH REGULATION 8 OF THE MEDICAL SCHEMES ACT AND SCHEME RULE 13.5.4 - PRESCRIBED MINIMUM BENEFITS CLAIMS PAID FROM SAVINGS

Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following:
"(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions".

Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependents: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits".

It was noted that certain prescribed minimum benefit "PMB's" claims were incorrectly paid from savings. The adjustments reversing the amounts into the members savings were subsequently effected.

NON-COMPLIANCE WITH THE CMS GUIDELINES 7.1.3 AND 7.1.4 - COVID 19 CLAIMS PAID FROM SAVINGS

The Council for Medical Schemes (CMS) published funding guidelines (dated 5 May 2020) on 8 May 2020 which stated the following:

"7.1.3 Testing for COVID-19 is PMB level of care upon referral from a health care worker who has screened a patient. Patients to be tested include individuals who meet the criteria for a person under investigation and those classified as high risk".

"7.1.4 The test should be funded from the risk benefit irrespective of the RT-PCR result".

There were instances where COVID-19 claims were paid from savings and not from risk benefits.

The detected claims were reassessed to ensure alignment to the CMS Prescribed Minimum Benefits Guidelines. Corrections were made and manual interventions implemented to ensure that claims are paid in accordance with the CMS funding guidelines.

NON-COMPLIANCE WITH SCHEME RULES 4.43 AND 13.5.1, RULES 4.1.3, 4.1.7 AND 4.2.2 OF ANNEXURE B.4 TO THE SCHEME RULES AND SECTION 32 AND REGULATION 10(3) OF THE MEDICAL SCHEMES ACT - UTILISATION OF ACCUMULATED SAVINGS TO OFF-SET CONTRIBUTIONS

Section 32 of the Medical Schemes Act states that The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming.

Furthermore, Section 8(h) of the Medical Schemes Act states that a Medical Scheme may submit written application to the Council from complying with any provision of this Act.

In May 2020 Bestmed received a section 8(h) exemption from the CMS. In line with the exemption received, the Scheme may deduct monthly contributions from the members accumulated savings. Members to utilize their accumulated savings to off-set contributions from 1 May until 31 December 2020

NON-COMPLIANCE WITH SCHEME RULE 13.2.1 AND SECTIONS 26(7) AND 32 OF THE MEDICAL SCHEMES ACT - , CONTRIBUTIONS TO BE DUE UPON RECEIPT OF THEIR PENSION GRANTS FROM SASSA, WITH EFFECT FROM 1 MAY 2020 TO 31 DECEMBER 2020

Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due.

The SASSA grant payment dates changed as from May 2020 when it was published that disability and older persons grants will be paid from the fourth day of a month and all other grants on the sixth of a month.

In May 2020, Bestmed received a section 8(h) exemption from the CMS which allowed contributions owing from SASSA pension grant members to be due upon receipt and not within the prescribed 3 days as per the Medical Schemes Act.

NON-COMPLIANCE WITH SECTION 32 OF THE MEDICAL SCHEME ACT AND SCHEME RULES - VIRTUAL AGM TO BE CONDUCTED

Section 32 of the Medical Schemes Act states that "The rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming".

The Scheme received a section 8(h) exemption from the CMS that allowed the Scheme to conduct a virtual AGM with the following conditions attached to the exemption:

(i) The virtual AGM must be conducted taking into consideration the basic guidelines provided by the CMS via Circular 36 of 2020; (ii) The virtual AGM must be accessible to all the members of the scheme; and (iii) The scheme is required to provide a detailed report to the Office on the outcome of the Virtual AGM as well as confirmation of compliance with the Medical Schemes Act and the applicable registered rules of the scheme.

(ii) The virtual AGM must be accessible to all the members of the scheme; and

(iii) The scheme is required to provide a detailed report to the Office on the outcome of the Virtual AGM as well as confirmation of compliance with the Medical Schemes Act and the applicable registered rules of the scheme.

The Council for Medical Schemes has granted the Scheme an exemption from section 32 of the Medical Schemes Act effective 8 July 2020.

GOVERNANCE IN TERMS OF THE MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED

COUNCIL FOR MEDICAL SCHEME INVESTIGATION

During the 2016 financial period and following the forensic investigation carried out by KPMG in 2015 as per the instruction of the Board, the Council for Medical Schemes (CMS) ordered a further inspection in terms of section 44 of the Medical Schemes Act against Bestmed. The CMS appointed Ligwa Advisory Services to carry out this inspection, which addressed materially the same subjects as the forensic investigation ordered by the Board of Trustees in 2015.

In September 2020, The Scheme received notification from the CMS confirming that according to the Regulator's records, the inspection report issued by Ligwa Advisory Services is final. Pursuant to this, no further report will be issued.

The item was tabled at the last AGM and the Scheme provided an update to all members who attended the meeting. It is also worth reporting that since the issuing of the draft report, the Scheme has taken steps to deal with the contents of the report and corrected the aspects which were found to be non-compliant. At this point no further action will be taken regarding the report.

Disclaimer: Whilst Bestmed has taken all reasonable care in compiling the Highlights of Bestmed's Financial Statements, we cannot accept liability for any errors or omissions contained herein. Please note that should a dispute arise, the audited Financial Statements in Bestmed's Annual Report 2020 which will be available on our website shall prevail. Please visit **www.bestmed.co.za** for the complete liability and responsibility disclaimer for the Bestmed Medical Scheme Annual Report as well as our terms and conditions.

Bestmed is a registered medical scheme (Reg. no. 1252) and an Authorised Financial Services Provider.
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