



gems

Government Employees
Medical Scheme

ANNUAL INTEGRATED REPORT ABRIDGED 2017

Working towards a healthier you



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The GEMS 2017 Annual Integrated Report is the 12th annual report issued by the Scheme with the first report issued in the year 2007.

Scope of the report

This report is an abridged version of the GEMS 2017 Annual Integrated Report that covers the operations of the Government Employees Medical Scheme for the financial year 1 January 2017 to 31 December 2017.

There were no significant changes during the reporting period in the Scheme's business model, boundaries and the Scheme's supply chain. The Scheme's organisational structure was reviewed to optimise delivery under the Five-year Strategic Plan and a new executive structure was approved by the Board on 27 July 2017.

No restatements of information provided in previous reports are contained in this report.

A guide to access the GEMS 2017 Annual Integrated Report

- The full GEMS 2017 Annual Integrated Report, inclusive of the Scheme's summarised annual financial statements for the period ended 31 December 2017 is available and accessible on the Scheme's website at www.gems.gov.za.
- The Scheme's complete audited Annual Financial Statements for the period ended 31 December 2017 are available on the Scheme's website at www.gems.gov.za.

King IV Report on Corporate Governance

The Board of Trustees conducts the Scheme's business with integrity by applying appropriate corporate governance policies and practices. In 2017, the Scheme applied, where appropriate, the principles and recommended business practices outlined in the King III Report on Corporate Governance for South Africa ("King III Report"). The Board resolved on 28 February 2017 to adopt the King IV Report on Corporate Governance for South Africa ("King IV Report") with effect from 1 January 2018, i.e. from the commencement of the Scheme's new financial year. During 2017, the King IV Report was used as a best practice guide with a view to commence aligning the Scheme's business practices to those outlined in King IV.



Statement by the GEMS Board of Trustees

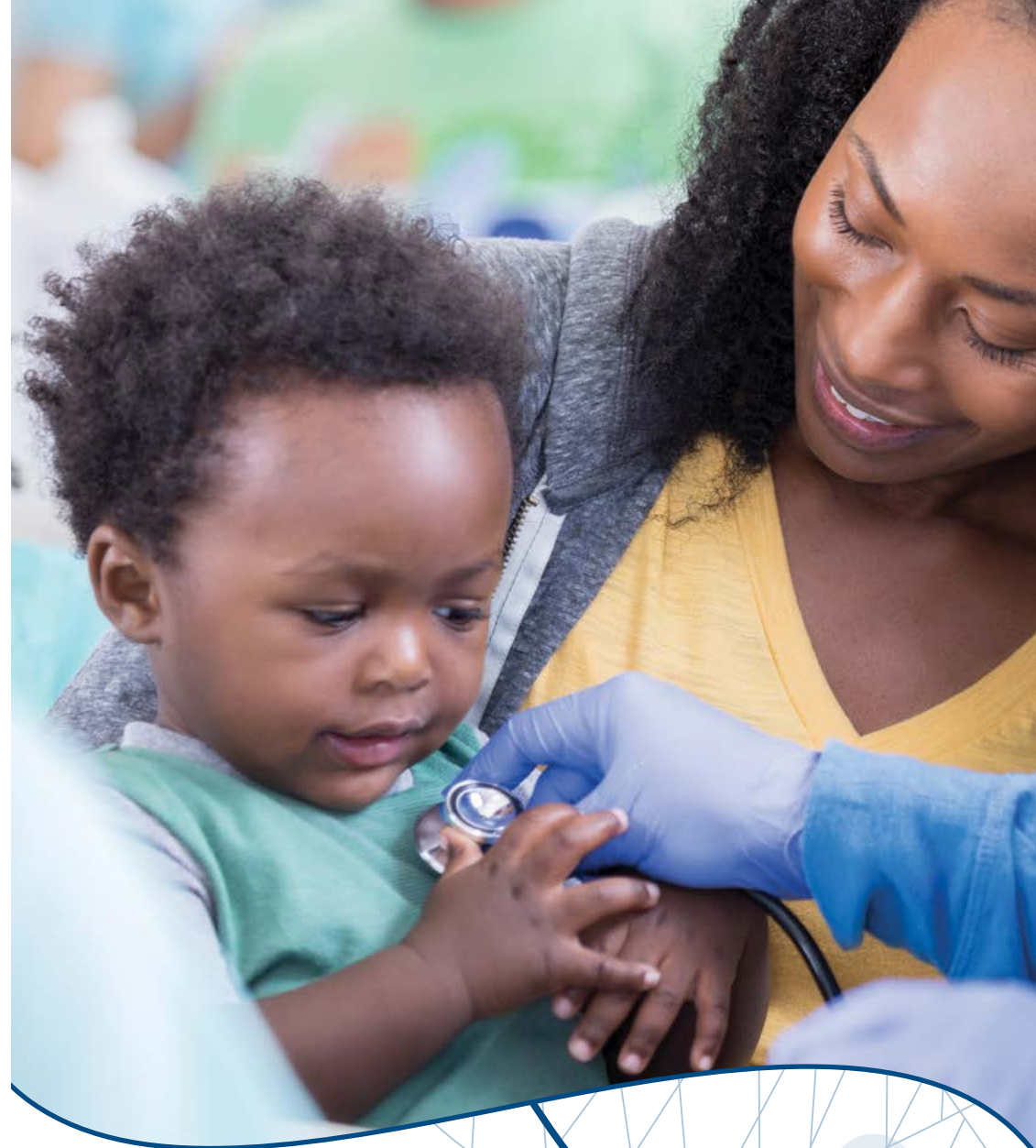
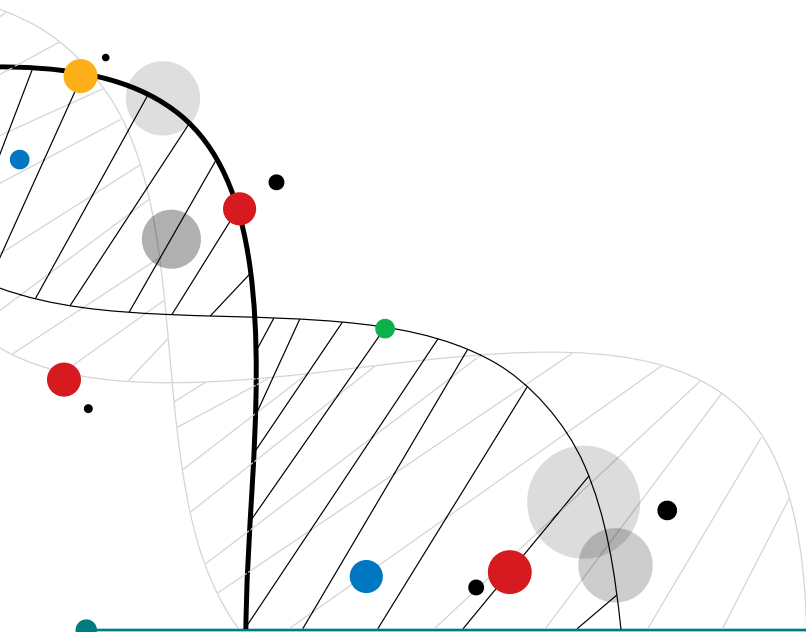
The GEMS Board of Trustees acknowledges its responsibility to assure the integrity of GEMS' Annual Integrated Report.

The GEMS Board of Trustees has applied its collective mind in the preparation and presentation of the GEMS 2017 Annual Integrated Report.

The development of the GEMS 2017 Annual Integrated Report was furthermore guided by GEMS' Integrated Reporting Framework adopted by the Board during 2016.

Mr NL Theledi
Chairperson

25 April 2018





Key Indicators 2017



The Scheme's performance in relation to key business indicators relevant to 2017, compared to the previous reporting period, is summarised in the table below:

Key indicators	2017	2016
Principal members	692,092	694,262
Beneficiaries	1,807,538	1,833,137
Percentage of eligible public service employees on GEMS	56.51%	56.78%
Percentage of salary level 1-5 public service employees on GEMS	47.49%	46.58%
Average age per beneficiary	31.87	31.01
Average family size	2.61	2.64
Pensioner ratio	15.25%	14.36%
Applications (monthly average)	5,113	6,317
Claim lines settled	91.0 mil	92.2 mil
Claim lines rejected	12.0%	11.2%
Average ratio of complaints to registered members	0.27%	0.24%
Annualised gross contributions	R35,496,532,752	R31,043,708,744
IBNR	R1,123,600,000	R960,000,000
Net surplus/(deficit) – YTD	R3,270,200,899	(R484,651,051)
Accumulated funds	R5,446,277,917	R2,176,074,017
Cash at the end of period – excluding PMSA Trust funds	R5,488,609,210	R3,177,474,070
Non-healthcare expenditure	5.60%	5.70%
Reserve ratio %	15.22%	6.99%



Overview by Chairperson



The 2017 Financial Year was a period of change and value creation. Decisive steps were taken to embed the Scheme's new strategic and operational direction which centres on becoming a blueprint for National Health Insurance.

The implementation of the new GEMS Five-year Strategic Plan for the period 2017 to 2021 got underway with the important objectives of building financial strength; renewing commitment to ethical leadership and accountability; pursuing service excellence; taking ownership of business intelligence; influencing industry transformation; strengthening stakeholder engagement channels and making the organisational changes necessary to deliver the required output under the new strategic plan.




Important outcomes and achievements for 2017 are:

- The Scheme's financial performance improved significantly. In contrast with the deficit of R484.7 million reported for the 2016 Financial Year, the Scheme reported a surplus of R3.3 billion for the 2017 Financial Year.
- The Scheme commenced the year with reserves of R2.2 billion and through the significant positive claims experience had managed to build reserves and conclude the year with reserves of R5.4 billion. The Scheme's reserve ratio at 31 December 2017 was 15.22% (2016: 6.99%) which compared favourably to the reserve level approved by the Registrar of Medical Schemes for 2017 of 8.2%.
- In 2017 the Scheme settled claims to the value of R29.1 billion (91.0 million claim lines). This represents a 1.7% increase from 2016 during which GEMS settled claims to the value of R28.6 billion (92.2 million claim lines). The largest claim attributable to a single beneficiary for service dates in 2017 amounted to R7.8 million (2016: R6.5 million) while the second largest claim cost was R5.8 million (2016: R4.6 million). The total cost of the 10 most expensive claimants in 2017 amounted to over R49.2 million (2016: R44.9 million).




- The Scheme's investment returns target for 2017 of CPI + 1.9% was exceeded and a return of CPI + 1.95% was achieved. In Rand terms, investment income exceeded budget by R124 million.
- Care coordination in the Scheme gained traction. In line with the NHI Policy – *Primary Healthcare will be the heartbeat of NHI* – the results achieved by the new Emerald Value option exceeded expectations and the option is regarded as a model for curtailing costs without compromising the quality of care. 7.4% of Emerald members have moved to the Emerald Value option and the option's impact is illustrated below:


The Emerald Value option offers the same comprehensive benefits as the Emerald option except that it is underpinned by care coordination




GP nomination



Efficient hospital network



GP to specialist referrals



10% contributions discount

In just 12 months:

- The Emerald Value option has grown to cover **115 687 beneficiaries**
- The **cost of care has reduced by 15%; healthcare outcomes have improved**

Feature	Outcome
• A comprehensive GP nomination process	• 99% of members have nominated GP
• Doctor hopping is less common	• 12% reduction in doctor hopping
• GPs are consulted more frequently	• 20% increase in GP consultations relative to specialist consultations
• Specialists are consulted less frequently	• 18% reduction in consultations
• Patients are admitted less frequently	• 12% reduction in hospitalisations

- The Scheme's vision of driving industry transformation towards universal healthcare was pursued by improving healthcare purchasing and using selective contracting to innovate healthcare services procurement. In 2017, the Scheme successfully executed its strategic decision to increase the specialist network. At the end of 2017, 1,503 specialists were contracted, consisting of:
 - » Paediatricians: 317
 - » Obstetricians and Gynaecologists: 329
 - » Physicians: 440
 - » Psychiatrists: 265
 - » Anaesthetists: 152

- A second major network, namely the renal dialysis network, was established. The groundwork for establishing a Back and Neck Rehabilitation Network was completed in 2017 and the new network went live on 1 January 2018.
- The Scheme supported the ongoing work of the Health Market Inquiry by supplying information and data regarding the procurement of healthcare networks.
- A comprehensive internal organisational review and design process was finalised. The Board approved the new top structure on 27 July 2017. The recruitment of new executives of the calibre required to represent the top structure was advanced by the end of the year.
- The Scheme's operating model was reviewed comprehensively. As an important outcome, a roadmap for implementing changes to the Scheme's delivery structures was finalised. Where the Scheme faced operational challenges following an internal investigation into tender irregularities, the new operational direction guided the consolidation of services and the commencement of work to build internal capabilities.
- The Scheme's Enterprise Risk Management Function was reviewed comprehensively and a new procedure, appropriate for GEMS, was approved by the Board and introduced to the business.
- A Change and Communication Management Programme was rolled-out to secure employee buy-in and support for the Scheme's new strategic and operational direction.

The financial strength achieved in 2017 placed the Board in a position to introduce an average contribution increase of 8.58% for the 2018 financial year. For members on the Emerald Value option, the average increase after subsidy was approximately 3.55%.

The Scheme's 11th Annual General Meeting of members (AGM) was successfully held on 31 July 2017 at Ginsberg, King William's Town. The AGM was attended by 215 members while 296 members were represented by proxy. The members at the AGM adopted all resolutions tabled at the Meeting. The issues raised by members at the AGM were recorded and an action list was developed to ensure that all issues receive attention. The action list, with an indication of progress made, can be found after the draft Minutes of the 11th AGM on page 102 of this Report.



Member Complaints

The Scheme's average ratio of complaints to the number of registered members for the year was 0.27% (2016: 0.24%) which was outside the Scheme's risk tolerance level of 0.25%.

In 2016, medical schemes in South Africa experienced a surge in claims by members and healthcare providers. For a Scheme such as GEMS, this had a detrimental impact on the reserve ratio and a focus on achieving financial stability was an imperative for the Scheme. The situation was exacerbated by a media article alluding to alleged insolvency, resulting in concerns within the Scheme, as well as with key stakeholders and beneficiaries. The Scheme was further confronted with other serious employee-related matters. This led to a surge in complaints and impacted complaints management efficiencies. The Scheme's ability to manage complaints was further subjected to resource constraints. As such, in 2017 the Scheme focused on strengthening policy, procedures, processes and practices to improve the management of complaints.

On 19 July 2017, the Scheme received a penalty notice in terms of Section 66(3) of the Act from the CMS in respect of a number of instances where the Scheme did not timeously respond to the CMS' requests to furnish the Registrar with the Scheme's written comments on the full particulars of complaints received by the CMS from third parties ("CMS Complaints") within 30 days or such further period as allowed by the Registrar, as prescribed by Section 47(1) of the Act.

Corrective action

On 16 August 2017, during a meeting between representatives of the Scheme and the CMS, the Scheme took accountability for 24 of the 26 CMS Complaints presented, as two of the complaints were addressed within the requisite time period. The Scheme provided the CMS with the necessary assurance that this matter was receiving priority attention and that the Scheme is committed to responding to CMS Complaints timeously.

Adherence to the Scheme's existing controls in respect of the processing of CMS Complaints is being enforced by the responsible Scheme Officers.

The capacity issue within the Complaints Management Function received further attention with the appointment of the new Senior Manager: Office of the Principal Officer, who has put additional control measures in place to strengthen the complaints process, i.e. weekly reconciliations of CMS Complaints and the prioritisation of stale-claims-related complaints, which currently comprise the bulk of the Scheme's complaints experience.

A new Complaints and Compliments Policy was developed, approved by the Board on 5 December 2017, and implemented from 1 January 2018.

However, it should be noted that, based on the Scheme's interpretation of Section 47(1) of the Act, being that it does not place an obligation on the Scheme to comment on CMS Complaints within the prescribed 30-day period or such further period as allowed by the Registrar, but in fact places an obligation on the Registrar to provide the Scheme with such period to so comment, the Scheme lodged a formal appeal against the CMS's aforesaid penalty notice to the CMS Appeal Committee in terms of Section 49(1) of the Act on 18 August 2017, following which the matter was enrolled by the Secretary of the CMS Appeal Committee for hearing by the CMS Appeal Committee on 15 February 2018.

Tender Investigation

Any organisation's ability to create value is eroded by fraud, corruption and other unethical behaviour. GEMS is not immune to the instances of fraud, irregularities and corruption that currently plague our society. The Board, working with Management, dealt with significant instances of fraud and abuse involving contracted providers and GEMS employees. The Board launched an internal investigation after receiving a complaint from a whistle-blower in September 2016. At initiation, the investigation focused on a tender process that was concluded in July 2016. The initial investigation, as well as a media article containing additional allegations, raised more concerns than the issue initially reported and was broadened in 2017. The broadened investigation was conducted by legal and forensic investigators who worked under the auspices of the Board of Trustees. The process included a protected disclosure process for GEMS employees. Ultimately, disciplinary proceedings were instituted against seven employees, made up of two Executives, two Senior Managers, two Middle Managers and one junior employee. The charges included tender irregularities, nepotism, soliciting donations from contracted providers and the unauthorised disclosure of confidential Scheme information. Five of the seven (7) employees resigned prior to the conclusion of the disciplinary hearings in 2017 and two (2) employees were dismissed after the disciplinary hearings. Based on legal advice, the Scheme terminated seven contracts. The matters were reported to relevant statutory authorities and criminal charges were subsequently filed with the Directorate for Priority Crime Investigation (HAWKS). The Chairperson of the Board and the Chairpersons of two of the Standing Board Committees attended an engagement with GEMS employees on 23 June 2017 to provide information on the investigation; to listen to employees' concerns and to answer questions. The Principal Officer of GEMS engaged with employees in staff training and information sessions to provide updates on the tender investigation and to communicate the Scheme's expectations regarding ethical conduct and embracing the Scheme's values.



This matter indicated a need for a systematic review of the Scheme's policy environment and other preventative and detective controls. The GEMS policies governing Supply Chain Management; Ethics Management; Vetting of Scheme Officers; and Recruitment and Selection were all revised based on an internal gap analysis as well as issues reported in the forensic tender investigation reports. A key change in the GEMS Ethics Policy is an enabling provision for lifestyle audits on Scheme Officers.

The Scheme commenced with the implementation of a Whistleblowing Programme that includes the establishment of a structure for the reporting and investigation of unethical and corrupt conduct by Scheme Officers in 2017. An internal whistleblowing hotline, managed by an independent provider, will become operational in 2018. The Board has allocated the responsibility for overseeing forensic investigations into the activities of Scheme Officers to the GEMS Audit Committee, with effect from 1 January 2018.

Board Composition

A large body of work has been performed by the Scheme in line with the Medical Schemes Act since 2010 to address member concerns regarding the composition of the Board. The issues include a lack of diversity in respect of member-elected Trustees and a request that seats on the Board be allocated to trade unions. In 2017, the Public Service Coordinating Bargaining Council (PSCBC) requested the Scheme to amend the GEMS Rules to enable the appointment of four Trustees by the Unions in the PSCBC and the election of the remaining two Trustees by means of direct election by principal members. To overcome the legal barrier posed by section 57(2) of the Medical Schemes Act, an exemption application was submitted to the Council for Medical Schemes. The exemption application sought to achieve:

- The appointment of four Trustees by the Unions in the PSCBC
- The election of two Trustees by members
- The prescription of equity targets in the GEMS Rules for elected trustees

The Scheme was notified on 6 November 2017 that the Council for Medical Schemes (CMS) had declined the exemption application. In the response, the CMS expressed the view that the Scheme's circumstances are not sufficiently exceptional to warrant an exemption from the Medical Schemes Act. Other reasons provided include that the CMS deems the GEMS Board of Trustees to be fully functional and that the Scheme is managed by persons who are deemed to be fit and proper. The Scheme will cooperate with the PSCBC to exhaust all consultation and legal remedies to achieve the desired outcome.

Inspection by the Council for Medical Schemes

On 7 September 2017, the Scheme was advised of the Council for Medical Schemes' intention to perform an inspection on GEMS in terms of Section 44(4)(a) of the Medical Schemes Act.

The Scheme has cooperated fully with the inspection and engaged the Council for Medical Schemes on issues of concern. The Scheme's concerns were conveyed formally to the Council for Medical Schemes and the decisions taken by the CMS were implemented. The inspection report is currently expected in Quarter 2 of 2018.

Vote of Thanks

I wish to thank Ms Nontobeko Ntsinde who served as the Chairperson of the Board until 5 February 2018 for her strong leadership and immeasurable contribution throughout her tenure at GEMS.

Ms Nombulelo Mkhumane served as the Deputy Chairperson of the Board until 5 February 2018 and her contribution in respect of steering the Scheme through the various challenges managed in 2017 is appreciated. She chaired the GEMS Investment Committee under whose auspices the Scheme's investment performance has gone from strength to strength.

Trustees who served on the Board were confronted with complex decisions in 2017. The Trustees demonstrated their willingness to address challenges in a decisive manner to protect the interests of all GEMS beneficiaries. The Board maintained a results-driven approach and exemplified ethical leadership. I wish to thank you for your ongoing support in engaging stakeholders where board-level engagement was needed.

I also wish to thank Dr Clarence Mini; Mr Daniel de Villiers, Ms Lungile Zondi, Dr Kobus van Zyl and Ms Nombulelo Mkhumane for chairing the Clinical Governance and Ex gratia Committee; the Governance, Risk and Ethics Committee; the Dispute Committee, the Remuneration Committee and the Investment Committee respectively during the period under review.

Dr Mini resigned from the GEMS Board with effect from 15 December 2017 and is now the Chairperson of the Board of the Council for Medical Schemes. GEMS has benefited considerably from his expertise and deep understanding of the medical schemes industry and we look forward to his impact on the whole industry in his new position.

On behalf of the Board of Trustees, I wish to thank the former Independent Chairperson of the GEMS Audit Committee, Ms Mmathabo Sukati, for leading the

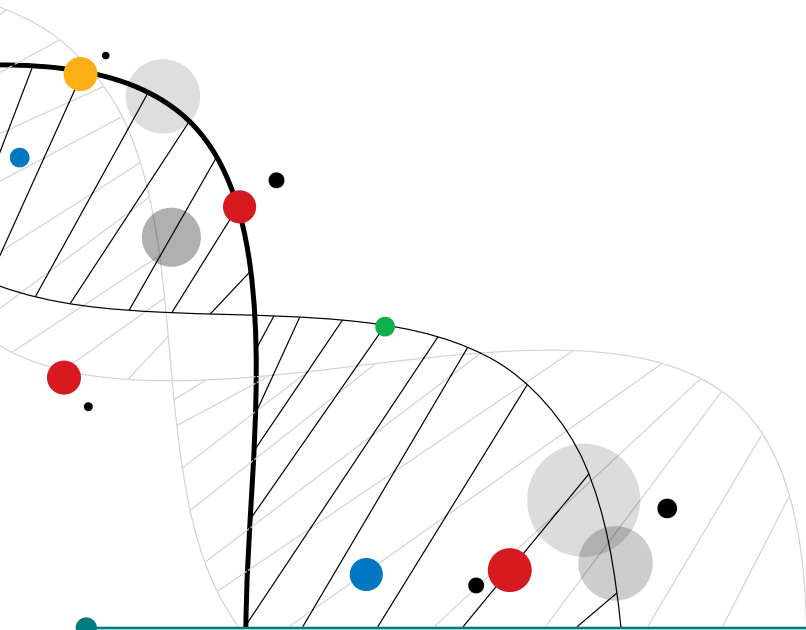


Scheme's Audit Committee. The Board is appreciative of her valuable contribution to the effective corporate governance of the Scheme. We also wish to thank the new Independent Audit Committee Chairperson, Mr Joe Lesejane, who became part of GEMS on 1 January 2018, for taking on this critical role.

The Board and Scheme continued to benefit from the advice and input from Independent Committee members who served on the GEMS Audit Committee and Dispute Committee. On behalf of the Board, I wish to thank them for their commitment, expertise and collective contribution to GEMS.

On behalf of the Board, I wish to express my sincere appreciation to Dr Guvant (Guni) Goolab for leading the Scheme's Executive Management team in 2017. The Board is appreciative of the excellent manner in which the new Five-year Strategy implementation was driven, in addition to dealing with the challenges arising from the extensive tender investigations.

The Board is pleased with the operational results achieved by the Scheme for the period ended 31 December 2017.



The Board of Trustees are responsible for the preparation, integrity and fair presentation of the Annual Integrated Report and Financial Statements of the Government Employees Medical Scheme. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates by Management.

Accounting policies applied by the Scheme are informed and updated, when required, based on Circulars issued by the Council for Medical Schemes, the Annual Medical Schemes Accounting Guide issued by SAICA and updates on the latest International Financial Reporting Standards (IFRS) developments. The Trustees consider that, in preparing the Annual Financial Statements, they have used the most appropriate accounting policies, consistently applied these policies and supported the application of these policies with reasonable and prudent judgements and estimates.

The Scheme takes cognisance of the King Report on Corporate Governance for South Africa 2016 (King IV) and seeks to apply the principles thereof, where appropriate to the business of a medical scheme and its Trustees.

The Trustees are satisfied that the information contained in the Annual Integrated Report fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The Trustees also prepared the other information included in the Annual Integrated Report and are responsible for both its accuracy and consistency with the Annual Financial Statements.

The Trustees are responsible for ensuring that adequate accounting records are maintained. The accounting records disclose with reasonable accuracy the financial position of the Scheme, which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

The Trustees are also responsible for such internal controls as the Trustees determine are necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

The Government Employees Medical Scheme operates in a well-established control environment, which is well-documented and regularly reviewed. This control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled.



The going concern basis has been adopted in preparing the Annual Financial Statements. Based on the forecasts and available cash resources, the Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future. These Annual Financial Statements support the viability of the Scheme.

The Scheme's External Auditors, Deloitte and OMA Chartered Accountants JV, are responsible for auditing the Financial Statements in terms of International Auditing Standards and their unqualified report is presented with the Scheme's Annual Financial Statements.

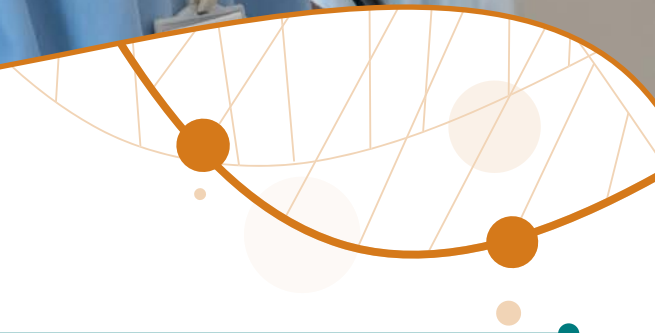
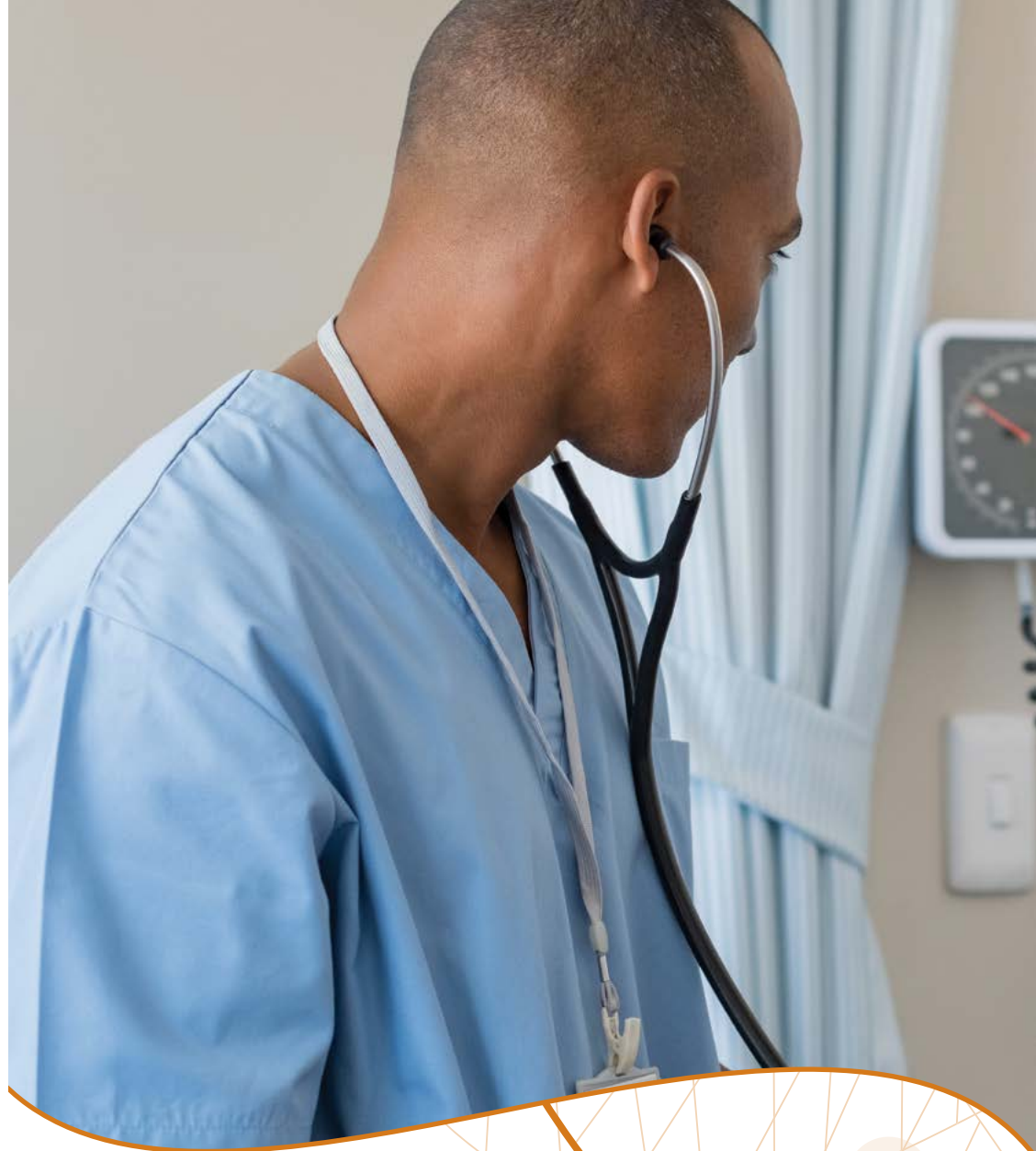
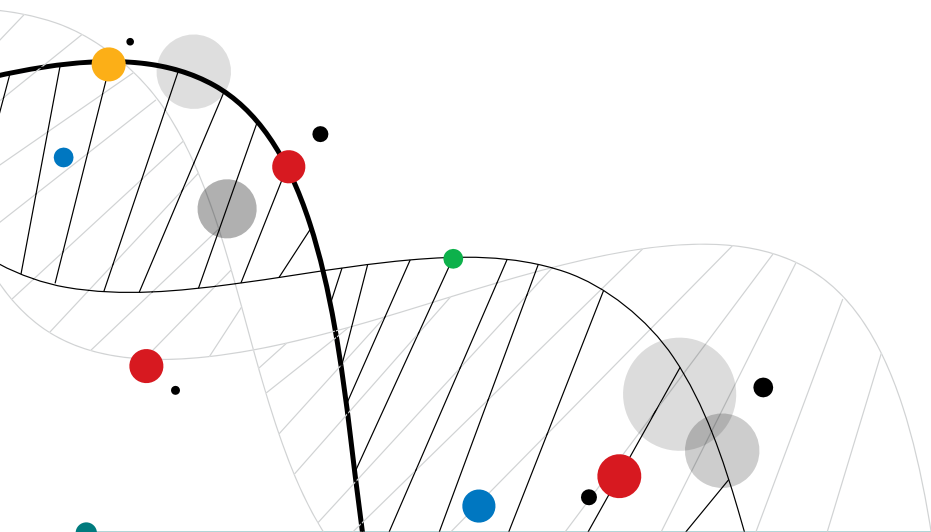
The Annual Financial Statements for 2017 were approved by the Board of Trustees on 25 April 2018 and are signed on its behalf by:

Mr NL Theledi
Chairperson

25 April 2018

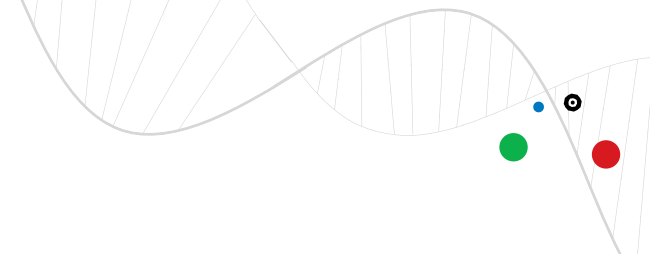
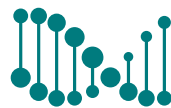
Dr SM Hlatshwayo
Deputy Chairperson

Dr G Goolab
Principal Officer





Organisational Overview of GEMS



Vision, Mission and Values

Vision

The GEMS Vision recognises the Scheme's ambition to drive transformation and contribute to the wider healthcare ecosystem and is:

"An **excellent, sustainable and effective** medical scheme that **drives transformation** in the healthcare industry, aligned with the principles of **universal health coverage**."

Mission

The GEMS Mission inspires and motivates us to achieve the GEMS Vision and is:

"To provide **all members** with **equitable access** to **affordable and comprehensive** healthcare, promoting member **well-being**."

Values

We strive to live up to the GEMS Values of:

- Excellence
- Integrity
- Member Value
- Innovation
- Collaboration

Our product offering

GEMS offers six benefit options that were each designed using a rigorous analytical approach taking into account the requirements of the Council for Medical Schemes, member affordability and benefit design assessment.



This is the entry-level option. It provides out-of-hospital care such as visits to a GP, dentist and optometrist, maternity care at private facilities, and in-hospital cover at public facilities. This option is designed to be inexpensive, with the 2017 average member contribution at R1,997. In 2017, the percentage of members subscribing to this option was 6.4% as at year-end.



This is an entry-level option where cover is provided by designated provider networks. This product offers members comprehensive in- and out-of-hospital benefits through a network of healthcare providers in both public and private hospitals. The 2017 average member contribution was R2,603. The percentage of members on this option in 2017 was 4.4% as at year end.



This option offers comprehensive in- and out-of-hospital benefits through a Personal Medical Savings Account (PMSA), a hospital benefit and a block benefit. The average 2017 member contribution was R4,121, with 20% of this contribution going towards the PMSA. The percentage of members on this option in 2017 was 11.8% as at year-end.



Introduced with effect from 1 January 2017, this option is an efficiency-discounted option based on Emerald. Members on this option pay discounted membership fees in exchange for adhering to care coordination rules (GP nomination and Specialist Referral) and are required to use the Scheme's hospital network. The average 2017 member contribution was R4,378, and the percentage of members on this option in 2017 was 6.0% as at year-end.



This option is designed to provide comprehensive cover that offers access to care at the member's chosen provider, subject to benefits and Scheme rules. This is a higher-end option, with a 2017 average contribution of R4,549. The percentage of members on this option in 2017 was 66.4% as at year-end.



This is a top-of-the-range benefit option that offers extensive cover. On the Onyx option, the member can claim certain out-of-hospital expenses such as GP and specialist visits, contraceptives or basic radiology, from their day-to-day block benefit. The 2017 average contribution was R5,234. The percentage of members on this option in 2017 was 5.0% as at year-end.



Board of Trustees

Back row (from left to right): Dr IJ van Zyl, Mr EB de Vries, Mr RA Manoko, Mr JS Roux, Mr DJ de Villiers

Front row (from left to right): Dr JA Breed, Mr EM Phophi, Dr ECT Moloko, Mr NL Theledi (Chairperson), Mr CJ Booyens, Dr SM Hlatshwayo (Deputy Chairperson)









Insert: Mr MR Nkabinde



Leadership

Board of Trustees

The Trustees in office in 2017 were:

	Name	Elected or appointed		Qualifications	Other significant positions held in 2017
	Mr EB de Vries (21 July 1943)	Elected, tenure commenced 30 July 2013, ends 29 July 2019		<ul style="list-style-type: none"> B.Ed (PE Univ.) BA (Stellenbosch Univ.) Secondary Teacher's Cert. (Stellenbosch Univ.) 	<ul style="list-style-type: none"> N/A
	Dr CM Mini (6 November 1951)	Appointed 30 July 2014, resigned from the Board effective 15 December 2017		<ul style="list-style-type: none"> Bachelor of Medicine Bachelor of Surgery (MBChB) Dip. Community Medicine Dip. Palliative Care Medicine 	<ul style="list-style-type: none"> Acting CEO: Board of Healthcare Funders
	Dr ECT Moloko (16 May 1959)	Appointed 28 October 2016, tenure ends 27 October 2022		<ul style="list-style-type: none"> M.B.Ch.B., (MEDUNSA) B.Sc. (Med), (MEDUNSA) 	<ul style="list-style-type: none"> Chairperson: Health and Welfare Sector Education and Training Authority
	Mr CJ Booyens (25 February 1942)	Elected, tenure commenced 30 July 2013, ends 29 July 2019		<ul style="list-style-type: none"> B.Sc (UP) THOD Teaching Diploma (Pretoria Teacher Training College) 	<ul style="list-style-type: none"> Trustee: Government Employees Pension Fund



Name	Elected or appointed
Mr DJ de Villiers (21 July 1955)	Elected, tenure commenced 30 July 2013, ends 29 July 2019



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> BA (Communication Science) (Potch. Univ.) Adv. Dip. in Labour Law (UJ) 	N/A



Name	Elected or appointed
Dr JA Breed (14 March 1951)	Elected, tenure commenced 30 July 2014, ends 29 July 2020



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> BSc (PU for CHE) THOD (POK) BEd (PU for CHE) MEd (PU for CHE) PhD (NWU) 	N/A



Name	Elected or appointed
Dr IJ van Zyl (31 January 1951)	Elected, tenure commenced 30 July 2014, ends 29 July 2020



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> B Mil Hons B Com (Personnel Management) MBA PhD (Industrial Economics) Industrial Relations Development Programme 	N/A



Name	Elected or appointed
Mr NL Theledi (30 June 1963)	Appointed 09 September 2013, tenure ends 8 September 2019



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> B Tech (TUT) ND. Human Resource (UJ) Public Mgt. & Dev. (Wits Graduate School of Public and Management) MTech (TUT) 	Secretary General: POPCRU



Name	Elected or appointed
Ms NM Ntsinde (21 December 1957)	Appointed 30 July 2013, tenure ended 5 February 2018



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> B. Proc (Univ. of Fort Hare) MBA (Wits Business School) 	<ul style="list-style-type: none"> University of KwaZulu-Natal Council member



Name	Elected or appointed
Ms NH Mkhumane (3 June 1973)	Appointed 25 September 2014, tenure ended 5 February 2018



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> Dip. Law & Tax, IEIC (CIMA) Exec. Mgt. Dev. Prog. (WBS) Capital Proj. Mgt. Appraisal (Queens Univ. Canada) Bachelor of Commerce (UNISWA) Certificates: Board Leadership (GIBS), Corp. Gov., Audit Roles, Supply Chain Mgt & Prop. & Asset Mgt 	<ul style="list-style-type: none"> Chairperson: South African Diamond and Precious Metals Regulator



Name	Elected or appointed
Mr EM Phophi (6 October 1952)	Appointed, tenure commenced 26 Sept 2017, ends 25 Sept 2023



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> BA (Human Resource Management) International Labour Organization (ILO) Course on Labour Relations and performance management in the Public Service International Labour Organization (ILO) Course on Advanced Negotiations Skills 	<ul style="list-style-type: none"> Chief Negotiator for the State as Employer Chairperson on National Labour Relations Forum for the Public Service Chairperson of the State as Employer in the Public Service Coordinating Bargaining Council









Name	Elected or appointed
Mr JS Roux (8 January 1944)	Elected, tenure commenced 30 July 2014, ends 29 July 2020



Qualifications	Other significant positions held in 2017
<ul style="list-style-type: none"> B.Sc L.S.T.D B.Ed. (Univ. of Stellenbosch) 	<ul style="list-style-type: none"> N/A



Note: The Minister for Public Service and Administration appointed three new Trustees to replace the three Trustees who left on 15 December 2017 and 5 February 2018:

	Name	Elected or appointed		Qualifications	Other significant positions held in 2017
	Dr SM Hlatshwayo (9 January 1964)	Appointed, tenure commenced 20 February 2018, ends 19 February 2024		<ul style="list-style-type: none"> BSc (MEDUNSA) MB ChB (MEDUNSA) 	<ul style="list-style-type: none"> Casualty Doctor: Arwyp Private and OR Tambo Travel Clinic
	Mr RA Manoko (6 June 1966)	Appointed, tenure commenced 20 February 2018, ends 19 February 2024		<ul style="list-style-type: none"> B.Proc (1989) (Univ. of the North) LLB (Univ. of the North) 	<ul style="list-style-type: none"> Attorney
	Mr MR Nkabinde (11 May 1984)	Appointed, tenure commenced 20 February 2018, ends 19 February 2024		<ul style="list-style-type: none"> Information & System Management Certificate 	<ul style="list-style-type: none"> ANCYL National Treasurer (Treasurer General)

Note: Trustees’ qualifications are verified by means of the Scheme’s annual vetting procedure.



Executive Management

Back row (from left to right): Ms Jeannie Combrink, Mr Samuel Lewatle, Ms Karyna Pierce, Dr Guni Goolab, Ms Masingita Chavalala (acting), Mr Evan Theys

Front row (from left to right): Mr Molapo Masekoameng, Dr Vuyokazi Gqola, Ms Zandile Nqweni-Chamane (acting), Ms Gloria Nkadameng, Mr Michael Willie



Executive Management

The Scheme's Executive Structure in 2017 consisted of the GEMS Principal Officer (Chief Executive Officer) and eight Chief Officers.

Name/position*	Summarised profile
Dr Guni Goolab Principal Officer	<p>Dr Goolab is a qualified medical practitioner, who graduated from the University of Witwatersrand (Wits) in 1985 and later completed an MBA with the University of Cape Town (UCT).</p> <p>Dr Goolab also has an extensive public and private healthcare background spanning nearly three decades. He has extensive executive experience, having led AstraZeneca, a multinational healthcare company, and one of the fastest growing pharmaceutical companies in South Africa. From 2008 to 2013, he led the expansion of AstraZeneca into Sub-Saharan Africa, with a particular focus on Nigeria, Ghana, Kenya and Angola.</p> <p>Since 1 August 2013, he was appointed as the Principal Officer of the Government Employees Medical Scheme. Notable successes during his tenure were:</p> <ul style="list-style-type: none"> The Scheme's financial position has strengthened considerably achieving record reserves of R5.4 billion and the highest ever reserve ratio of 15.17%. Leading the Claims Management Programme, consisting of underwriting, hospital admission tracking, and fraud, waste and abuse. The development and introduction of the Emerald Value option aligned to primary healthcare as the heartbeat of NHI. The expansion of the CLO Unit services to seven provinces. The strong focus on stakeholder engagements including the DPSA, PSCBC, Unions, DOH, National Treasury and the CMS.



Name/position*	Summarised profile
Ms Gloria Nkadameng Chief Information Officer	<p>Ms Nkadameng holds a Master's Degree in Automated Management Systems acquired in Havana, Cuba and a certificate in Business Management from the Centre for Business Management, UNISA.</p> <p>Prior to joining GEMS, Ms Nkadameng was Group Head: Information & Communication Technology at the City of Johannesburg, Public Services Business Executive at Gijima, Enterprise Strategy Consultant at Microsoft and General Manager Information Management at the City of Tshwane.</p> <p>Currently, Ms Nkadameng is charged with providing strategic leadership, vision and direction to the ICT Division in rendering Information & Communication Technology services to GEMS.</p>
Mr Molapo Masekoameng Chief Audit Executive	<p>Mr Masekoameng joined the Scheme in August 2014. He holds a BTech Degree in Internal Auditing (UNISA), diploma in Treasury Management and Trade Finance (Institute of Bankers), International Executive Development Programme (Wits Business School) and is accredited by the Institute of Internal Auditors as a Certified Internal Auditor (CIA) and Certified Financial Services Auditor (CFSA).</p> <p>Prior to joining GEMS, he was the Regional Internal Audit Director for Barclays Internal Audit – Southern Africa (overseeing internal audit services for Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) and most recently as Head of Internal Audit, Barclays Shared Services Africa. Other career highlights include more than two years' experience as the Chief Operating Officer of Absa Internal Audit and a two-year tenure as Head of Audit for Absa Retail Banking.</p> <p>He is responsible for the Scheme's Internal Audit Function.</p>





Name/position*	Summarised profile
Dr Vuyokazi Gqola Chief Healthcare Management Officer 	<p>Dr Gqola has years of experience at both private and public healthcare institutions.</p> <p>Dr Gqola holds a Bachelor of Medicine and Surgery (MBChB) from the University of Cape Town, a BSc degree, as well as a BSc (Hons) degree in Microbiology from the University of KwaZulu-Natal. She is a registered Medical Practitioner with the Health Professions Council of South Africa (HPCSA).</p> <p>Dr Gqola's most recent employment was at Medscheme Holdings as a Senior Specialist: GEMS Medical Advisor since 2010. She was appointed as GEMS Executive: Healthcare Management in September 2015.</p> <p>She is responsible for the Scheme's managed care services including disease management programmes, tariff negotiations, healthcare provider relations, healthcare networks and strategic sourcing.</p>
Ms Zandile Chamane Acting Chief Communication and Member Affairs Officer (from 1 April 2017) 	<p>Ms Nqweni-Chamane joined GEMS in July 2015 as Senior Manager CLO (Client Liaison Unit), responsible for driving the strategy and operational oversight of the Customer Experience delivered through CLO Units. She has been progressively successful in implementing the Face to Face Strategy as adopted by the Scheme as a strategic imperative, to government departments in order to improve service delivery, access and overall customer experience. This role has resulted in her successfully overseeing the establishment of 4 additional regional offices in Free State, Polokwane, Mpumalanga and North West, though with a national oversight of 7 regions including Gauteng, KZN and EC.</p> <p>Zandile commenced her career as a Healthcare Consultant at Alexander Forbes Financial Services and played a key role in the team that supported the establishment of GEMS in 2005. With a strong exposure in the banking sector, Zandile has worked as Project and Innovation Manager and Customer Experience Manager at FNB and Postbank. At ABSA, she headed a national portfolio of Client Relations and Stakeholder Management for the Cash Management Solutions Division. A career highlight was being the Ambassador for Cash Division at SARB and work stream lead for the Customer and Stakeholder portfolio during the introduction of the new currency in 2012.</p> <p>She is the (Acting) Chief Member Experience Executive at GEMS and has ensured continuity and integration of GEMS strategic member experience deliverables. Her qualifications include, NDip Marketing (NMMU), Certificate in Basic of Project Management, (UNISA), Management Development Programme (GIBS), Certificate in Customer Experience (UP) and the Executive Leadership Development Programme (SUN).</p>

Name/position*	Summarised profile
Ms Karyna Pierce Chief Financial Officer 	<p>Ms Pierce qualified as a Chartered Accountant in 2004 and completed a senior management course at the University of Pretoria.</p> <p>Her career highlights include a five-year tenure as Head of Finance at the Competition Commission responsible for Strategic and Business Planning (finance area), People Management, Basic Administration and Compliance, Policy Implementation and Service Delivery.</p> <p>She joined GEMS in 2007 as the Executive: Finance. She is responsible for managing Scheme finances, Scheme investments, implementation and processing of financial, accounting and administrative requirements (inclusive of relevant policies) as well as the management of Scheme actuarial work. Until 31 December 2017, she was also responsible for overseeing the Scheme's procurement function.</p>
Ms Masingita Chavalala Acting Chief Contracts and Operations Officer (from 19 December 2016) 	<p>Ms Chavalala joined GEMS in November 2015 as a Senior Manager responsible for the Scheme's Project Management Office (PMO). In December 2016, in addition to her primary role, Ms Chavalala was appointed as Acting Chief Contracts and Operations Officer, in charge of the Scheme's operational and contracting environment, including member claims administration, member contribution and debt, operational risk exposure (fraud, waste and abuse), Pharmaceutical Benefit Management and Emergency Management Services.</p> <p>Her experience prior to joining GEMS includes working as a Senior Project Manager for the Edcon Group and as Deputy Director in the office of the Minister of Economic Development. Her career highlights include appointment as Project Manager for Edcon's Africa Expansion project and serving as part of a team tasked with the establishment of the Economic Development Department after the 2009 National Elections.</p> <p>She holds an Advanced Diploma in Project Management, a Postgraduate Diploma in Programme Management (Cranfield College of Project and Programme Management), a Certificate in Strategic Management and a Post-Graduate Programme in Advanced Strategic Management (UNISA); and completed a General Management Programme (GIBS).</p>



Name/position*	Summarised profile
Ms Jeannie Combrink Chief Governance and Compliance Officer 	<p>Ms Combrink holds a BA Degree in State Administration, Human Resource Management, Public Administration and Political Science as well as a BA (Hons) in Public Administration.</p> <p>Prior to joining GEMS, she worked as a Deputy Director: Conditions of Service in the Department of Public Service and Administration. Other highlights include serving at the Public Service Commission from 1993 to 1999. Prior to that, she formed part of the team that implemented PERSAL across the public service.</p> <p>She was part of the team tasked with establishing GEMS and formally became a Scheme employee in 2006. She is responsible for managing the Scheme's corporate governance functions, including the provision of support to the Board of Trustees and Committees. She is also responsible for ensuring compliance with the regulatory framework applicable to the Scheme and the Scheme's stakeholder management function.</p>
Mr Samuel Lewatle Chief Corporate Services Officer 	<p>Mr Lewatle holds a Master's in Business Administration (MBA) from Oxford Brookes University (UK), Bachelor of Business Administration (BBA), National Diploma in Education, Certificates in Macro Economics and Industrial Relations, Certificate in Executive and Business Coaching and a Postgraduate Certificate in Executive Leadership.</p> <p>He has extensive experience, having worked for a multinational organisation as Africa Area: Human Resources Manager and locally for the Independent Development Trust (IDT) as Senior Manager/Acting General Manager. Managing members for his management/business consulting, he established and managed for three years, and was the Executive Director: Human Capital for the National Development Agency prior to joining GEMS.</p> <p>His career highlights include working internationally and managing HR operations in countries such as Ghana, Nigeria, Kenya and Democratic Republic of Congo, achieving the Employer Brand Management accreditation and best company to work for during the period 2009 - 2010 from Corporate Research Foundation (CRF).</p> <p>Mr Lewatle joined GEMS in March 2014 as Executive: Corporate Services. He is responsible for the Corporate Service Division in driving the full human capital service that includes change management, performance management, remuneration, strategic human resources planning and office infrastructure planning and management.</p>

The Chief Officers appointed from 1 January 2018 are:

Name/position	Summarised profile
Mr Evan Theys Company Secretary 	<p>Mr Theys joined GEMS on 1 February 2018 as the Company Secretary and Legal Counsel. He has a BA LLB from the University of the Western Cape, LLM and Postgraduate Diploma in Tax Law from UCT and an MBA from the University of Stellenbosch. Mr Theys is an admitted attorney with experience in the life insurance industry and as a company secretary, and has been in various sectors of the medical schemes industry for the past 16 years.</p>
Mr Michael Willie Chief Research and Development Officer 	<p>Mr Willie joined GEMS on 1 February 2018. He holds a BSc (Mathematics and Statistics) and a Master's (MSc in Mathematical Statistics) from University of the Free State (UFS). He also holds postgraduate certificates in Marketing Management and Strategic Management from UNISA.</p> <p>Prior to joining the Scheme, he was employed as a Data Scientist by Nedbank, prior to that he was with Liberty Corporate and Rand Mutual Assurance involved in Analytics and Data Management. Mr Willie also previously worked for the Council for Medical Schemes as a senior researcher and acting head of department. Other previous engagements were with Wits Health Consortium where he worked as a biostatistician. He is responsible for the Research and Development function of the Scheme.</p>

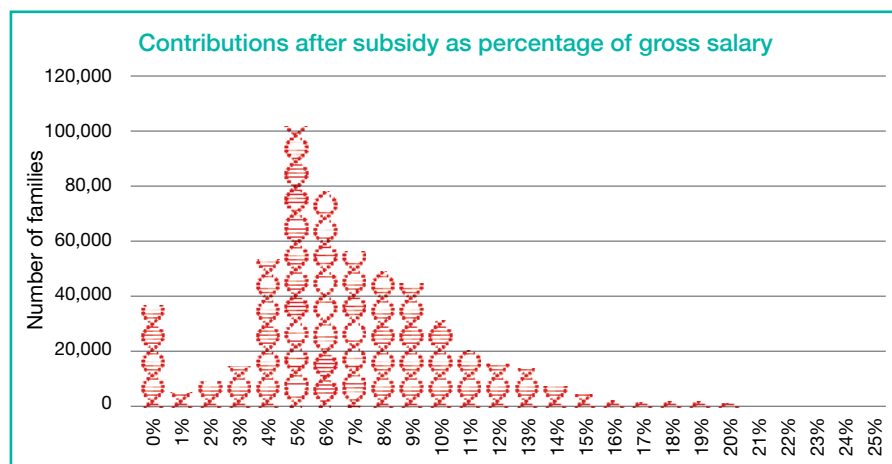


Market Positioning

GEMS is currently the largest restricted membership scheme and the second largest medical scheme overall in the South African medical scheme environment. This provides the Scheme with the size and scale to negotiate competitive rates with our service providers and the healthcare providers in the market.

The Scheme does an annual assessment of its benefits and contributions based on publicly-available information in comparison to other open and closed schemes in the market. The table below summarises how GEMS compares on average to the medical schemes considered in the analysis, based on the average contribution per family:

GEMS option	% saving/(cost) between GEMS average family contribution and average family contribution of competing schemes before subsidy
Sapphire	26%
Beryl	1%
Ruby	-1%
Emerald	33%
Emerald Value	33%
Onyx	23%
All	29%



The graph on the previous page indicates that the majority of members on GEMS pay between 0% and 10% of their gross salary towards contributions after the subsidy.

Based on the results of the analysis outlined above, the Scheme is comfortable that GEMS' offering still provides good value for money when compared to other similar benefit options available in the market.

Corporate Citizenship

Our approach to corporate citizenship is embodied in our drive to invest in GEMS employees, promote Broad-Based Economic Empowerment (B-BBEE), and support vulnerable communities.

Investing in our People

The GEMS Learning and Development Policy and the GEMS Talent Management and Succession Policy guides our investment in GEMS employees.

During the course of 2017, the Scheme invested R5,705,112 in various employee training initiatives.

GEMS employees are empowered through robust learning and development initiatives to fast track and foster skills development in the medical aid industry. Some noteworthy training initiatives conducted during 2017 include learnership and graduate programmes.

The Client Liaison Officers (CLO) Wealth Management Learnership Programme commenced in March 2017 and will run for a period of 18 months across all GEMS regional offices. A total of 82 CLOs will attend the programme. On completion of the programme the CLOs will receive an NQF level 5 qualification, together with Financial Advisory and Intermediary Services (FAIS) accreditation to enable employees to provide financial advice to members.

The Graduate Placement Programme was rolled-out as part of practicing effective acquisition and talent management within the Scheme. This programme commenced on 1 March 2017 with a total of 29 graduates placed across the Scheme. The internship programme offers graduates real-world insights and exposure to the actual working environment. The aim is to equip them with the skills required to succeed in their career of choice.

A Management Development Programme (MDP) for all Managers, Regional Managers and Team Leaders commenced in April 2017. Institutions that were contracted include Wits Business School and the University of Stellenbosch. The programme was funded by INSETA and a total of 21 employees attended the programme. The purpose is to develop strong leadership at management level and establish a pipeline for future leaders.



Broad-Based Black Economic Empowerment

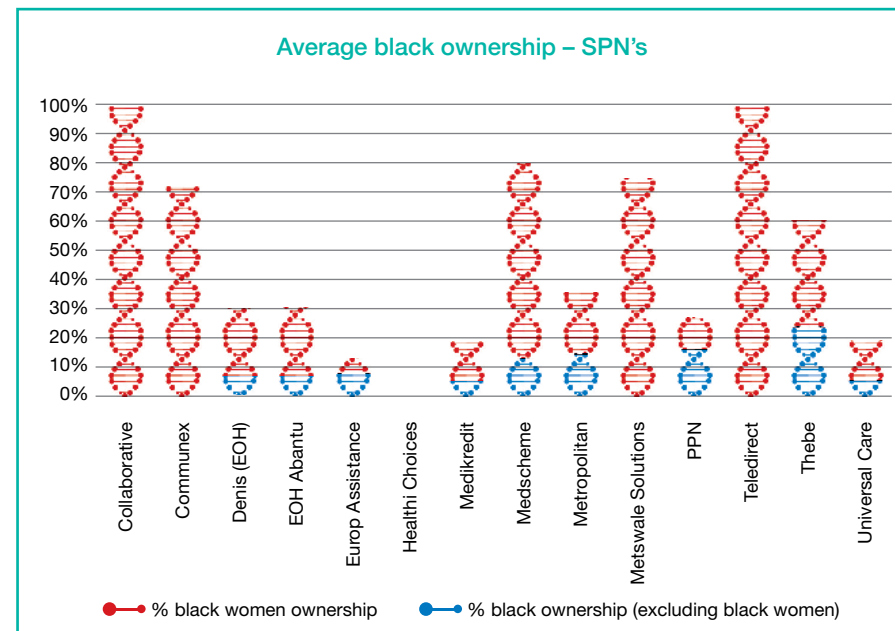
GEMS promotes B-BBEE through preferential procurement. GEMS also promotes exempted micro enterprises and qualifying small enterprises.

GEMS allocates 30% of its bid evaluation criteria towards B-BBEE for bids and quotes above a certain threshold. This confirms GEMS' dedication towards promoting B-BBEE through procurement as part of promoting the country's larger socio-economic objectives.

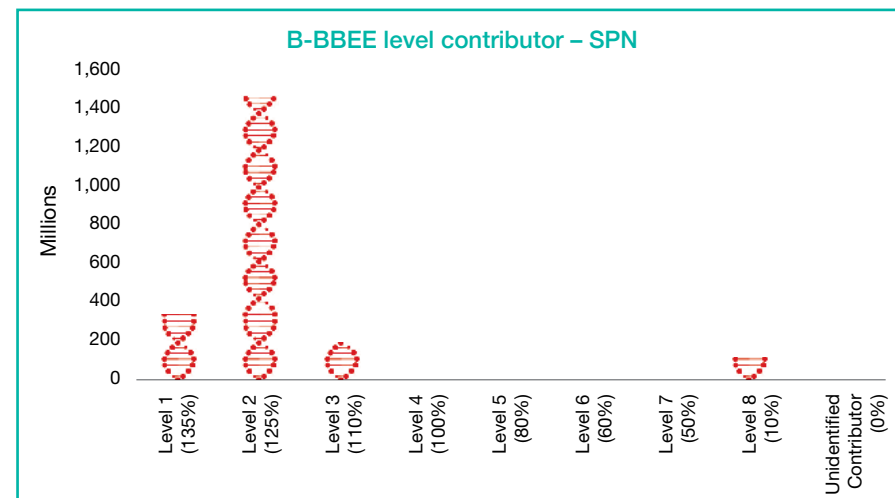
Contracted providers forming part of the GEMS Service Provider Network are contractually bound to spend at least (5%) of the fees paid by GEMS on B-BBEE sub-contractors that are at least a Level 1, 2 or 3 contributor with Level 3 that must have a black ownership status of at least 30% and/or promote individuals who are part of the black designated groups, as defined in the amended Codes of Good Practice and newly employed for purposes of the project.

Black ownership is an important element within the GEMS procurement processes and during 2017 the average black ownership in the Scheme's Service Provider Network (SPN) was 47.17%. The contracted providers in the Scheme's Service Provider Network mostly have status levels of contribution of 1 to 3. The Scheme is working closely with its service providers to ensure that B-BBEE levels are maintained and improved as this is a stipulated contractual condition that they must achieve and are assessed against.

The graph on the next page provides an overview of the black ownership of the SPN in 2017 and also indicates more specifically the black women ownership statistics of the SPN of the Scheme.



The B-BBEE level of these service providers are depicted below.





GEMS also embarked on a new initiative to support identified developing suppliers through mentoring/capacity-building in the support functions of their business; this will be rolled out in the next financial year.

In the 2017 financial year, GEMS issued, evaluated and adjudicated 15 tenders in various threshold categories including strategic sourcing. During the year there was very good participation by Exempt Micro Enterprises and Qualifying Small Enterprises in the GEMS bidding process, with more than double the number of large companies participating. Four times more awards have been made to Qualifying Small Enterprises and Exempt Micro Enterprises than to large companies, with a number of awards to joint ventures who responded to bids.

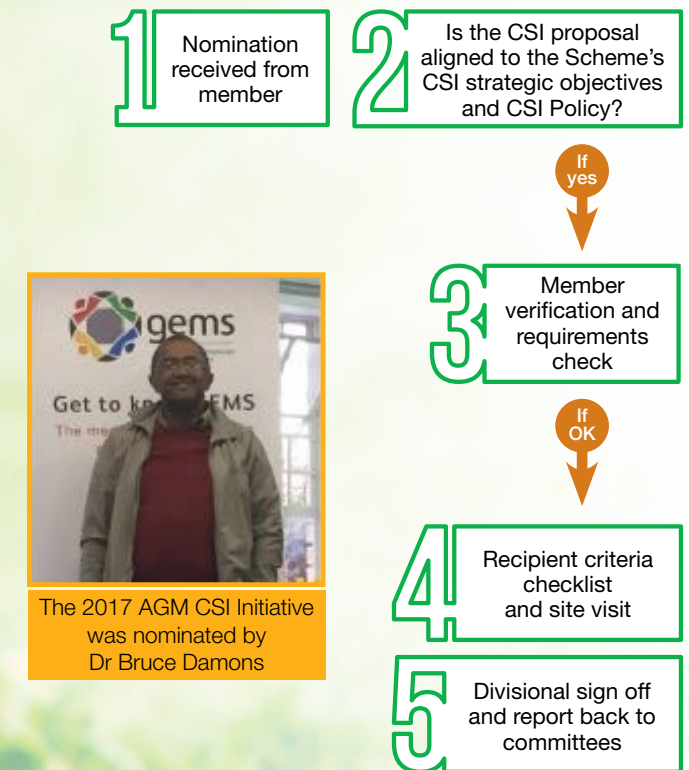
GEMS restricts the number and type of contracts one service provider may hold in certain categories, and on the percentage of the GEMS budget held through the combined value of its contracts. The purpose is to enable more service providers to do business with GEMS in an environment where the core contracts are large.



Supporting Vulnerable Communities

Through our CSI initiatives we aim to promote education, wellness, healthcare awareness and the physical improvement of facilities in which these activities take place. A special focus is placed on rural and underprivileged communities. The initiatives further aim to ensure that individuals are capacitated with skills, knowledge or resources to self-sustain, to play a vital role in their communities and to realise their full potential despite their circumstances.

Our CSI Selection Process is based on a nomination process involving GEMS members:





Our large CSI projects coincide with important Scheme events such as the Annual General Meeting of members and the Annual GEMS Symposium.

For the 2017 AGM event, the Sapphire Road Primary School was selected. GEMS Trustees and Management spent the morning of 30 July 2017 at the school and enjoyed engaging with learners, teachers and members of the community who volunteer at the School. The Scheme's donation served to upgrade the School's computer laboratory and to provide learners with new school uniforms.

CSI project: Sapphire Road Primary School, Booyesen Park



Other institutions supported during 2017 were:

- The Home from Home Trust in Khayelitsha where renovations and household equipment were funded.
- The Badirammogo Old Age Foundation where infrastructure upgrades and household appliances were funded.
- The Cho Cho Cho Centre identified child-headed households due to HIV/AIDS where household appliances and groceries were funded.
- The Ponelopele Reading Club and Library (Polokwane) where assistance was provided in respect of building costs. This project is still underway.

Statement of Financial Position as at 31 December 2017

	Notes	2017 R '000	2016 R '000
ASSETS			
Non-Current Assets			
Property & Equipment	3	97,906	11,943
Intangible assets	4	55,344	48,019
Financial assets at fair value through profit or loss	5	571,230	684,275
		724,480	744,237
Current Assets			
Financial assets at fair value through profit or loss	5	1,905,393	177,249
Trade and other receivables	6	405,117	305,114
Cash and cash equivalents	7	5,488,609	3,755,096
		7,799,119	4,237,459
Total Assets		8,523,599	4,981,696
FUNDS AND LIABILITIES			
MEMBERS' FUNDS			
Accumulated funds		5,446,276	2,176,075
LIABILITIES			
Current Liabilities			
Personal medical savings account liability	8	759,387	656,318
Trade and other payables	9	1,193,272	1,188,560
Outstanding risk claims provision	10	1,123,600	960,000
Lease escalation reserve		1,064	743
		3,077,323	2,805,621
Total Funds and Liabilities		8,523,599	4,981,696



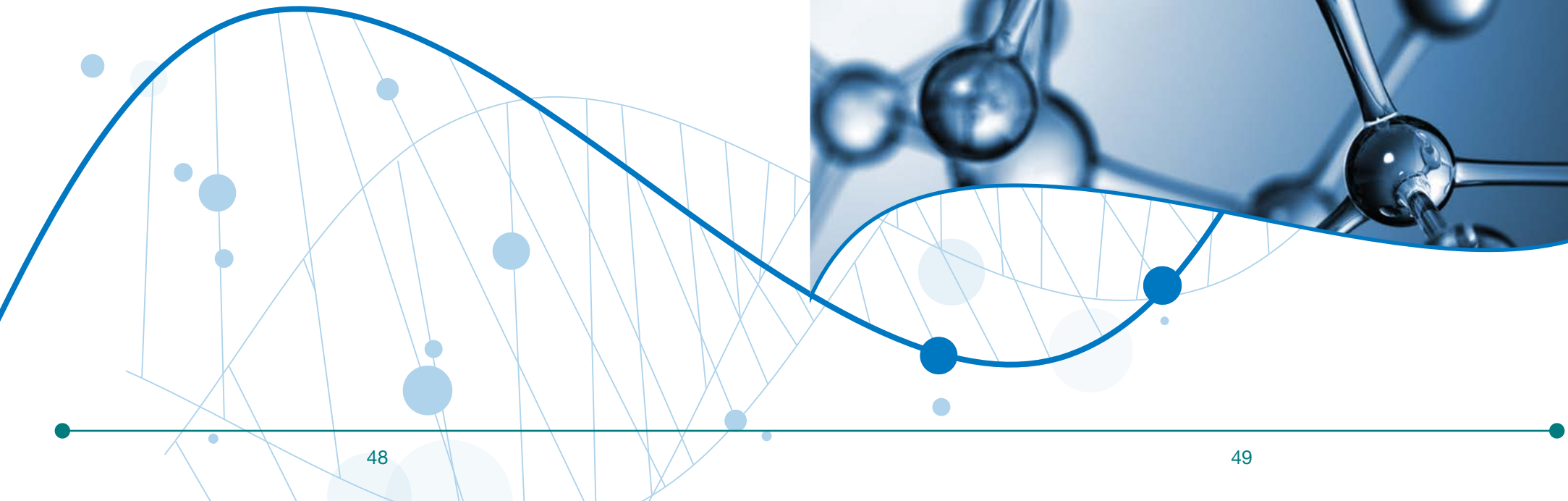
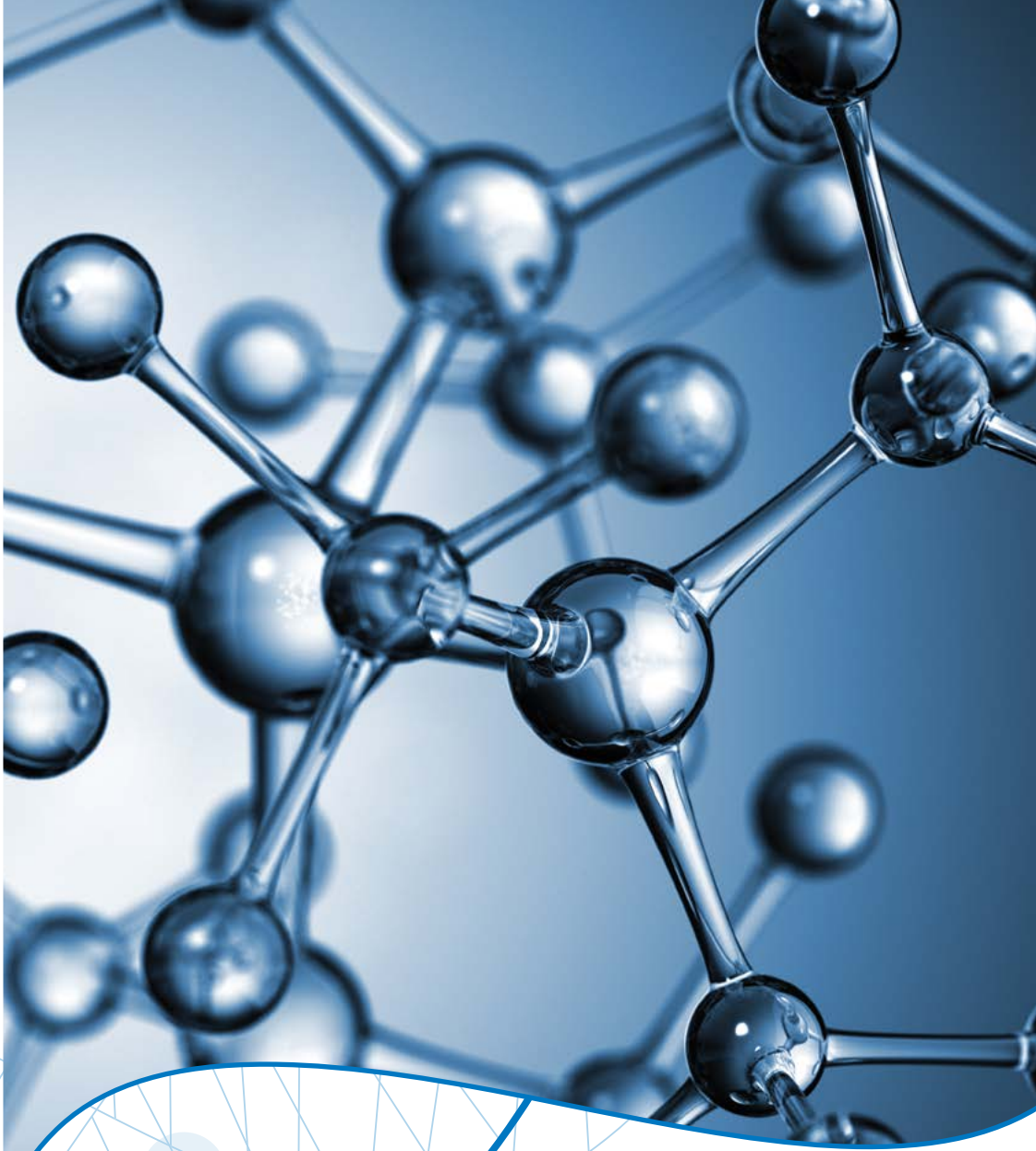
Statement of Comprehensive Income

	Notes	2017 R '000	2016 R '000
Risk contribution income	12	34,703,985	30,271,405
Relevant healthcare expenditure		(29,844,481)	(29,241,001)
Risk claims incurred	13	(29,134,469)	(28,543,347)
Accredited managed healthcare services	14	(710,012)	(697,654)
Gross healthcare result		4,859,504	1,030,404
Administration expenditure	15	(1,782,952)	(1,567,415)
Marketing services		(121,718)	(120,382)
Impairment losses on healthcare receivables	17	(77,104)	(65,766)
Net healthcare result		2,877,730	(723,159)
Investment income	18	388,236	261,773
Dividends received		8,101	6,713
Interest received on financial assets at fair value through profit or loss		88,851	47,803
Net realised gain on financial assets at fair value through profit or loss		13,306	5,224
Net unrealised gain on financial assets at fair value through profit or loss		19,392	8,468
Interest received on Scheme cash invested		210,409	156,207
Interest received on Personal medical savings account monies invested		48,177	37,358
Other income		58,769	17,478
Sundry income		58,769	17,478
Other expenses		(54,534)	(40,742)
Investment management fees		(6,357)	(3,384)
Interest allocated to members' personal medical savings accounts monies		(48,177)	(37,358)
Total comprehensive surplus/(deficit) for the year		3,270,201	(484,650)



Statement of Changes in Funds

	R '000	R '000
	Accumulated funds	Member funds
Balance at January 1, 2016	2,660,725	2,660,725
Total comprehensive Deficit for the year	(484,650)	(484,650)
Balance at January 1, 2017	2,176,075	2,176,075
Total comprehensive surplus for the year	3,270,201	3,270,201
Balance at December 31, 2017	5,446,276	5,446,276





Statement of Corporate Governance



The Government Employees Medical Scheme (GEMS) is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Board conducts all its affairs according to ethical values and within a recognised governance framework.

The Scheme acknowledges its role within the medical scheme industry as well as its responsibilities to each individual beneficiary and the wider community. The Scheme recognises that sustainability can only be achieved through strong relationships with all stakeholders and responsible management of risk.

Transparency and Ethics

The Scheme has adopted a stakeholder-inclusive approach to corporate governance and is bound by mandates and the principles of treating members fairly. The close stakeholder relationship and the election and appointment of the Board of Trustees by the members and the Employer allow the Scheme to recognise the concerns and objectives of stakeholders in its decision-making process.

The Board of Trustees acknowledges that the perception of stakeholders affects the reputation of the Scheme.

Therefore, clear and open communication with stakeholders enhances the reputation of the Scheme. The Trustees have produced a holistic and reliable integrated report to illustrate both the financial and non-financial performance of the Scheme.

Board of Trustees

The Board of Trustees is responsible for the stewardship and governance of the Scheme. The Trustees are elected and appointed by the members of the Scheme and the Employer respectively (as defined in the Rules of the Scheme), according to the provisions of the Medical Schemes Act, No 131 of 1998, as amended, and the Rules of the Scheme. The Trustees are representatives of the Scheme's members and are legally responsible for the management and strategic direction of the Scheme on behalf of the members.

The Board meets regularly and monitors the performance of the Scheme's employees, administrators and other contracted service providers. The Board addresses a range of issues and ensures that discussion of policy, strategy, risk management, fraud management and operational performance are critical, informed and constructive. The affairs of the Scheme are managed according to the Rules of the Scheme and also adhere to all aspects of governance, as required by the Medical Schemes Act

131 of 1998, as amended. The Board is also committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa (King IV).

A collective board-effectiveness evaluation and peer review is performed every second year. The Chairperson meets with individual Trustees on a one-to-one basis during induction training of new Trustees and should the need arise.

All Trustees have access to the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

Internal Controls

Management and the administrators of the Scheme maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

The Scheme's Internal Audit service also performs an independent analysis of the controls of the Scheme as well as those of the service providers of the Scheme as part of its annual audit plan.

The Board-appointed the Risk Social and Ethics Committee (previously the Governance Risk and Ethics Committee) – consisting of Board of Trustee members and attended by senior management of the Scheme – has the duty to assess the risk register and plans to mitigate the risks. This Committee reports to the Board of Trustees independently.

On an annual basis the Board assesses the risks facing the Scheme and determines the impact and likelihood of such risks through the development of a risk register. Once the risk register is approved by the Board, monitoring of the implementation of mitigation measures and internal controls takes place at least quarterly to ensure that all risks are effectively managed. No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal control and systems during the year under review.

Mr NL Theledi
Chairperson

Dr SM Hlatshwayo
Deputy Chairperson

Dr G Goolab
Principal Officer

25 April 2018

An independent Board of Trustees forms the core of the Scheme's corporate governance structure and is ultimately accountable and responsible for the performance and affairs of the Scheme.

The GEMS Board Charter defines the governance parameters within which the Board exists, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board and Trustees collectively, as well as certain roles and responsibilities incumbent upon Trustees. As such, the GEMS Board Charter is aligned to the provisions of the Medical Schemes Act, 1998 (the Act), as amended; the Regulations promulgated under the Act and the registered Rules of GEMS. The full Board Charter is available from www.gems.gov.za.

The Board of Trustees has a process in place to perform reviews of the effectiveness of the Board, its Chairperson as well as the effectiveness of the respective Board Committees.

The Board is responsible for providing strategic guidance to the Scheme. An annual strategic plan gives effect to the Board's responsibility to govern the affairs of the Scheme by directing the activities of the Principal Officer, management and employees, providing an effective oversight through which performance can be monitored and ensure that the business of the Scheme operates efficiently and effectively. The Scheme's Five-year Strategic Plan for 2017 to 2021 was approved by the Board on 27 September 2016. The Board monitored the implementation of the approved Strategic Plan by means of quarterly reports from Scheme Management. Throughout 2017, the Board was kept apprised of the status of the business by means of standardised presentations covering key business indicators, including membership growth and financial performance.

The performance targets in the Three-year Strategic Plan are reviewed annually by the Board and are adjusted based on changing realities and interrelated plans such as the business plans approved for the Scheme by the Registrar of Medical Schemes from time to time. A view of the Scheme's performance against the Five-year Strategic Plan for 2017 to 2021 is provided from page 102 of the full 2017 Annual Integrated Report.

The Board of Trustees is responsible for governing the management of risk and a formal risk management process is in place in accordance with the Scheme's approved Risk Management Policy. The approach to risk management and the governance of risk management is discussed on page 93 of the full 2017 Annual Integrated Report..

The Board monitored the implementation of the approved strategic and operational risk mitigation measures as well as the Scheme's changing risk environment during 2017 by means of quarterly and ad hoc reports from Scheme Management.

The Board is comfortable that the residual risks facing the Scheme were managed throughout 2017 and that risk assessments and mitigation measures, aimed at safeguarding Scheme and member interests, were effective.

Structures and Officers

The Board consists of 12 Trustees, made up as follows:

- 50%, i.e., six Trustees elected by the members of the Scheme
- 50%, i.e., six Trustees appointed by the Minister for the Public Service and Administration

The GEMS Board of Trustees held 12 meetings during 2017 (09: 2016) as follows:

- 28 February 2017 (Quarterly Board Meeting)
- 25 April 2017 (Quarterly Board Meeting)
- 6 June 2017 (Ad Hoc Meeting focused on the investigation into tender irregularities)
- 29 June 2017 (Interim Meeting focused on the AGM)
- 27 July 2017 (Quarterly Board Meeting)
- 26-27 September 2017 (Strategic Planning Meeting)
- 28 September 2017 (Interim Meeting focused on the Scheme's 2018 benefit and pricing submission to the Council for Medical Schemes)
- 31 October 2017 (Quarterly Board Meeting)
- 20 November 2017 (Ad Hoc Meeting focused on the investigation into tender irregularities)
- 5 December 2017 (Interim Meeting focused on key approvals required for 2018)
- 14 December 2017 (Ad Hoc Meeting focused on investigation into tender irregularities)
- 15 December 2017 (Ad Hoc Meeting focused on investigation into tender irregularities)

The Board also held two half-day workshops (2: 2017) as follows:

- 27 January 2017 (Board Risk Workshop deferred from 31 October 2016)
- 30 October 2017 (Board Risk Workshop)



Standing Committee Structure and Responsibilities

The Board of Trustees has established its own governance practices and Standing Committee Structure that comply with the applicable governance and regulatory requirements. These Committees fulfil key roles in ensuring good corporate governance.

The Board reviewed the Standing Committee Structure in 2017 and a new Structure was established, effective 1 January 2018.

The review was informed by:

- Statutory requirements
- The King Report on Corporate Governance for South Africa 2016 (King IV)
- The GEMS Strategic Plan Accountability and Strategic Oversight Framework
- The GEMS operational structure
- Cost-effectiveness and value-for-money considerations

The Committees listed below functioned until 31 December 2017. The Committees were mandated by the Board of Trustees by means of written terms of reference as to their membership, authority and duties.

A Standing Committee Responsibility Matrix (RACI matrix) was used to clarify and demarcate the Standing Committees' responsibility areas.

The Standing Committees meet at least quarterly and as indicated in the year planner approved for each year. Committee meetings are attended by Scheme Management on invitation.

The Committees in operation in 2017 were:

Audit Committee

The Audit Committee is mandated by the Board of Trustees by means of a written Audit Committee Charter as to its membership, authority and duties. The Committee's Charter was reviewed and approved by the Board of Trustees on 5 December 2017.

The primary responsibilities of the Audit Committee include assisting the Board of Trustees in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, financial reporting processes, financial and other reporting risks, information systems, oversight of assurance provided over external reports other than financial statements and oversight of combined assurance

processes applied by the Scheme and its service providers network. With regard to the external auditors, the Audit Committee considers and recommends the appointment of the external auditors and monitors and reports on their independence. The Committee is also responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive, approval of the internal audit plan as well as the annual review and approval of the Internal Audit Charter.

Committee composition, including members' qualifications and experience

The Committee consisted of five members, two of which were members of the Board of Trustees. The majority of the members, including the Chairperson, are not Trustees, Officers of the Scheme or of any of its service providers. For the year ended 31 December 2017, the committee members were:

Name/designation	Qualifications	Recent work experience
Ms MA Sukati Independent member, re-appointed as Chairperson with effect from 1 April 2015, resigned on 29 November 2017	<ul style="list-style-type: none"> • BCom (Acc) • BCom Hons (Acc) • Postgraduate Diploma in Accounting • CA (SA) • CIA • MBA (UP) 	<ul style="list-style-type: none"> • Role during 2017: <ul style="list-style-type: none"> » Chief Audit Executive: Transnet • Previous employers: <ul style="list-style-type: none"> » South African Revenue Service (SARS): Group Executive – Internal Audit » Pricewaterhouse-Coopers (Nelspruit) Position: Partner
Ms NF Msiza Independent member, appointed with effect from 1 April 2013 and re-appointed for a second term with effect from 1 April 2016	<ul style="list-style-type: none"> • Chartered Director South Africa (CD SA) • B.Com degree and Higher Diploma in Taxation • Master's in Business Administration 	<ul style="list-style-type: none"> • Role during 2017: <ul style="list-style-type: none"> » Executive Director – Governance, Risk and Compliance: Raubex Group Limited • Previous employers: <ul style="list-style-type: none"> » Group Chief Audit Executive: Denel » Director: Risk, Assurance and Compliance – City Power



Name/designation	Qualifications	Recent work experience
Ms R Eksteen Independent member, appointed with effect from 1 November 2015	<ul style="list-style-type: none"> B.Com Law LLB CIS Master's in Development Finance Certificate of Conduct Certificate Sustainability Assurance Practitioner 	<ul style="list-style-type: none"> Role during 2017: <ul style="list-style-type: none"> » Group Compliance Officer & Manager – Group Legal Services: Pioneer Food Group Ltd
Ms NH Mkhumane Trustee, term as Audit Committee member commenced on 1 November 2014	<ul style="list-style-type: none"> Dip. Law & Tax IEIC (CIMA) Exec. Mgt. Dev. Prog. (WBS) Capital Proj. Mgt. Appraisal (Queens Univ. Canada) Bachelor of Commerce (UNISWA) Certificates: <ul style="list-style-type: none"> » Board Leadership (GIBS) » Corp. Gov., Audit Roles » Supply Chain Mgt. & Prop. & Asset Mgt 	<ul style="list-style-type: none"> Role during 2017: <ul style="list-style-type: none"> » Chairman: South African Diamond and Precious Metals Regulator
Dr IJ Van Zyl Trustee, term as Audit Committee member commenced on 1 November 2014	<ul style="list-style-type: none"> B Mil Hons B Com (Personnel Management) MBA PhD (Industrial Economics) Industrial Relations Development Programme 	<ul style="list-style-type: none"> Most recent: <ul style="list-style-type: none"> » Labour Consultant Previous employers: <ul style="list-style-type: none"> » Chief Consultant (Labour Relations): ArcelorMittal SA » Chief Director (Labour Relations): Department of Labour

The Audit Committee carried out their responsibilities in terms of the Board-approved Audit Committee Charter. The external auditors and internal auditors reported formally to the Committee on critical findings arising from audit activities.

The Committee met on five occasions during the course of 2017 (5: 2016) as follows:

- 14 March 2017 (Quarterly Meeting)
- 13 April 2017 (Special Meeting)
- 11 July 2017 (Quarterly Meeting)
- 21 September 2017 (Quarterly Meeting)
- 29 November 2017 (Quarterly Meeting)

The Principal Officer, the Chief Financial Officer of the Scheme, the Chief Audit Executive, the Scheme's outsourced internal auditors and the external auditors attend Committee meetings upon invitation and have unrestricted access to the Chairperson of the Audit Committee.

Operations Committee (The Committee was discontinued and its functions were moved to other Committees from 1 January 2018)

The primary responsibility of the Committee was to assist the Board of Trustees in ensuring the efficient operations of the Scheme by providing oversight, assessment and review of all aspects of the business and operations of the Scheme. Monitoring the Scheme's organisational and financial performance were key responsibilities of the Committee. Oversight by this Committee was necessitated by the Scheme's business model which requires ongoing review of the contracting of service providers to render scheme services. To this end, the Committee assisted the Board of Trustees in ensuring seamless interaction between the various service providers in order to meet the operational objectives of the Scheme. The other areas of oversight of the Committee were the Scheme's Information Communication Technology Function and the Scheme's communication and marketing activities.

The Committee met on eight occasions in 2017 (8: 2016) on:

- 15 January 2017 (Quarterly Meeting)
- 11 April 2017 (Quarterly Meeting)
- 12 May 2017 (Special Meeting and Strategy Workshop)
- 24 July 2017 (Quarterly Meeting)
- 29 August 2017 (Special Meeting/Workshop in preparation for the Board's Strategic Planning Meeting)



- 14 September 2017 (Quarterly Meeting)
- 18 October 2017 (Special Meeting)
- 30 October 2017 (Special Meeting coincided with Board Meeting)

Committee members in 2017 were:

- Dr JA Breed (Trustee, tenure commenced 30 July 2014)
- Ms NM Ntsinde (Trustee and Chairperson, tenure commenced 30 July 2013)
- Mr NL Theledi (Trustee member, tenure commenced 27 September 2013)
- Dr CM Mini (Trustee, tenure commenced 30 July 2014)

Clinical Governance and Ex gratia Committee (Replaced by the Clinical Governance and Administration Committee from 1 January 2018)

The primary responsibilities of the Committee are to:

- Assess, decide and report on the approval of ex gratia payments to members of the Scheme. The Committee is mandated to approve ex gratia payments only where the condition and the withholding of therapy is life-threatening; the treatment will result in the improved quality of life of the applicant; the treatment is clinically appropriate and based on internationally accepted evidence-based treatment guideline and protocols or the applicant has proven a financial inability to afford the treatment by any other means.
- Assist the Board in ensuring the implementation of the Healthcare Management Strategic Objective, namely: To improve the Scheme's clinical risk profile and contain claims experience; and
- Oversee the Scheme's product development and benefit design work.

The Committee met every eight weeks over two days, for a total of eight meetings (2016: 9) on:

- 25-26 January 2017
- 15-16 March 2017
- 17-18 May 2017
- 12-13 July 2017
- 08 August 2017 (Interim Meeting focused on the Scheme's 2018 benefit design)
- 05-06 September 2017
- 01-02 November 2017
- 13-14 December 2017

For the year ended 31 December 2017, the committee members were:

- Mr CJ Booyens (Trustee, tenure commenced 30 July 2013)
- Mr JS Roux (Trustee, re-elected, tenure commenced 30 July 2014)
- Ms NM Ntsinde (Trustee, tenure commenced 30 July 2013)
- Dr CM Mini (Trustee, tenure commenced 30 July 2014)
- Mr DJ de Villiers (Trustee, re-elected, tenure commenced 30 July 2013)

Governance, Risk and Ethics Committee (Replaced by the Risk Social and Ethics Committee from 1 January 2018)

The Committee has been mandated by the Board of Trustees to ensure sound corporate governance by providing oversight, assessment and review of all governance and compliance aspects of the business of the Scheme. The Committee's responsibilities include ensuring compliance with the Medical Schemes Act and its Regulations; patent and trademark legislation; and any other legislative framework relevant to the business of the Scheme. The Committee has also been mandated to ensure effective ethical governance, risk management and stakeholder management.

The Committee met on five occasions in 2017 (2016: 4):

- 09 February 2017
- 12 April 2017
- 05 July 2017
- 10 October 2017
- 20 November 2017

For the year ended 31 December 2017, the committee members were:

- Dr JA Breed (Trustee member, tenure commenced July 2014)
- Mr DJ de Villiers (Trustee member – Chairperson, re-elected, tenure commenced 30 July 2013)
- Mr EB de Vries (Trustee, tenure commenced 30 July 2013)
- Mr JS Roux (Trustee member, re-elected, tenure commenced 30 July 2014)

Investment Committee (Replaced by the Finance and Investment Committee from 1 January 2018)

The Investment Committee was set up by the Board in December 2013 and commenced its work in March 2014. The primary responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities of the Scheme's investment activities and to consider issues arising from investment decisions



and activities. As such, the Committee monitors the Scheme's cash flow position, investment performance and compliance to the regulatory framework applicable to medical scheme investments. The Committee is also responsible for overseeing the performance of the Scheme's contracted asset consultants and managers.

The Committee met on four occasions in 2017 (2016: 5)

- 13 February 2017
- 23 May 2017
- 16 August 2017
- 30 November 2017

Committee members in 2017 were:

- Ms NH Mkhumane (Trustee, Chairperson, tenure commenced 25 September 2014)
- Mr CJ Booyens (Trustee, commenced 30 July 2013, moved to the Investment Committee on 1 July 2015)
- Dr JA Breed (Trustee, tenure commenced July 2014)
- Dr C Moloko (Trustee, tenure commenced on 28 October 2016)

Dispute Committee

The primary responsibility of the Committee is to independently consider and preside over any dispute referred by the Principal Officer to the Dispute Committee for adjudication and to advise the Board of Trustees on the handling of disputes in general.

The Dispute Committee met on:

- 13 February 2017
- 04 December 2017

For the year ended 31 December 2017, the committee members were:

- Ms M David (Independent member, re-appointed for second term with effect from 1 April 2016)
- Dr P Ford (Independent member, re-appointed for second term with effect from 1 April 2016)
- Ms L Zondi (Chairperson, Independent member, tenure ended 31 July 2017)
- Rev F Chikane (Independent member, appointed with effect from 1 August 2017)

Remuneration Committee (Reconstituted as the Human Resources and Remuneration Committee from 1 January 2018)

The primary responsibility of the Committee is to ensure sound people management of Scheme employees by providing oversight, assessment and review of the

maintenance of relevant HR and Remuneration policies of the Scheme. In addition, the Committee's responsibilities include advising the Board on the annual cost of living adjustment for Scheme employees; the criteria to be used in benchmark exercises pertaining to annual remuneration surveys; the remuneration rates applicable to employees, trustees and independent committee members; the implementation of remuneration survey results; the implementation of performance reward measures for employees and overseeing the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report.

The Remuneration Committee met on five occasions in 2017 (2016: 5):

- 07 February 2017
- 06 April 2017
- 06 July 2017
- 17 October 2017
- 21 November 2017

For the year ended 31 December 2017, the committee members were:

- Mr EB de Vries (Trustee, tenure commenced on 30 July 2013)
- Dr IJ van Zyl (Trustee, tenure commenced on 30 July 2014)
- Mr NL Theledi (Trustee member, tenure commenced on 27 September 2013, moved to the Remuneration Committee with effect from 1 July 2015)
- Dr C Moloko (Trustee, tenure commenced on 28 October 2016)

In addition to the Standing Committees, the Board also appointed one ad hoc committee in 2017 to formulate recommendations on specific matters:

Benefit Design Committee

Recommendations pertaining to the GEMS benefits and contributions for 2018 were developed by the GEMS Benefit Design Committee for the Board's consideration.

The Committee met on two occasions (2016: 2) on the following dates:

- 24 August 2017
- 07 September 2017

Attendance of Benefit Design Committee meetings was open to all Trustees and most Trustees attended these meetings in 2017.



GEMS Trustees and Principal Officer: 2017 Summarised Attendance Register

The numbers reported for actual meeting attended is based on signing of attendance registers and minutes of meetings. The number of meetings that could have been attended takes into account the appointment and tenure expiry dates of the respective individuals. The numbers are calculated based on pure attendance and tenure – irrespective of whether remunerated or not.

A – Meetings attended

B – Meetings that could be attended

Trustee	AGM	Board meetings		Audit Committee meetings		Benefit Committee meetings		Clinical Governance and Ex Gratia Committee meetings		Dispute Committee meetings	
		A	B	A	B	A	B	A	B	A	B
Booyens, C	1	12	12			2	2	8	8		
Breed, J	1	11	12			2	2				
De Villiers, D	1	12	12			2	2	8	8		
De Vries, EB	1	12	12			2	2				
Mini, C	1	12	12			1	2	8	8		
Mkhumane, N	1	12	12	4	5	2	2				
Moloko, C	1	11	12			2	2	1	1		
Ntsinde, N	1	12	12			2	2	8	8		
Phophi, E		7	8	1	1	1	2				
Roux, S	1	12	12			2	2	8	8		
Theledi, N	1	11	12			1	2				
Van Zyl, K	1	12	12	5	5	2	2				
Goolab, G (Principal Officer)	1	12	12	2	5	2	2	7	8	1	2

Governance Risk and Ethics Committee meetings		Operations Committee meetings		Investments Committee meetings		Remuneration Committee meetings		Training		Workshops		Other Scheme engagements	
A	B	A	B	A	B	A	B	A	B	A	B	A	B
				4	4			12	-	2	2	-	-
4	5	8	8	2	4			8	-	2	2	-	-
5	5							8	-	2	2	2	
4	5					4	5	10	-	2	2	-	-
		6	8					12	-	2	2	2	-
				4	4			7	-	2	2	2	-
				4	4	4	5	11	-	2	2	-	-
		8	8					11		2	2	1	-
		2	2	1	1	1	1	4	-	1	1	-	
5	5							12	-	2	2	-	-
		8	8			5	5	7	-	2	2	1	-
						5	5	11	-		2	1	-
2	5	7	8	3	4	5	5	8	-	1	1	-	-



GEMS Independent Committee Members' Attendance of Board and Committee meetings

A – Meetings attended

B – Meetings that could be attended

Member	AGM	Board meetings		Audit Committee meetings		Benefit Committee meetings		Clinical Governance and Ex Gratia Committee meetings		Dispute Committee meetings	
		A	B	A	B	A	B	A	B	A	B
Dauids, M										2	2
Eksteen, R				5	5						
Ford, P										2	2
Sukati, M	1	5	10	5	5						
Msiza, F				4	5						
Lungile, Z										1	2
Chikane, F										1	2

Governance Risk and Ethics Committee meetings		Operations Committee meetings		Investments Committee meetings		Remuneration Committee meetings		Training		Workshops		Other Scheme engagements	
A	B	A	B	A	B	A	B	A	B	A	B	A	B
								-	-	-	-		
								-		-			
								-	-	-			
								3	-				



The Board resolved on 28 February 2017 to adopt the King IV Report on Corporate Governance with effect from 1 January 2018. During 2017, the King IV Report was used as a best practice guide.

The Scheme has a dedicated Board Committee that is responsible for overseeing remuneration, inclusive of Trustee and Independent Committee members' remuneration, remuneration of Executives and general staff and related matters. Information on the mandate, composition and attendance of meetings held by the Remuneration Committee in 2017 is provided on pages 56 and 57 of the Report. The Board reviewed the GEMS Standing Committee Structure in 2017. The Committee was reconstituted as the GEMS Human Resources and Remuneration Committee with a revised formal Terms of Reference. The Board of Trustees finalised the Terms of Reference and the membership composition on 5 December 2017, effective 1 January 2018.

The key factors that influenced remuneration decisions during 2017:

- The financial performance of the Scheme has had an influence on the performance management process and in turn employee performance bonuses for senior managerial employees.
- The current economic climate continues to play a key role in determining annual remuneration adjustments, as this has an influence during salary benchmarking processes. The Consumer Price Index (CPI), the salary market and salary benchmarking also had an impact, as these factors are taken into consideration when determining annual remuneration adjustments.
- The responsibility of the Board to ensure that remuneration is fair, equitable and justifiable found expression in the approval of salary increases based on a sliding scale for General Staff, Senior Managers and Executive Management. Special consideration was given to the position of the lowest paid employees.
- The Board of Trustees remained considerate of views expressed by the members and Stakeholders of GEMS in respect of the trustee remuneration.

The key focus areas and key decisions of the Remuneration Committee in 2017 summarised:

- The Remuneration Committee played a key role in determining the 2018 annual salary adjustments for GEMS employees.
- The revision of the GEMS Recruitment and Employee Relations Policies was overseen by the Remuneration Committee.



- The Trustee and Independent Committee Member meeting fees were reviewed and approved for implementation in January 2018.
- In respect of the governance of remuneration, the Committee considered the application of the Principles and Business Practices as contained in the King III Report.

Future areas of focus include a comprehensive revision of the Trustee and Independent Committee Member Remuneration Policy with a view to ensure that the basis for calculating fees remains fair, equitable and justifiable.

The GEMS Employee Remuneration Policy was revised in 2015 and the new policy was approved by the Board of Trustees on 8 December 2015 for implementation on 1 January 2016. No changes were made to the policy in 2017.

Remuneration consultants were used in the remuneration benchmark analyses performed in relation to General Staff, Senior Managers, Executive Management and the Principal Officer under the auspices of the Remuneration Committee in 2017. The Remuneration Committee approved the Terms of Reference of the organisation appointed to perform the remuneration benchmark analyses. The work was allocated to an organisation that is well versed and experienced in this area and the Remuneration Committee is satisfied with their independence and objectivity.

Employee Remuneration

Meeting the stated remuneration policy objectives

The GEMS Employee Remuneration Policy has met its stated policy objectives in that it supports the Scheme's commitment to attracting and retaining highly-skilled talent. The total reward packages and benefits offered contributed to attracting and retaining key talent. This can be seen from the low staff turnover rate of 5.4% that was recorded for the 2017 financial year. The calculation of the turnover rate of 5.4% includes the seven employees who left the Scheme as a result of the tender investigation concluded in 2017 (refer to the Chairperson's Foreword on page 11 of the report). The GEMS performance management process further entrenches this commitment as we continue to reward high performers within the organisation.

Future areas of focus

The GEMS Employee Remuneration Policy continues to evolve as the Scheme seeks to ensure that employees are paid according to market standards while also being cognisant of the current economic environment. The success of the new GEMS Five-year Strategic Plan is dependent on the Scheme's ability to attract and retain highly-

skilled talent. GEMS strives to be an employer of choice and the policy is under review to ensure that it optimally supports the implementation of the Scheme's new Five-year Strategic Plan. Key future areas of focus are pay structuring and the review of pay scales.

Overview of GEMS Employee Remuneration Policy

The Board of Trustees determines the remuneration and reward structures of GEMS employees in keeping with the provisions of the GEMS Employee Remuneration Policy and has the duty to ensure that employees are appropriately compensated. The Board adopted a remuneration philosophy and strategy in 2013. The Scheme's remuneration philosophy reflects GEMS' commitment to attracting and retaining highly-skilled, high-performing employees that enable the Scheme to maintain and improve on its performance. The remuneration philosophy is aligned to the Scheme's business strategy, objectives, values and achieving long-term sustainability. The GEMS Employee Remuneration Policy is also aligned to the Scheme's remuneration philosophy and strategy.

GEMS is committed to developing, implementing and upholding remuneration strategies and practices which support the vision, mission, values and strategic objectives of the Scheme, while pursuing the best interests of GEMS. The Scheme seeks to ensure that remuneration is fair, equitable and justifiable.

In determining the appropriate level of remuneration for each staff member, all posts are graded based on the requirements of the position. The relevant grading is used during the annual staff remuneration benchmarking exercise to determine if the level of remuneration for each position is in line with benchmarked levels. The results of the annual benchmarking exercise are considered by the Remuneration Committee for recommendation to the Board.

Remuneration is provided to employees in the form of guaranteed and variable pay. Guaranteed remuneration includes basic salary and benefits. Variable remuneration is aligned to the achievement of business objectives and individual performance.

GEMS' targeted pay level for permanent employees is up to the 50th percentile of the benchmark used for employees who meet the required qualifications, experience and other job requirements. Where necessary, for strategic reasons, the Scheme may remunerate an employee at a remuneration package above the 50th percentile. To this end, the Principal Officer, with the approval of the Board of Trustees, may offer a package that is above the market median to a candidate considered to be of strategic importance to GEMS, or who has scarce or critical skills.

The Scheme aims to attract, retain and motivate Executives of the highest calibre, while at the same time aligning their remuneration with member interests and best

practice. The Scheme rewards Executives for their contribution to the strategic, operational and financial performance of the Scheme and ensures that remuneration is conducive to developing and retaining top talent and critical skills. A decision was taken by the Board on 31 October 2017 to convert the employment contracts of GEMS Executives to fixed-term contracts of five years.

The Principal Officer's remuneration package is determined by the Board of Trustees with due consideration to the Scheme's financial performance, the Principal Officer's role and responsibilities, and the strategic imperatives of the appointment. The package may not exceed the remuneration packages attached to the upper quartile.

With effect from 1 January 2014, employees contribute to a compulsory retirement and risk arrangement in the form of a provident fund. Employees are allowed to choose their contribution rate on a scale of 5%, 6% or 7.5%. The employer matches the employee contribution rate. Under this arrangement, employees also have funeral cover, group income protection and group life cover. A medical assistance subsidy was introduced with effect from 1 August 2015 for GEMS employees. The medical assistance subsidy is adjusted on 1 January each year in accordance with medical price inflation.

The GEMS performance framework and measures

To assess the achievement of strategic objectives and positive outcomes, the Scheme uses a standardised and integrated Three-tiered Performance Management System. A standardised balanced scorecard is used to measure performance in four areas, namely:

- Internal Business Performance
- Customer/Stakeholder Management Performance
- Financial Performance
- Learning and Growth

The GEMS balanced scorecard is a key performance management tool to measure outputs and results against key performance indicators that are linked to the GEMS strategic objectives.

The system ensures that performance is measured holistically at three organisational levels i.e., Scheme level, divisional level and individual employee level as follows:

- The Principal Officer's performance is measured on the achievement of the Scheme Strategic Plan
- Executives are measured on the achievement of Divisional Business Plans aligned to the Scheme Strategic Plan

- Employees below Executives are measured on their job profiles and the achievement of operational business plans that are aligned to Divisional Business Plans

Annual employee performance contracting and assessment is done on the basis of performance scorecards made up of key performance areas and competencies. Key performance areas are aligned to the Scheme's strategic objectives and competencies are based on occupational levels. The allocation of weightings in respect of key performance areas and competencies is depicted below:

Level of Management	Key Performance Areas	Core/Managerial Competencies	Total Weight in % of 100
Principal Officer	60%	40%	100
Executives	70%	30%	100
Senior Management	80%	20%	100
Other Employees	90%	10%	100

The allocation of weightings will be adjusted and 10% will be allocated to measure employees' performance in relation to the Scheme's values.

We strive to improve employee contribution to the Scheme's performance by linking rewards and recognition with performance management outputs. Employees are eligible and considered for performance rewarding in recognition of sustained performance that is significantly above expectations. For the Principal Officer and Executives, the awarding of performance bonuses is dependent upon the achievement of a minimum individual performance rating, an unqualified audit report, the achievement of a surplus and a complaints ratio approved by the Board.

An illustration of the potential consequences on the total remuneration for executive management of applying the GEMS Performance Management Policy under minimum, on-target and maximum performance outcomes is below:

Performance bonus percentage	0%	6%	20%
Total including annual remuneration	R21,368,319	R22,650,418.14	R25,641,982.80



Remuneration benchmarks

Like other organisations, GEMS strives to attract and retain key talent, thereby driving forward its business strategy with the right people. The risk of losing key talent is high in most organisations. Variations in pay is one of the key determinants in retaining or losing key individuals. It is not possible for organisations to determine if pay practices are aligned with other organisations if a benchmarking exercise is not completed. The need for benchmarking therefore becomes important in identifying pay practices in the market and aligning those to the GEMS pay practices. The GEMS benchmarking process is conducted against the healthcare, financial and national industries as our products and services compare well to these.

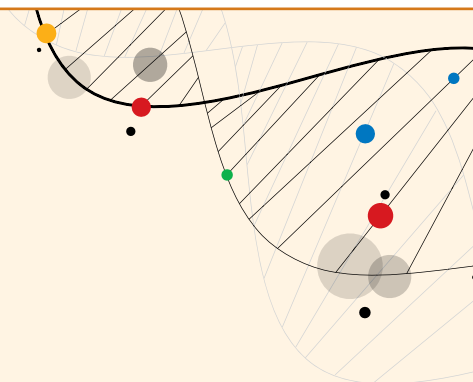
Executive Remuneration in 2017

	Annual earnings	Bonus	Total remuneration 2016
Guni Goolab	R4,434,333	Not available yet	R4,223,174
Bella Mfenyana	R2,289,588	N/A	R2,170,226
Karyna Pierce	R2,966,891	R356,027	R2,812,219
Liziwe Nkonyana	R2,097,234	N/A	R1,987,899
Jeannie Combrink	R2,097,234	R251,668	R1,987,899
Gloria Nkadimeng	R1,790,777	R214,893	R1,697,419
Sam Lewatle	R1,879,870	R225,584	R1,781,867
Molapo Masekoameng	R1,727,662	R207,319	R1,637,594
Dr Vuyokazi Gqola	R2,084,730	R250,168	R1,976,047
	R21,368,319	R1,505,659	R20,274,344

* Pro-rata salary – resigned 8 April 2017

** Pro-rata salary – resigned 24 April 2017

*** A decision was taken by the Board of Trustees during 2017 to amend the Terms and Conditions of Employment of Executive Management employees. Permanent contracts of employment were converted to five-year fixed-term contracts effective 1 January 2018. This resulted in the payment of a conversion package calculated as two weeks' salary (cost to company package) in lieu of every full year worked.



Compliance statement

The Scheme complied with its approved Employee Remuneration Policy in 2017 and no deviations from the policy were reported.

The GEMS Performance Management Policy is still being implemented. The Scheme complied with the components of the policy that have been implemented and no deviations from the policy were reported.

Trustee Remuneration

Overview of GEMS Trustee and Independent Committee Member Remuneration Policy

Trustees and Independent Committee members are remunerated for attendance of Board of Trustees meetings and meetings of Committees of the Board. Trustees and Independent Committee members may also be reimbursed for costs incurred in respect of travelling and subsistence in the performance of their obligations. The Scheme commissions independent remuneration surveys to ensure that the remuneration paid is commensurate with the fiduciary obligations assumed by Trustees and the expertise of Trustees and Independent Committee members.

Trustees and Independent Committee members are remunerated for meeting preparation and attendance. Trustees and Independent Committee members are not remunerated for the following:

Total remuneration 2017	Conversion package paid in Dec 2017***
R4,434,333	N/A
*R953,995	N/A
R3,322,918	R1,255,030
**R699 078	N/A
R2,348,902	R967,805
R2,005,670	R275,462
R2,105,454	R289,166
R1,934,981	R265,753
R2,334,898	R240,509
R20,140,229	R3,293,725



- Meetings not attended
- Participating in the Scheme's Board Effectiveness Assessment
- The attendance of training sessions
- The attendance of Scheme events where trustees are not required to perform work
- The attendance of member and stakeholder information and communication sessions such as lekgotlas

Trustees and Independent Committee members are paid a fixed daily meeting fee for each day spent in a meeting for Quarterly and Interim Meetings. The fixed daily meeting fee is based on an average meeting duration time of 6 hours and 12 hours preparation time. Trustees are paid a reduced daily meeting fee for the attendance of ad hoc meetings.

For meetings with the Minister for the Public Service and Administration and stakeholders, the fixed meeting fee is not applied. To remunerate Trustees for the attendance of such meetings, the fixed meeting fee is converted to an hourly fee and remuneration is calculated as follows: Number of hours in meeting + 1 hour preparation time for each hour spent in the meeting.

Trustees receive a monthly stipend to cover expenses such as stationery, telephone and internet fees.

The remuneration of the Chairperson of the Board and Chairpersons of the Committees (including the Independent Chairpersons of the Audit Committee and the Dispute Committee) is calculated as the trustee fixed daily meeting fee x 1.5.

The GEMS Trustee and Independent Committee Member Remuneration Policy was reviewed by the Board in 2017.

Remuneration benchmarks

Trustee Remuneration benchmarking is conducted using the comparisons of remuneration from at least 10 of the largest closed and open medical schemes in the industry.

The fixed daily meeting fee of Trustees has been increased for the first time since 2014 by means of a Board decision taken on 5 December 2017. An inflationary increase of 5% will be implemented with effect from 1 January 2018.

Trustee Remuneration 2017

The remuneration paid in 2017 per Trustee is shown from page 80. Meeting fees, travel and accommodation costs, training costs and other disbursements are disclosed separately per trustee in accordance with Regulation 6A of the Regulations made under the Medical Schemes Act, 1998, as amended.

The total amount of trustee remuneration paid in 2017 was R8,632,000, representing an increase of 14.45% compared to 2016. Of the total amount paid in 2017, R7,124,000 (83%) was paid in respect of meeting fees and the monthly stipend. The balance represents travel and accommodation costs related to the attendance of meetings and fees paid to trainers.

The increase in trustee remuneration in 2017 is mainly informed by additional Board meetings to deal with the investigation into corrupt activities by Scheme employees and contracted providers. The Board conducted four ad hoc meetings for this purpose. Trustee remuneration paid in respect of the meetings was R870 000.

The GEMS Trustees undertook additional duties on a voluntary basis during the course of 2017 to represent the Scheme at important stakeholder events and to support Scheme Management in important meetings with key stakeholders such as unions, the large hospital groups and the board members of some of the Scheme's contracted administrators. Board members also attended meetings with the Council for Medical Schemes and the forensic investigators appointed to conduct the various tender and forensic investigations.

Trustees attended the Scheme's CSI events scheduled to coincide with the AGM and Symposium. Trustees did not receive remuneration for undertaking these obligations, representing an estimated cost saving of R1,252,800 in 2017 to the Scheme.

In 2017, trustee fees expressed as a percentage of contributions was 0.02%. Expressed as a percentage of the Scheme's non-healthcare costs, it was 0.43%.

The GEMS Board of Trustees and the Committees meet frequently to ensure effective oversight of the Scheme. The meetings held by the GEMS Board of Trustees and the Committees appointed by the Board are all necessary and convened in order to:

- Meet the Scheme's statutory obligations
- Adhere to corporate governance standards
- Address matters related to the Scheme's business model and requirements
- Guide Scheme Management in respect of stakeholder engagements considering the Scheme's complex stakeholder relations environment

The close level of oversight maintained by the Board is an important factor in the Scheme's continued financial and operational performance, as evidenced by the Scheme's track record of unqualified audits, sound procurement processes, responsiveness to member concerns and sound stakeholder relationships.

A further explanation on the number of meetings held by the GEMS Board of Trustees and the Standing Committees is outlined below to provide members with a view on the statutory obligations fulfilled and the value derived from the meetings.



Board Meetings

Board Meetings: At least eight meetings are required each year to meet the requirements below

Legal Requirements	Four quarterly meetings, i.e. in February, April, July and October, to review performance for the previous quarter in keeping with the registered GEMS Rules. The Board also disposes of other business requirements at the quarterly meeting, such as approving the Scheme's audited annual financial statements.
	A meeting in June every year to approve the AGM agenda as required by the registered GEMS Rules. The Board also disposes of other business requirements at the June meeting.
	A meeting in September every year to finalise benefit design and pricing for submission to the CMS, in keeping with regulated timeframes. The Board also disposes of other business requirements at the September meeting.
Business Requirements	A two-day strategic planning meeting in September every year.
	A meeting in December every year to finalise the annual revision of the Standing Committees' Terms of Reference, the Standing Committees' Composition, the revision of the Principal Officer Delegations, employees' salary adjustments for the next year and operational mandates required by the Scheme.
	In trustee election years, two additional meetings are required to approve election procedures and to receive the election reports required in keeping with the GEMS Rules.
	Tender adjudication meetings are scheduled to coincide with existing scheduled meetings.
	Special (ad hoc) meetings are scheduled from time to time to deal with urgent matters. In 2017, the Board conducted four ad hoc meetings focused on the investigations into corrupt activities by GEMS employees and contracted providers. The combined annual value of the contracts cancelled or terminated as a result of the investigations is R200 million. Thus, in dealing with these difficult matters in 2017, the Board positively impacted on the Scheme's ability to create value for members.

Committee Meetings

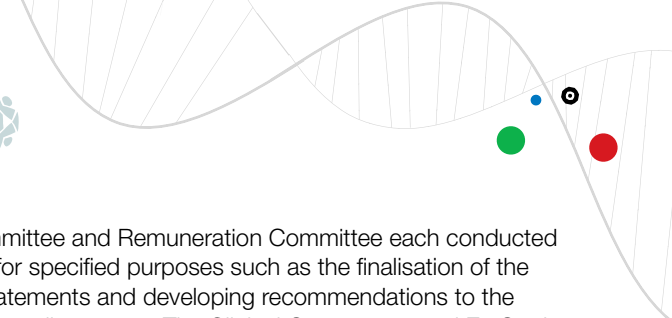
In 2017, the Board of Trustees was supported by seven Committees as described on pages 54 to 61 of the Governance Report. The Committees provided for in the Scheme's Standing Committee Structure are necessary to comply with legal requirements, good corporate governance standards and to meet the Scheme's business requirements, as shown below.

Legal Requirements and King IV Report

Audit Committee	Section 36 of the Medical Schemes Act, King IV Principle 51
Dispute Committee	Section 29(j) of the Medical Schemes Act, GEMS Rule 30
Remuneration Committee	King IV Report, Principle 8, Practice 65

Business Requirements and Good Corporate Governance Standards

Committee	Value Creation
Audit Committee	The Audit Committee supported the Board in ensuring that the Scheme's control environment is sound. The Audit Committee oversees the work performed by the Scheme's assurance structures and plays an important role in protecting the interests of the Scheme's beneficiaries.
Clinical Governance and Ex Gratia Committee	The Committee met every eight weeks in 2017 and meetings took place over two days due to the Committee's high case load. The work performed by this Committee contributed significantly to value creation for members. In 2017, ex gratia payments to the value of R27.4 million were approved by the Committee. In 2017, the Committee was also responsible for overseeing the implementation of the Scheme's Strategic Plan Objectives, relating to Healthcare Management and the development of the Scheme's product development and benefit design for 2018.
Dispute Committee	The Dispute Committee supported the Board in ensuring that the Scheme's dispute resolution process is sound and is applied consistently and correctly. The Dispute Committee also plays a valuable role in ensuring that persons referring disputes for adjudication are treated fairly and equitably.



Governance, Risk and Ethics Committee	The Committee met once per quarter to oversee the Scheme's risk management function, stakeholder management activities, the Scheme's ethics performance, the Scheme's compliance to the applicable regulatory framework, trustee training and the Scheme's rule review processes. The existence of a Board Committee overseeing risk management is also in line with King IV.
Investment Committee	The effectiveness of the Scheme's investment strategy has a significant impact on the Scheme's financial performance. The Committee met once per quarter to keep the Scheme's investment activities, compliance to the relevant provisions of the Medical Schemes Act and investment performance under close review. This included the investment performance of members' personal medical savings account funds.
Operations Committee	This was a unique Committee in the Scheme's Governance Structure. The Scheme's business model, is unique in the medical schemes industry and the Committee assisted the Board by guiding and overseeing the development of the Scheme's strategic plan and by maintaining close oversight of the Scheme's services, procurement and contracting functions. The Committee also kept the implementation of the Scheme's Supply Chain Management Policy under close review and monitored the impact of the policy on the Scheme and the society within which the Scheme operates. The Committee monitored the Scheme's financial and operational performance as well as the member communication output of the Scheme. The close level of oversight maintained by the Operations Committee was instrumental in maintaining the Scheme's low non-healthcare costs.
Remuneration Committee	The Remuneration Committee assisted the Board in ensuring that the Scheme's remuneration policies and practices are fair, responsible and transparent. The Committee ensures that the Board's consideration of remuneration matters is informed by objective and independent reviews.

Five of the seven Committees – the Audit Committee, the Governance, Risk and Ethics Committee, the Investment Committee, the Operations Committee and the Remuneration Committee – met once a quarter to review performance in the quarter and to formulate recommendations for the Board's consideration. In addition, the Audit

Committee, Operations Committee and Remuneration Committee each conducted additional meetings in 2017 for specified purposes such as the finalisation of the Scheme's annual financial statements and developing recommendations to the Board on annual remuneration adjustments. The Clinical Governance and Ex Gratia Committee met every eight weeks to consider member applications for ex gratia assistance. The Dispute Committee meets at least once per year. Additional meetings depend on the referral of disputes to the Committee by members.

In summary, the value realised over time by the Scheme's corporate governance structure and practices is:

- A sophisticated ex gratia system to assist members in need
- A 12-year track record of unqualified audits
- The lowest non-healthcare costs in the industry
- A unique business model and Supply Chain Management Policy that supports B-BBEE
- A rigorous procurement system that supports the successful execution of the Scheme's business model
- A rigorous strategic planning process
- Corporate governance systems and processes that are in line with best practice
- A stakeholder inclusive approach that contributes to the Scheme's sustainability over time

Travel and accommodation expenditure

Five of the 12 trustees do not reside in Gauteng and therefore travel and accommodation costs for these Trustees to attend meetings at the Scheme's Head Office are higher:

- Mr CJ Booyens
- Dr JA Breed
- Mr EB de Vries
- Mr JS Roux
- Dr IJ van Zyl

The Board is also remunerated for incidental expenditure relating to the performance of their duties as trustees and for this purpose, a fixed stipend of R1,150.00 per month was paid in 2017.



Trustee remuneration paid

	Appointed or member Elected
Mr DJ de Villiers Re-elected July 2013 – term expires 29 July 2019	Elected
Mr ZC Rikhotso (Chairperson) Re-appointed September 2013 – resigned 31 July 2016	Appointed
Mr JS Roux Re-elected July 2014 – term expires 29 July 2020	Elected
Mr NL Theledi Re-appointed September 2013 – term expires 26 September 2019	Appointed
Mr CJ Booysens Elected July 2013 – term expires 29 July 2019	Elected
Mr EB de Vries Elected July 2013 – term expires 29 July 2019	Elected
Ms NM Ntsinde (Chairperson) Appointed July 2013 – term ended 6 Feb 2018	Appointed
Dr CM Mini Appointed July 2014 – resigned 15 Dec 2017	Appointed
Dr JA Breed Elected July 2014 – term expires 29 July 2020	Elected
Dr IJ van Zyl Elected July 2014 – term expires 29 July 2020	Elected
Ms NH Mkhumane (Deputy Chairperson) Appointed September 2014 – term ended 6 Feb 2018	Appointed
Mr EM Phophi Appointed 26 September 2017 – term expires 25 September 2023	Appointed
Dr ET Moloko Appointed 28 October 2016 – term expires 27 October 2022	Appointed
Total	

Attendance fees		Travel and accommodation		Reimbursement and allowances		Training (fees paid to trainers)		Total	
2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
711	640	60	48	1	1	7	14	779	703
-	214	-	59	-	1	-	11	-	285
658	605	367	339	15	10	9	3	1,049	957
478	431	74	47	7	3	7	2	566	483
641	623	91	68	24	22	3	2	759	715
443	397	325	278	16	17	16	5	800	697
924	840	91	48	12	7	12	75	1,039	970
845	814	73	23	27	17	7	54	952	908
523	466	122	95	27	15	1	3	673	579
502	475	111	55	32	14	16	3	661	547
535	518	70	-	3	1	12	55	620	574
252	-	18	-	3	-	10	-	283	-
448	124	74	-	9	-	16	-	547	124
6,960	6,147	1,476	1,060	176	108	116	227	8,728	7,542



Report of the Audit Committee



The mandate of the Audit Committee requires it to adhere to high-quality standards of corporate accountability, to ensure the quality of the financial reporting process, control systems and to maintain a high degree of integrity in both the external and internal audit processes.

The Committee has reviewed the Annual Integrated Report and considered all factors that may impact on the integrity of the Report. We also reviewed and commented on the disclosure of sustainability issues raised in the Report to confirm that it is reliable and does not conflict with the financial information contained in the report.

External Auditor Independence and Quality

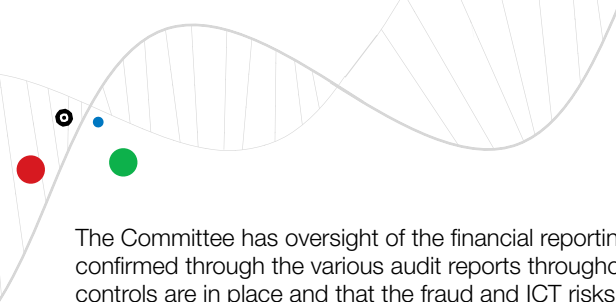
The Committee was involved in the appointment of the external auditor and, following the Committee's assessment of the auditor, we were satisfied that the auditor is independent of the Scheme as set out in Section 36(3) of the Medical Schemes Act, No 131 of 1998, as amended. Furthermore, the Committee approved the External Auditor's engagement letter, audit plan and budgeted fees for the year ended 31 December 2017. The Scheme maintains the Non-Audit Services and Consulting Services Policy, which describes prohibited services by the External Audit and those requiring prior approval of the Audit Committee. We are satisfied that the Scheme's External Auditor has not performed any prohibited work for the 2017 financial year. Both the Scheme's audit firms (Deloitte & Touche and OMA Chartered Accountants) and the designated external audit partner have only provided external audit services to the Scheme since 2016 and as such partner rotation was not deemed necessary for the period under review.

Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

Significant matters considered in relation to the Annual Financial Statements

The going concern basis has been adopted in preparing the Annual Financial Statements. Based on the forecasts and available cash resources the Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future. These Annual Financial Statements support the viability of the Scheme.

We have reviewed and discussed with the external auditor and management the audited 2017 Annual Financial Statements, and we are of the view that they comply, in all material respects, with the Medical Schemes Act, No 131 of 1998, and International Financial Reporting Standards.



The Committee has oversight of the financial reporting risks of the Scheme and confirmed through the various audit reports throughout the year that sound financial controls are in place and that the fraud and ICT risks as they relate to financial reporting have been adequately addressed.

Effectiveness of the Chief Audit Executive and arrangements for Internal Audit

The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. Internal Audit forms an integral part of the Scheme's risk management process, system of internal control and leads the combined assurance coordination within the Scheme. The Internal Audit function has an appropriate and formal charter which was approved by the Audit Committee.

We are satisfied that the Internal Audit function of the Scheme is independent and has the relevant skills and resources to perform its duties. In addition to utilisation of in-house resources to deliver on the Internal Audit mandate, the Scheme's Internal Audit division is supplemented by specialists from the panel of Internal Audit service providers where required.

Internal Audit has provided quarterly reporting to the Audit Committee on assurance results and progress against its strategic objectives.

Effectiveness of the Chief Financial Officer and the Finance Function

The Committee has reviewed the expertise, resources and experience of the Scheme's Finance Function and believes that the Chief Financial Officer and other relevant finance staff have the required competence and skills. Financial reporting has been of a high standard throughout the financial year.

Design and Implementation of Internal Financial Controls

The Scheme's Internal Audit reviews for 2017 included a review of the design and effectiveness of Internal Financial Controls and, based on the report issued, it was found that controls in place achieve their objectives. Based on this assurance by Internal Audit, we are satisfied that the finances and system of internal control are appropriately managed. Furthermore, the External Auditors have issued an unqualified opinion that the 2017 Annual Financial Statements are a fair reflection of the Scheme's activities in the past financial year and accounting practices have been applied appropriately.

The Scheme requires its administrators to perform International Standard on Assurance Engagements (ISAE) 3402 – Assurance Report on controls at a service organisation. Such reports were received from the Scheme's administrators during 2017 and their findings considered accordingly.

Combined Assurance

The Scheme's Chief Audit Executive is charged with the responsibility for leading the Scheme's combined assurance model. For the 2017 financial year, activities of the various assurance providers (internal and external) were coordinated to optimise assurance coverage of the Scheme's key risks, to avoid duplication and to prevent assurance overload and the resulting disruption to operations.

As part of the forensic investigations on work performed in 2017, it was found that there were certain anomalies related to the fulfilment of roles by some of the members of the Scheme's panel of Internal Audit services providers in relation to two tenders that were processed in 2015 and 2016 respectively. The Committee provided the Board of Trustees with recommendations for remediation of the identified anomalies and such actions are in progress.

Key areas of focus during the reporting period

Review of the quarterly Internal Audit reports by the Committee identified concerns relating to remediation of audit findings as management was not meeting committed remediation dates for a significant number of findings. The concern was discussed with management and reported to the Board of Trustees. This matter will continue to receive attention as part of further strengthening of the internal control environment.

Following the conclusion of the forensic investigations that were handled by the Board of Trustees in 2017 (as referred to in the "Foreword by Chairperson") the Committee noted with concern control gaps and instances of fraud by certain service providers and GEMS' employees. Through Internal Audit quarterly reports, the Committee will monitor implementation of the Board-approved policy changes to remediate the identified gaps and to confirm that recommendations made by the independent investigators are actioned. The Board has allocated the responsibility for overseeing forensic investigations into the activities of Scheme Officers to the GEMS Audit Committee, with effect from 1 January 2018.

Conclusion

The Committee has recommended the Annual Financial Statements to the Board of Trustees for approval which will be presented to the members at the forthcoming Annual General Meeting.

We wish to congratulate the Principal Officer and his management team on the continued adherence to good corporate governance by the Scheme. The Committee also wishes to thank the Board of Trustees for its support and the assurance providers for their value-adding contributions.



AGM Notice



Notice is hereby given that the 12th Annual General Meeting ("the meeting") of the members of the Government Employees Medical Scheme ("GEMS") will be held at the Southern Sun Emnotweni Arena, Riverside Mall, Government Blvd, Nelspruit, Mpumalanga on 31 July 2018 at 15h00.

Please note that registration will commence at 13h00.

The preliminary agenda is below

AGENDA 12th GEMS Annual General Meeting 31 July 2018, 15h00	
Item	Speaker
1. Opening and Welcome	Chairperson
2. Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6	Chairperson
3. Opening remarks by Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2017	Chairperson Principal Officer
4. Matters for Decision	
a. Confirmation and adoption of the Minutes of the 11 th GEMS Annual General Meeting held on 31 July 2017 at the Steve Biko Centre, 2429 Mbeka Street, King William's Town, 5601	Chairperson
b. Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2017, including the reports of the Board of Trustees and the external auditor of GEMS	Chairperson Mr Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
i. Discussion of the highlights of the Annual Financial Statements	
ii. Discussion of the external audit process	Dinesh Munu, Deloitte (GEMS external auditor)

c. Appointment of GEMS' external auditor for the year ending 31 December 2018 in terms of GEMS Rule 27.1	Chairperson Mr Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
5. Matters for Noting	
a. Disclosure of Trustee Remuneration	Deputy Chairperson
b. Addressing member issues raised at the 11 th GEMS Annual General Meeting	Deputy Chairperson
c. [To be confirmed]	Chairperson
d. [To be confirmed]	Chairperson
e. [To be confirmed]	Chairperson
6. Question and Answer Session (General questions only please, as there is a helpdesk at the AGM for members to submit enquiries and complaints concerning personal and confidential medical scheme issues to.)	Chairperson
7. Summary of Decisions	Chairperson
8. Closure	Chairperson

The attention of members who wish to place or object to matters for discussion and/or resolution on the agenda of the meeting, is respectfully drawn to the provisions of rules 28.1.5.1 to 28.1.5.7 of the Rules of GEMS as reproduced hereunder:

"28.1.5.1 such proposed resolution or objection must reach the Principal Officer no later than five (5) weeks before the date of the meeting;

28.1.5.2 the proposed resolution or objection must be accompanied by an explanatory memorandum which clearly explains why the proposed resolution or objection must be considered and the background giving rise to the proposed resolution or objection;



28.1.5.3 the proposed wording of any resolution to be passed must be submitted;

28.1.5.4 no proposed resolution which is in contravention of or in conflict with the Act, the Regulations or these Rules shall be placed on the agenda for consideration at the Annual General Meeting;

28.1.5.5 the decision as to whether or not a member has satisfied the conditions specified in Rules 28.1.5.1 to 28.1.5.4 to allow for the inclusion, amendment or deletion of a matter or proposed resolution on/from the agenda of the Annual General Meeting, shall be that of the Principal Officer, who must make such decision in consultation and with the approval of the Board;

28.1.5.6 if the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.5, decides that a matter or proposed resolution should be included on, amended, or deleted from the agenda of the Annual General Meeting, then a second notice must be sent to members, to reach them by no later than three (3) weeks prior to the date of the Annual General Meeting, recording all new, amended and deleted matters and proposed resolutions which have been placed on the agenda of the Annual General Meeting; and

28.1.5.7 Should the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.5, decide not to place, amend or delete a matter or proposed resolution on/from the agenda of the Annual General Meeting, he or she shall notify the member of his or her decision and the reasons therefor, which notice shall be delivered to the member no later than three (3) weeks prior to the date of the Annual General Meeting. Should the member be aggrieved by the Principal Officer's decision, the member may refer a dispute to the dispute committee in terms of these Rules or to the Council for Medical Schemes in terms of the Act."

Members wishing to propose additional agenda items or to object to any existing agenda items are required to submit proposals to the Scheme by post to Private Bag X782, Cape Town, 8000, email to enquiries@gems.gov.za or by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference "2018 AGM Agenda". Proposed resolutions must reach the Scheme by 16h00 on 26 June 2018. Members are further encouraged to submit additional agenda items or to object to any existing agenda items in full compliance with the GEMS Rules reproduced above. Member proposals that do not comply cannot be placed on the agenda of the AGM as we are compelled to adhere to the registered Rules of GEMS.

An updated agenda and proxy form will be sent to members by 10 July 2018. Please make enquiries at 0860 004 367 or to enquiries@gems.gov.za if you have not received the agenda and proxy form by 10 July 2018. It is also important that members note GEMS Rule 28.1.6 which provides that resolutions passed at any annual general meeting shall be by way of an ordinary majority vote of all members present or represented by proxy at the annual general meeting provided that only proxies received by the Scheme no later than one (1) week prior to the date of the annual general meeting will be recognised. For this purpose, completed proxy forms must reach the Scheme by 16h00 on 24 July 2018 and can either be posted to Private Bag X782, Cape Town, 8000, emailed to enquiries@gems.gov.za or sent by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference "2018 GEMS AGM Proxy". To ensure timeous delivery, members are advised to fax or email their AGM proxy forms to the Scheme.

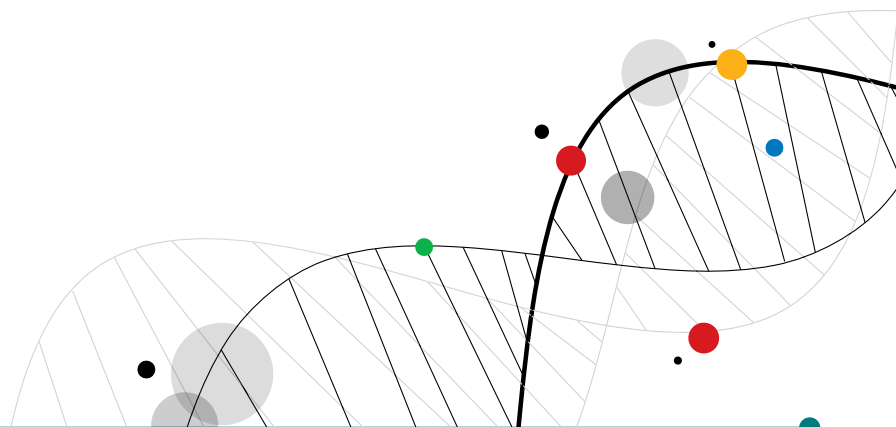
In keeping with the Rules of GEMS, attendance at annual general meetings will be limited to members, Officers of the Scheme and individuals or organisations who are expressly invited by the Scheme to attend. A quorum of 60 members is required to ensure that the meeting may proceed.

In accordance with GEMS Rule 29.5, the Board of Trustees stipulates that members attending the AGM will be required to produce their GEMS membership card and ID or valid drivers' licence at the registration desk. Individuals who are unable to produce the required confirmation of their eligibility to attend, will not be admitted to the meeting.

By order of the Board of Trustees.

Chairperson

Date





Minutes of the 11th AGM

held on 31 July 2017



Minutes of the 11th GEMS Annual General Meeting

31 July 2017, 15h00

Steve Biko Centre, 2429 Mbeka Street, Ginsberg,
King William's Town, Eastern Cape

1. Opening and Welcome

- a. The Chairperson of the GEMS Board of Trustees, Ms Nontobeko Ntsinde, opened the 11th Annual General Meeting of the members of GEMS ("the meeting") at 15h00 on 31 July 2017 and welcomed the members of GEMS and the Board of Trustees present at the meeting. She also welcomed and introduced the new Trustee, Mr Mpfariseni Phophi, who was recently appointed by the Minister for Public Service and Administration, replacing Mr Colbert Rikhotso who resigned with effect from 01 August 2016.
- b. The following invited guests were also welcomed:
 - i. Ms Mmathabo Sukati, the Independent Chairperson of the GEMS Audit Committee;
 - ii. Mr Dinesh Munu from Deloitte and OMA Chartered Accountants Joint Venture, the Scheme's external auditor for the year ended 31 December 2017;
 - iii. Mr Thamsanqa Diniso and Dr Elsabe Conradie from the Council for Medical Schemes ("CMS");
 - iv. The Scheme's stakeholders, who were attending as observers, including the representatives from the Department of Public Service and Administration ("DPSA") and the Public Service Coordinating Bargaining Council ("PSCBC"); and
 - v. The Scheme's internal auditors, i.e. PwC, who were there to make sure that the AGM was run in accordance with the GEMS Rules.

2. Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6

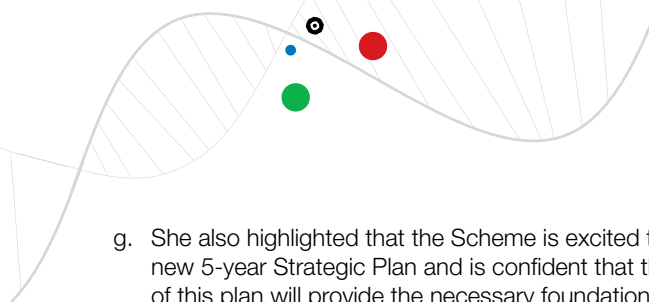

- a. The Chairperson informed the meeting that the agenda was finalised in terms of the GEMS Rules and posted to members in the second week of July 2017, and that copies were handed to members at the AGM registration desk.



- b. The meeting noted that two proposed motions were received by the Scheme, that both motions involved rule changes, which is something that cannot be decided at the AGM, that the two members who had proposed the motions were engaged and notified that their motions will not be added to the final agenda, and that the Board finalised the agenda at its meeting on 29 June 2017.
- c. The meeting heard that the GEMS Rules require all proxies held to be declared upfront at the AGM, and that out of the 422 proxy forms received, 296 were valid.

3. Opening remarks by Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2016

- a. The Chairperson highlighted that the Scheme concluded its third strategic plan at the end of 2016, and that GEMS celebrated a decade of existence since its inception.
- b. She gave the members an overview of the highlights and challenges experienced in 2016 and how the Board dealt with same, including the opening of additional Client Liaison Offices in some of the provinces in order to provide face-to-face interactions with more members.
- c. She highlighted that GEMS made significant advances in the areas of membership growth and health risk management.
- d. She mentioned that the Scheme dealt with the challenges of increased levels of fraud, waste and abuse, which led the Scheme to make serious decisions, including a far-reaching claims management programme, which was implemented in order to deal with these challenges.
- e. The Chairperson also mentioned that the Board was greatly saddened to have to deal with instances of alleged fraudulent activities by some members of staff and service providers of the Scheme, which led to an extensive legal and forensic investigation process. The meeting noted that the Board implemented the recommendations of the findings, which included disciplinary action against implicated employees and the termination of the associated service provider contracts. She reiterated that the Scheme has zero tolerance for fraud and that further investigations are taking place.
- f. She highlighted that, although member contributions had to be drastically increased in 2017 as a result of aforementioned matters, the impact of the increases was curtailed, to some extent, by the introduction of Emerald Value option, which had a zero percent increase for members who switched from Emerald to this new option.

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- g. She also highlighted that the Scheme is excited to have commenced with its new 5-year Strategic Plan and is confident that the successful implementation of this plan will provide the necessary foundation for long-term sustainability, improved product and service offerings to all stakeholders, and to contribute meaningfully to the goal of implementing universal healthcare in South Africa.
 - h. The Chairperson indicated that one of the matters that were raised at previous AGMs, except the 2016 AGM, was the Board Composition matter. She mentioned that this matter forms part of the PSCBC review of various aspects concerning the Scheme. She highlighted that after various discussions, recommendations were developed and that the Scheme is anticipating a transformation in its Board composition once everything is finalised.
 - i. She then thanked Mr Colbert Rikhotso, who served as Chairperson of the Board until 31 July 2016, the Deputy Chairperson, Ms Nombulelo Mkhomane, the Board of Trustees and the Chairperson of the Audit Committee, Ms Mabatho Sukati, for their valuable contributions towards the Scheme in 2016.
 - j. The Principal Officer highlighted that, whilst the mandate of GEMS remains unchanged, some changes were made to GEMS' vision, mission and values in line with the new 5-year strategy, which was approved by the Board in December 2016. GEMS' vision now acknowledges what the World Health Organisation has indicated, that all winning nations strive to have universal health coverage for all its citizens. GEMS' mission emphasises member well-being, and its values include collaboration, both internally and externally, in the way the Scheme's mandate is delivered.
 - k. He highlighted that the Scheme had reached its highest record of membership growth in the history of GEMS by reaching 1.83 million beneficiaries at the end of 2016, which exceeded the target of 1.79 million beneficiaries that was set.
 - l. He also mentioned that one of the challenges faced was the strategic pillar of healthier members, which was not achieved in 2016. The Scheme had aimed to have a claims-ratio level below 92.3%; however, due to the significant increase in hospital claims, this was not achieved.
 - m. He further mentioned that the Scheme had partnered with Mthatha General Hospital to assist with the pilot process of the NHI, and also indicated that the Scheme made extensive submissions to assist with the NHI White Paper and policy.
 - n. He indicated that, since GEMS' inception, five benefit option plans were implemented, but that during 2016, a new benefit option plan was developed and introduced in 2017, i.e. the Emerald Value option, which mirrors the Emerald option with just three differentiators, i.e. family practitioner nomination; controlled referral to specialists and the use of network hospitals.

- o. He also highlighted the introduction of network specialists, including paediatricians, physicians, gynaecologists and anaesthetists, as well as the addition of contracted pharmacies and the Client Liaison Officers, which are now in seven provinces, with the aim of being present in all nine provinces by the end of 2018.
- p. He subsequently moved to report on the Scheme's business indicators for 2016.
- q. The Principal Officer informed the meeting that some initiatives were introduced to deal with the high volumes of claims, including hospital and tariff negotiations, having on-site case managers, and the introduction of underwriting from 01 October 2016.
- r. He further highlighted a number of factors that impacted on the Scheme's performance, i.e. anti-selection, increased utilisation of hospitals and fraud, waste and abuse.
- s. He also highlighted that the Scheme received a complaint in respect of irregularities pertaining to the GEMS Telemarketing tender, following which a forensic investigation was initiated by the Scheme. As a result, two GEMS Executives and two other employees were charged with disciplinary action, of which three resigned and one's employment terminated. He mentioned that the impacted Scheme contracts will also be terminated, which should be concluded by the end of 2017. He further mentioned that a case will be built and handed over to the relevant prosecuting authorities to pursue criminal charges against all implicated parties.
- t. The Principal Officer then mentioned the CSI Project in which the Scheme assisted the Sapphire Road Primary School in Booysen Park in Port Elizabeth by providing 20 computers, food packages for the community workers and school uniforms for the learners.
- u. Finally, the Principal Officer thanked:
 - i. The Minister for Public Service and Administration, Ms Faith Muthambi;
 - ii. The officials at the DPSA;
 - iii. The Minister of Health, Dr Aaron Motsoaledi, and the officials of the Department of Health ("DoH");
 - iv. All the GEMS stakeholders, including the unions, PSCBC, CMS and Government Departments;
 - v. The GEMS Board of Trustees for their continued guidance and support in running the Scheme;



- vi. The GEMS Executives and staff for their support, remaining focused and dedicating themselves to the sole purpose of pursuing the Scheme's operational plan;
 - vii. The Scheme's healthcare partners and service providers that make the delivery of healthcare services possible; and
 - viii. Most importantly, the members who comprise the Scheme and place their trust in GEMS.
- v. The Chairperson opened the floor for questions and comments on the presentations.
- w. Mr Oupa Sebiloane, representing the Deputy Chairperson of the PSCBC, acknowledged the presentations; thanked the Scheme for their commitment to the fight against fraud; welcomed the new 5-year strategy adopted by the Scheme; placed reliance on the Board to ensure the proper implementation of the new strategy; noted the PO's presentation on NHI funding; called on the DOH to engage the PSCBC on the NHI; and urged the Scheme to go further with the investigations by recovering the monies where people had unduly benefited.
- x. Mr Sandisile Mxokozeli, a GEMS member, complained about service providers who indicate that the Scheme does not cover some claims and require members to pay from their pockets; then later, these members receive notifications from GEMS that these service providers had claimed for the very same thing that these members had paid in cash for.

The Principal Officer responded that more detail will be required from the member, as this matter sounded like an issue of fraud.

- y. Mr Jones Garolale, a PSCBC union member, highlighted the importance of member communication and that translations into other languages are required to further members' understanding thereof. He raised the issue of the pre-1992 Medihelp-pensioners transfer to GEMS, which is placing strain on the Scheme's finances, and enquired about the Scheme's current arrangement with Treasury to soften the impact of same on the Scheme. He also raised the issue of the Scheme's 2017 average contribution increase, which was at 14% and higher than the medical aid subsidy increase negotiated between the PSCBC and DPSA, and which has negatively impacted on members' salary increases.

The Principal Officer responded by acknowledging that the Scheme has noted the issue on communication and will consider same with reference to the Scheme's various communication channels to the members. He mentioned that the Scheme has addressed the impact of the pre-1992 Medihelp

pensioners transfer matter with the CMS and DPSA, and that the Scheme has the support of the Minister for Public Service and Administration to address this matter with Treasury.

- z. Mr Mataitsane, a GEMS member, enquired as to why the Scheme does not allocate surplus funds accumulated during the course of a financial year to members' benefits in the following year so as to afford members greater health coverage, as members' current benefits tend to exhaust mid-year.

The Chairperson responded that the Scheme will review the cause of this surplus to understand clearly what it is.

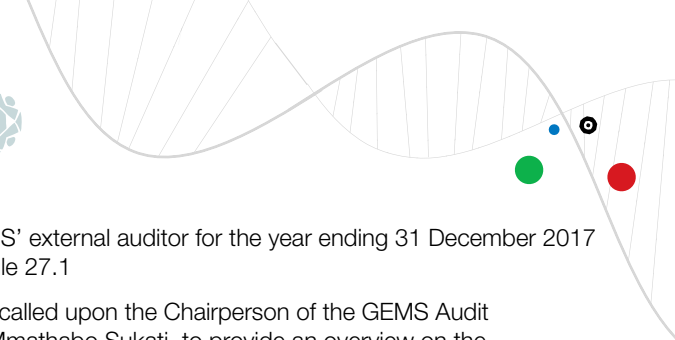
The Principal Officer added that there are certain areas where the Scheme will continue to fund, irrespective of the availability of member benefits, i.e. in the case of Prescribed Minimum Benefits, which all medical schemes are obliged to cover.

- aa. Mr Mzwandile Sijendu, a GEMS member, enquired about how the Scheme verifies and authorises clinical procedures that are performed on GEMS members at hospitals, as there are instances where members have found themselves having to pay for accounts that GEMS had refused to pay because of members not having followed the prescribed pre-authorisation procedure, despite such members not having understood the pre-authorisation communication that had been sent to them.

The PO responded that the Scheme pre-authorises what is done upfront and then communicates same in writing to both members and healthcare providers. However, going forward, such communication will comprise simpler language, which could be easily understood by members.

4. Matters for Decision

- a. Confirmation and adoption of the Minutes of the 10th GEMS Annual General Meeting held on 29 July 2016 at the CSIR International Convention Centre, Pretoria.
- i. The Chairperson tabled the draft Minutes of the 10th GEMS Annual General Meeting held on 29 July 2016 for consideration by the meeting.
 - ii. The meeting heard that the draft Minutes were included in the 2016 Annual Integrated Report that was distributed to members for consideration.
 - iii. The Chairperson mentioned that the number of proxies that voted in favour of the adoption of the Minutes was more than the number of members in attendance at the AGM; hence, she proposed for any member at the meeting to propose and any other member at the meeting to second the adoption of the Minutes.



Decision

- iv. The Minutes of the 10th GEMS Annual General Meeting held on 29 July 2016 at the CSIR International Convention Centre, Pretoria were adopted by the meeting as a true reflection of what was discussed at that meeting, after a proposal to adopt and a secondment in favour of such adoption were received from two respective members.
- b. Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2016, including the reports of the Board of Trustees and the external auditor of GEMS.
 - i. The Chairperson afforded the Chairperson of the GEMS Audit Committee, Ms Mmathabo Sukati, an opportunity to comment on the Scheme's Annual Financial Statements for the year ended 31 December 2016 ("AFS").
 - ii. Ms Sukati highlighted the salient features of the AFS and mentioned that they were approved by the CMS.
 - iii. She proposed that the members at the meeting note the overview of the AFS, as presented.
 - iv. The Chairperson then called upon Mr Dinesh Munu from Deloitte and OMA Chartered Accountants Incorporated Joint Venture (the Scheme's External Auditor for the year ended 31 December 2016) to present their audit opinion in respect of the AFS.
 - v. Mr Munu commented on the audit process followed and confirmed that the AFS received an unqualified audit opinion.
 - vi. He further mentioned that Deloitte and OMA Chartered Accountants Incorporated Joint Venture did not identify any material issues of non-compliance in respect of the 2016 financial year, but that the four items from 2015, reported in the 2016 GEMS Annual Integrated Report, remains.
 - vii. Given that the number of proxy votes in favour of the adoption of the AFS was more than the number of members in attendance at the AGM, the Chairperson proposed that any member at the meeting propose and any other member at the meeting second the adoption of the AFS.

Decision

- viii. The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2016 were adopted by the members of the Scheme, after a proposal to adopt and a secondment in favour of the adoption were received from two respective members.

- c. Appointment of GEMS' external auditor for the year ending 31 December 2017 in terms of GEMS Rule 27.1
 - i. The Chairperson called upon the Chairperson of the GEMS Audit Committee, Ms Mmathabo Sukati, to provide an overview on the appointment of the Scheme's external auditor.
 - ii. Ms Sukati informed the meeting that the external auditor was appointed in 2016 on a two-year contract, which was subject to annual renewal. The meeting heard that the GEMS Audit Committee reviewed the external auditor's performance for the 2016 financial year, found it satisfactory, and recommended the renewal of the contract for the 2017 financial year.
 - iii. Given that the number of proxy votes in favour of the appointment of Deloitte and OMA Chartered Accountants Incorporated Joint Venture was more than the number of members in attendance at the AGM, the Chairperson proposed that any member at the meeting propose and any other member at the meeting second the appointment of Deloitte and OMA Chartered Accountants Incorporated Joint Venture for the financial year ending 31 December 2017.

Decision

- iv. The appointment of Deloitte and OMA Chartered Accountants Incorporated Joint Venture as the Scheme's external auditor for the financial year ending 31 December 2017 was approved by the members of the Scheme, after a proposal and a secondment in favour of such appointment were received from two respective members.

5. Matters for Noting.

- a. Disclosure of Trustee Remuneration
 - i. The Deputy Chairperson of the GEMS Board of Trustees, Ms Nombulelo Mkhumane, informed the meeting that, during previous AGMs, members raised concerns about the Trustees' remuneration and the GEMS Remuneration Policy.
 - ii. She stated that the 2016 GEMS Trustee Remuneration Report was incorporated into the 2016 GEMS Annual Integrated Report, which was distributed to members, and into the 2017 GEMS AGM Meeting Guide, which was handed out to members at this AGM.
 - iii. She highlighted that the Board of Trustees did not receive any increases since 2014.



- iv. She also highlighted the fiduciary responsibilities of the Board in respect of the governance and strategic direction of the Scheme.

b. Addressing member issues raised at the 10th GEMS Annual General Meeting

- i. Ms Mkhumane informed the meeting that, following each AGM, the Scheme compiles an action list based on the issues raised by members at the AGM. The meeting heard that the 2016 GEMS AGM Action List comprised 15 issues.
- ii. She further highlighted that communication was one of the issues receiving the Scheme's attention, as already alluded to by the Chairperson.
- iii. She then highlighted the other issues comprising the 2016 GEMS AGM Action List and informed the meeting on the actions taken by the Scheme in addressing these issues, as indicated in the 2016 GEMS AGM Action List section of the 2017 GEMS AGM Member Guide, which was provided to members at this AGM.

6. Question and Answer Session

- a. The Chairperson gave members an opportunity to ask general questions about the matters discussed in the 2017 GEMS Annual Integrated Report and at this meeting.

b. In response, a number of members raised the following concerns:

- i. A member requested the Scheme to increase beneficiaries' benefits for self-medication for cases such as influenza, where members can get medication from pharmacies instead of having to visit medical practitioners first.

The Principal Officer responded that the Scheme will incorporate this matter in the Benefit Design planning for 2018.

- ii. A member enquired about the implications of GEMS' proposed merger with the medical schemes indicated in the Principal Officer's earlier presentation, as required for the NHI.

The Principal Officer responded by acknowledging that it is a complex matter and that the process of engagement with all parties affected will soon start. The meeting heard that GEMS will contribute to the process and that the CMS will communicate how they anticipate supporting the process.

- iii. A member raised a concern about the Scheme's wellness sessions and fitness programmes, which were introduced and then reduced and stopped respectively, to the detriment of members.

The Principal Officer indicated that GEMS' Acting Chief Communication and member Affairs Officer will address this matter outside of the meeting by providing feedback to the members.

- iv. A member requested that his membership be reinstated, as it has been suspended since March 2017.

The Principal Officer indicated that a Scheme official will engage the member on this issue after the meeting, as the circumstances that led to the suspension were unknown to him.

- v. A member raised a concern on the language used to communicate with members, as not all members understand English.

The Chairperson indicated that more information will be required from the member that raised this issue in order to assist the Scheme in identifying the areas of concern. The meeting, however, heard that the Scheme has call-centre agents that currently assist members in the 11 official languages.

- vi. A member enquired about the criteria used to select the Scheme's auditors.

The Chairperson advised that the Scheme is guided by its policies, as approved by the GEMS Board of Trustees, and that a list, comprising the BEE firms that are rendering professional services to the Scheme, will be provided to members for comfort.

- vii. A member commended the Chairperson for leading the meeting and enquired about the Board composition matter, i.e. what is being done to resolve it, and if anyone is standing in the way of the Board's transformation.

The Chairperson indicated that six of the Board members are appointed by the Minister for Public Service and Administration and that the other six are elected by members for a term of six years. She acknowledged that this matter has come up time and again, in response to which the Board has developed a formal proposal for submission to the CMS, which includes a change to the GEMS Rules, with the effect that some of the Board members be nominated from the unions within the PSCBC. The meeting also heard that the PSCBC is reviewing the Scheme's mandate with the Scheme's support.



7. Summary of Decisions

- a. The Chairperson confirmed that the Minutes of the meeting shall reflect that:
 - i. The Minutes of the 10th Annual General Meeting of members of GEMS held on 29 July 2016 at the CSIR International Convention Centre, Pretoria were adopted by the members of the Scheme as an accurate reflection of the proceedings of that meeting;
 - ii. The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2016 were adopted by the members of the Scheme; and
 - iii. Deloitte and OMA Chartered Accountants Incorporated Joint Venture was re-appointed as the external auditor of the Scheme for the financial year ending 31 December 2017.

8. Closure

- a. After all matters on the 2017 GEMS AGM Agenda were duly disposed of, the Chairperson closed the 11th Annual General Meeting of the members of GEMS at 17h15 on 31 July 2017.

Date of approval by members of the Scheme:

Chairperson

Date:





Action List of the 11th AGM

held on 31 July 2017




ACTION LIST ON MEMBER ISSUES RAISED AT THE 2017 GEMS AGM

HELD AT THE STEVE BIKO CENTRE, KING WILLIAM'S TOWN
ON 31 JULY 2017 AT 15h00

Issue (short description)		Classification of issue
1.	Members urged the Scheme to pursue the recovery of monies where people had unduly benefited, as part of the Scheme's forensic investigations into same.	Fraud/Forensic Investigations
2.	Members indicated that some healthcare providers informed them that GEMS does not cover claims for certain conditions and end up having to pay from their own pockets; however, members later get notifications that the Scheme will be paying or has paid the same provider for what has already been paid for. The Scheme needs to investigate this.	Fraud
3.	Members raised the issue of the pre-1992 members who have impacted negatively on the Scheme's finances. Members requested that the Scheme provide information in respect of the arrangements with National Treasury in terms of mitigating the impact.	Scheme Funding

Scheme response/action required	Progress
<p>The Scheme is seeking legal advice on the process of reporting the implicated employees to law enforcement agencies for possible prosecution and recovery of monies.</p> <p>The report on the outcome of the forensic investigation will be tabled at the next Board meeting.</p>	<p>The final report on the outcome of the investigation was presented to the Board. Charges were laid with the Directorate for Priority Crimes & Investigations (HAWKS).</p>
<p>The Scheme has implemented a SMS notification service for all claims transactions in order to ensure that members are aware of claims transactions and to report any suspicious and irregular claims to the Scheme on time.</p> <p>All SMS notifications will come through as claims being processed whether a claim is rejected or accepted. When a claim is rejected, this information will reflect on the member statement with reasons of rejection, for example, benefit depleted.</p> <p>Members are urged to verify claim transactions on their member statements and subsequently report any irregular or suspicious claims for investigation.</p>	<p>In instances where a complaint, which was not made anonymously, was referred for investigation, the complainant is engaged to provide further details.</p> <p>In addition, an acknowledgement is sent to the complainant when the matter is allocated for investigation and feedback is provided.</p>
<p>The Scheme has been engaging with National Treasury since 2012 on the matter. A grant of R600 million has been paid to the Scheme to date.</p> <p>The Scheme is currently engaging with National Treasury for an additional grant given the ongoing financial impact on the Scheme. To this end, a submission is being prepared for the allocation of funds during the MTEF process.</p>	<p>The letter was drafted by the Scheme, reviewed and approved by the CFO of National Treasury, and signed by the Principal Officer on 20 March 2018 for submission to National Treasury.</p>



Issue (short description)	Classification of issue
4. Members raised the issue of communication in other languages, especially at the AGM where other members do not understand the English language that is used to communicate.	Communication
5. Members enquired about the link between the Scheme's surplus and the fact that some members' benefits are exhausted mid-year, and what the Scheme will do to assist those members.	Member Benefits
6. Members urged the Scheme to write in a language that they will understand when communicating about pre-authorisations for procedures to be undertaken in hospitals, as some of them do not always understand the communicate received from the Scheme.	Member Communication



Scheme response/action required	Progress
The Scheme supports this and will ensure that it is incorporated in all communication strategy going forward.	<p>Plain language posters on the new Emerald Value option were sent to employer departments.</p> <p>The following key member-communication documents are being translated into plain language and should be finalised by 30 June 2018:</p> <ul style="list-style-type: none"> Member Guide; Mini Guide; Wellness Guide; Marketing Brochure; and Newsletter.
<p>The Scheme noted this issue and will take it into consideration during the 2017/18 Product Development and Benefit Design processes, where enhancements to the current benefits are considered.</p> <p>Members are advised to make use of generic medication whenever they require over-the-counter or prescribed medicines.</p> <p>Members are also advised to nominate a General Practitioner/Family Practitioner to coordinate their care.</p>	<p>The Scheme discussed this matter during the 2017/18 Product Development and Benefit Design meetings, during which certain benefits were enhanced.</p> <p>The Benefit Schedules on the GEMS website were subsequently updated with the enhanced benefits.</p>
<p>The Scheme will review all member communication as part of its Year-End process, including all pre-authorisation and hospitalisation communication sent to members.</p> <p>Any enhancements required will be effected through this process.</p>	<p>The Year-End review of all member communication was completed and communication was written in plain and simplified language.</p> <p>The pre-authorisation and hospitalisation information in the Member Guide was grouped together for ease of reference.</p> <p>Translations into other languages are underway and it is anticipated that this process will be completed by mid-year.</p>





Issue (short description)		Classification of issue
7.	Members raised a concern about the benefit limits for self-medication and indicated that the Scheme should consider increasing these limits as they are not enough to cover their needs. In this regard, members wish to avoid unnecessary medical practitioner consultations (i.e. to obtain a script).	Member Benefits
8.	Members requested that the Scheme continue with the Wellness and Fitness Programmes, which were introduced and then put on hold without proper communication to the members.	Member Wellness
9.	Members enquired on how and when the Board composition matter will be addressed.	Board Composition

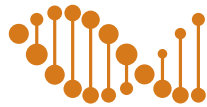


Scheme response/action required	Progress
Kindly refer to Issue No. 5 above.	Kindly refer to Issue No. 5 above.
The Scheme will consider resuming its Wellness and Fitness Programmes.	<p>The Scheme held a meeting with the Office of the Premier in KwaZulu-Natal and Eastern Cape and addressed the issue raised.</p> <p>Following same, the Scheme resumed its Wellness and Fitness Programmes.</p> <p>Communication was sent out to stakeholders to support the changes and rationale for same.</p> <p>The Regional Managers and CLOs are continuously managing and supporting the Scheme's Wellness and Fitness Programmes during their engagements with members.</p> <p>The Scheme will review its Wellness and Fitness Programme in 2018 to identify any shortcomings, challenges, and areas of improvement identified in 2017.</p>
The Scheme will consider lodging an application in terms of Section 8(h) of the Medical Schemes Act 131 of 1998 for an exemption from Section 57 of the Act.	<p>The Scheme lodged an application in terms of Section 8(h) of the Act for an exemption from Section 57 of the Act. The CMS declined the exemption application on 7 November 2017.</p> <p>The Scheme was provided with a copy of PSCBC Resolution 4 of 2017 that would govern the election of trustees by unions in the PSCBC. The Scheme will cooperate with the PSCBC in respect of pursuing the matter further.</p>





Other Information



Principal Officer's office and postal address

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177 c/o Lynnwood and Dyer Rd
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Hatfield
0028

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0083

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Hatfield
0028

Medical Scheme administrator during the year, office and postal address

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7530

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7535

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Midrand
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Auditors' office and postal address

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2052

AUDITED FINANCIAL STATEMENTS

The full audited Annual Financial Statements can be obtained from the Scheme's registered office, postal address, Scheme website and by email as stated below:

Registered Office

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Client Liaison Officers
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GEMS Member App

The GEMS Member App is
available for free download from:



iOS



Android