



KING IV APPLICATION REGISTER

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| Ethical leadership | |
| <p>1. The governing body should lead ethically and effectively</p> | <p>The GEMS Board Charter commits the Board to exercising effective and ethical leadership.</p> <p>The Board strengthened the Board Charter by including a detailed set of fit-and-proper requirements for trustees to meet. These requirements were developed specifically to meet GEMS's strict corporate governance requirements. The requirements cover:</p> <ul style="list-style-type: none"> ● Integrity, honesty and reputation; ● Competence and capability; and ● Financial soundness. <p>The Board of Trustees acts in good faith in line with its fiduciary responsibilities.</p> <p>Trustees annually sign a code of conduct, declare interests on an annual and ongoing basis (during procurement).</p> <p>The Board leads the Scheme's ethical culture.</p> |
| Organisational ethics | |
| <p>2. The governing body should govern the ethics of an organisation in a way that supports the establishment of an ethical culture</p> | <p>The Board of Trustees has ensured that a Code of Ethics and Business Conduct and policies governing organisational ethics have been established and implemented.</p> <p>These policies clearly set out GEMS's ethical standards and requirements.</p> <p>The policies are reviewed and approved by the Board. The Board appointed the GEMS Risk Social and Ethics Committee and mandated the committee with written terms of reference.</p> |

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| | <p>The Risk Social and Ethics Committee oversees and monitors the work performed under the Scheme's Ethics Management Programme.</p> |
| <p>Responsible Corporate Citizenship</p> | |
| <p>3. The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen</p> | <p>The Board appointed the Risk Social and Ethics Committee and mandated the committee with written terms of reference to oversee and monitor the Scheme's activities and their impact in relation to:</p> <ul style="list-style-type: none"> ● Economic transformation, specifically BBBEE and supplier development; ● Social and economic development of sponsorships and donations; and ● Reducing GEM's environmental impact. <p>The Board appointed the Human Resources and Remuneration Committee and mandated it with written terms of reference to oversee and monitor the Scheme's workplace activities, including employee relations, employment equity and employee learning and development.</p> <p>The Audit Committee is responsible for monitoring the output of the Scheme's activities focused on the prevention and detection of and response to fraud, waste and abuse, and corruption.</p> <p>The Board of Trustees has ensured that policies governing supply chain management, workplace matters such as employment equity and employee relations, sponsorships and donations, environmental management, whistleblowing and the management of fraud, waste and abuse were developed, approved and implemented.</p> <p>The approved GEMS policies are cognisant of the Constitution of the Republic of South Africa and other laws.</p> <p>The Board of Trustees actively supports GEMS community development initiatives and attends CSI project events with Scheme management to gain first-hand knowledge of their impact.</p> |
| <p>Strategy and performance</p> | |

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| <p>4. The governing body should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p> | <p>The Board of Trustees guided the development of the GEMS five-year strategic plan for 2017 to 2021. The Board reviews the strategic plan objectives, key performance indicators and targets annually.</p> <p>The GEMS strategic plan is anchored in the mandate of GEMS, which is to provide equal access to medical cover to all public service employees. The strategy maps out the Scheme’s planned journey towards universal healthcare (NHI).</p> <p>The Board oversees and monitors the implementation of the approved strategic plan through quarterly reporting by Scheme management at Board and standing Board committee levels. The Board receives performance reports that consider outputs and outcomes.</p> <p>The Board annually performs a strategic risk assessment to coincide with the review of strategic plan objectives and targets. The Board monitors strategic risks that exceed risk tolerance and risk-bearing capacity. The Board has mandated its standing committees to monitor strategic risks that exceed risk appetite and that are within risk appetite.</p> <p>The Board annually approves the GEMS value creation statement on the recommendation of the Audit Committee.</p> |
| Reporting | |
| <p>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance, and its short-, Medium- and long-term prospects</p> | <p>The Board of Trustees approves the GEMS Integrated Reporting Policy and integrated reporting framework, which is based mainly on the International Integrated Reporting Framework (<IR>).</p> <p>The Board of Trustees oversees that reports such as the annual integrated report, annual financial statements and other statutory returns are issued and comply with legislation.</p> <p>The Board has mandated the Audit Committee through a written Audit Committee Charter to recommend the introduction of measures to enhance the credibility and objectivity of the annual integrated report, including the financial statements and reports on the affairs of the Scheme.</p> <p>The GEMS procedure for identifying, evaluating and prioritising material matters and determining the contents to be disclosed on each, is based on the International <IR>Framework.</p> <p>Key aspects discussed with the Scheme by stakeholders inform the identification, evaluation and prioritisation of material aspects for</p> |

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| | <p>reporting in the annual integrated report.</p> <p>The information published in the Annual Integrated Report is approved by the Board on the recommendation of the Audit Committee before publication.</p> |
| <p>Primary role and responsibilities</p> | |
| <p>6. The governing body should serve as the focal point and custodian of corporate governance in the organisation</p> | <p>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 collectively, the procedural conduct of the Board as well as certain roles and responsibilities incumbent on trustees.</p> <p>The Board Charter is aligned to the Medical Schemes Act, the registered Rules of GEMS and King IV. The Charter requires the Board to act specifically as the focal point for, and custodian of, corporate governance by managing its relationship with Scheme management and the stakeholders of the Scheme along sound corporate governance principles.</p> <p>The Board approves the Scheme’s strategic plans and policies that give effect to the direction it provides.</p> <p>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 on strategy, policy, risk management, fraud management and operational performance are critical, informed and constructive.</p> <p>A governance report forms part of the annual integrated report and includes detailed disclosure on the number of Board and committee meetings held for each reporting period, the membership of the committees and attendance of Board and committee meetings by trustees. This report conforms to CMS requirements.</p> |
| <p>Board composition</p> | |
| <p>7. The governing body should comprise the appropriate balance of knowledge, skills, experience,</p> | <p>The composition of the Board is governed by the Medical Schemes Act and the registered Rules of GEMS. Fifty percent of the Board members are elected directly by the principal members of GEMS and 50% are appointed by the Minister for the Public Service and Administration.</p> <p>The registered Rules of GEMS empower the Board to introduce</p> |

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| <p>diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p> | <p>measures to ensure diversity on the Board in trustees appointed by the Minister for the Public Service and Administration. Should a vacancy on the Board have to be filled by the Minister, the requirements set out in the Rules of GEMS are provided formally and in writing to the Ministry. Members have an unfettered right to elect trustees from among themselves, provided that elected trustees conform to the fit-and-proper requirements set out in the Rules of GEMS.</p> <p>The Board approved a Trustee Training Policy that is implemented by the Company Secretary.</p> <p>The qualifications and experience of trustees and independent Audit Committee members, and their date of birth, period of office on the Board and other significant positions held, are disclosed in the integrated report.</p> <p>In keeping with the registered Rules of GEMS, the Board annually elects the Chairperson and Deputy Chairperson from among themselves at the first meeting of the Board taking place after the AGM.</p> <p>Trustees are required to declare interests annually and during procurement processes. Trustees are vetted periodically.</p> |
| <p>Standing committees</p> | |
| <p>8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of its duties</p> | <p>The delegation framework set out in the Board Charter forms the basis for Board decision making on arrangements for delegation. The Board approved a Delegation of Authority Policy that further governs delegation to the standing committees of the Board by means of formal written charters or terms of reference.</p> <p>A RACI matrix clarifies and demarcates the standing committees' responsibilities. The matrix is reviewed annually by the Board. The Audit Committee Charter and the terms of reference of the other standing committees specify the committees' roles and responsibilities, composition, functions, tenures of members and reporting.</p> <p>The Audit Committee Charter and terms of reference of the other standing committees of the Board are reviewed and approved annually by the Board.</p> <p>A governance report forms part of the integrated report and includes detailed disclosure on the standing committees appointed by the Board, the roles and responsibilities of each standing committee and membership.</p> |

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| | The annual report of the Audit Committee conforms to the King IV recommended disclosures and is published with the annual integrated report. |
| Evaluation of performance | |
| <p>9. The governing body should ensure that the evaluation of its own performance and that its committees, its chair and its individual members support continued improvement in its performance and effectiveness</p> | <p>The Board of Trustees has a formal process to review its effectiveness and that of its Chairperson, and the effectiveness of the Board committees and individual Board members. Board effectiveness assessments are performed every second year by an independent facilitator procured in line with the GEMS Supply Chain Management Policy.</p> <p>The Chairperson of the Audit Committee (independent member) leads the performance appraisal of the Chairperson of the Board.</p> <p>The high-level outcome of Board effectiveness assessments is disclosed in the annual integrated report.</p> |
| Appointment and delegation to management | |
| <p>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p> | <p>The Chief Executive Officer, i.e. the Principal Officer of GEMS, is appointed by the Board of Trustees in keeping with Section 57 of the Medical Schemes Act. The Principal Officer is appointed for a fixed-term contract period that may be extended by the Board.</p> <p>The Principal Officer is not a member of any standing committee of the Board.</p> <p>He is responsible for the implementation and execution of the approved strategy, policy and operational planning and is the main link between the Board and Scheme management. However, trustees have access to Scheme executives through the work done by the standing committees.</p> <p>The Board annually revises the delegation of authority to the Principal Officer and this decision is formalised by Board resolution.</p> <p>The Principal Officer's performance is evaluated by the Chairperson of the Board.</p> <p>Although not a statutory requirement under the Medical Schemes Act, the Board has appointed a Company Secretary and Legal Counsel to provide professional corporate governance services to the Board.</p> |

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| Risk governance | |
| <p>11. The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives</p> | <p>The GEMS risk management strategy is intimately linked to the strategy, whereby risks are reviewed by the Board annually with the revised strategy and targets.</p> <p>Risk management is an integral part of Scheme processes and is evident in sustainability, strategic project, process and operational risks. In particular, the Board of Trustees considers risk an integral part of the strategy-making process, thereby making risk-based strategic decisions.</p> <p>The Board approves the Risk Management Policy as well as the risk standard operating procedure.</p> <p>The Scheme has developed detailed risk appetite, risk tolerance and risk-bearing capacity levels against a comprehensive set of risk indicators. These levels are reviewed annually and approved by the Board of Trustees on the recommendation of the Risk Social and Ethics Committee.</p> <p>A risk maturity assessment is performed annually by an independent contractor. Additionally, the Board receives periodic independent assurance on the effectiveness of risk management from the internal audit function.</p> <p>A comprehensive disclosure is included in the annual integrated report that details the Scheme's arrangements for governing and managing risk, key focuses and future key focuses. Top risks are reflected in a heat map with sufficient information on each risk, mitigation and important changes in the risk environment.</p> |
| Technology and information governance | |
| <p>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving strategic objectives</p> | <p>The Board of Trustees assumes responsibility for the governance of technology and information.</p> <p>The Board considers the impact and importance of information and technology on achieving strategic objectives and operational excellence. This dependency is addressed in the approved strategic plan, which also specifies KPIs and targets on digital transformation.</p> <p>The Board has mandated the Finance and Investment Committee through formal written terms of reference to support the Board in</p> |

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| | <p>exercising ongoing oversight of technology and information management.</p> <p>The Board of Trustees approves the ICT strategy, the ICT governance framework and all ICT policies.</p> <p>Management implements and executes effective information and technology management and a supporting organisational structure is in place to meet this requirement.</p> <p>Technology and information risks, including cybercrime risk, are addressed extensively in the strategic risk register.</p> <p>A comprehensive disclosure is included in the annual integrated report that details the Scheme's information and technology governance and management current and future focuses.</p> |
| Compliance governance | |
| <p>13. The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</p> | <p>As part of the primary responsibilities of the GEMS Board Charter, the Board sets and steers the Scheme's approach to the governance of compliance.</p> <p>The Board mandated the Risk Social and Ethics Committee through written terms of reference to support the Board in governing the Scheme's compliance with laws and regulations, the registered Rules of GEMS and other obligations making up the compliance universe by:</p> <ul style="list-style-type: none"> • Overseeing the development of policy that gives effect to the Board's direction on compliance. • Overseeing the implementation of effective compliance management by Scheme management. • Considering reporting on compliance matters and formulating recommendations on intervention. <p>The Board approves the GEMS Compliance Policy and compliance framework.</p> <p>The Board has delegated the implementation of and management of compliance to Scheme management, which has a compliance coverage plan and reports quarterly to the Risk Social and Ethics Committee.</p> <p>The adequacy and effectiveness of the Scheme's compliance management function is periodically assessed by the Scheme's internal audit function.</p> <p>The information included in the annual integrated report</p> |

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| | <p>discloses:</p> <ul style="list-style-type: none"> ● Regulatory actions and developments; ● Non-compliance; and ● The Scheme's current and future focuses for compliance governance and management. |
| Remuneration governance | |
| <p>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long term</p> | <p>GEMS is committed to developing, implementing and upholding remuneration strategies and practices that support its vision, mission, values and strategic objectives. The Board seeks to ensure that remuneration is fair, equitable, responsible and justifiable.</p> <p>The Board has appointed a standing committee, i.e. the Human Resources and Remuneration Committee, and has mandated it through formal written terms of reference to:</p> <ul style="list-style-type: none"> ● Ensure sound people management of Scheme employees by providing oversight, assessment and review of the maintenance of relevant human resources and remuneration policies. ● Advise the Board on the annual cost of living adjustment for Scheme employees, the criteria to be used in benchmark exercises on annual remuneration surveys, the remuneration rates applicable to employees, trustees and independent committee members; the implementation of remuneration survey results and the implementation of performance rewards for employees. ● Oversee the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report. <p>The Board approves the remuneration policies for trustees, independent audit committee members, employees and independent experts serving on Scheme advisory structures (such as the Scheme's healthcare advisory panels). The policies approved by the Board set the direction on the management of remuneration in the Scheme.</p> <p>The employee remuneration policy addresses and includes provisions for attracting, motivating, rewarding and retaining human capital. The policy balances short-term and long-term goals.</p> |

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| | <p>A performance management policy approved by the Board sets the direction for performance practices and for rewarding performance. The Scheme strives to improve employee contribution to the Scheme's performance by linking rewards and recognition to performance management outputs. Employees are eligible and considered for performance rewards for sustained performance that is significantly above expectations. For the Principal Officer and executives, the awarding of performance bonuses is dependent on the achievement of a minimum individual performance rating, an unqualified audit report, the achievement of a surplus and a complaints ratio target approved by the Board.</p> <p>The annual integrated report discloses pertinent information on the remuneration policies approved by the Board of Trustees and the remuneration elements of trustees and executive management.</p> <p>The disclosures conform to the Medical Schemes Act, the Rules of GEMS and additional requirements communicated by the CMS from time to time. The information disclosed in the annual integrated report is presented at the AGM.</p> <p>The Board of Trustees oversees the execution of all human resources policies through the Human Resources and Remuneration Committee.</p> |
| Assurance | |
| <p>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</p> | <p>The Board established an Audit Committee in keeping with the provisions of the Medical Schemes Act and the registered Rules of GEMS.</p> <p>The Board of Trustees mandated the Audit Committee through a formal written Audit Committee Charter to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and integrated reporting, control systems and to maintain a high degree of integrity in both external and internal audit processes.</p> <p>The Audit Committee reviews the annual integrated report and considers the factors that may affect the integrity of the report. The scheme's internal and external auditors review key performance measures included in the report to confirm that they are reliable and do not conflict with the financial information contained in the report.</p> <p>The GEMS Chief Audit Executive leads the Scheme's combined</p> |

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| | <p>assurance model. GEMS's assurance providers include external providers such as internal audit functions of the GEMS service provider network. The Audit Committee receives plans and reports to provide a view of combined assurance coverage from various assurance providers, including reports from the risk management function and the compliance function. Results stemming from such assurance are presented to the Audit Committee, with areas recommended for remediation noted and monitored for closure. Based on internal audit submissions, the Audit Committee annually confirms whether it is satisfied with the effectiveness of combined assurance arrangements.</p> <p>The Audit Committee is involved in the appointment of the external auditor and ensures that the appointment complies with Section 36(3) of the Medical Schemes Act. The committee annually approves the external auditor's engagement letter, audit plan and budgeted fees for the year.</p> <p>The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. The internal audit function has an appropriate and formal charter, which was approved by the Audit Committee. The Audit Committee ensures that the internal audit function of the Scheme is independent and has the skills and resources to perform its duties.</p> <p>The Chief Audit Executive has access to the Chairperson of the Audit Committee and to the Chairperson of the Board of Trustees.</p> <p>The Chief Audit Executive is not a member of the GEMS EXCO) but attends EXCO meetings to stay informed.</p> <p>The internal audit methodology is aligned to the Institute of Internal Auditors International Professional Practices Framework to ensure conformance with a recognised industry code of ethics.</p> |
| Stakeholders | |
| <p>16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests</p> | <p>GEMS has multiple internal and external legitimate stakeholders and stakeholder relationship management and engagement are deemed critical to its success.</p> <p>The Board of Trustees sets the direction for stakeholder relationships. The Board reviews and approves the GEMS Stakeholder Management Policy every three years and annually approves the stakeholder management strategy, inclusive of the stakeholder engagement plan.</p> <p>The Board has mandated the Clinical Governance and</p> |

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| <p>and expectations of material stakeholders in the best interests of the organisation over time</p> | <p>Administration Committee through formal written terms of reference to support effective oversight and report on stakeholder management.</p> <p>The approved GEMS Stakeholder Management Policy directs the identification of and engagement with stakeholders, disclosure of information to stakeholders, the management of stakeholder perceptions and satisfaction, and the balancing of Scheme and stakeholder interests.</p> <p>The Board has formally delegated the implementation and execution of stakeholder management to Scheme management through the Principal Officer Delegation. Scheme management reports quarterly on the outcome of stakeholder management activities to the Clinical Governance and Administration Committee and the Board of Trustees.</p> <p>Stakeholder risk is monitored by the Board through risk reporting against the approved strategic risk register. The Clinical Governance and Administration Committee is mandated by the Board to oversee stakeholder engagement and communication mechanisms.</p> <p>Disclosure in the annual integrated report includes information on arrangements for governing and managing stakeholder relations, key stakeholders and their interests, key engagement areas, and current and future focuses and engagement outcomes.</p> |
| <p>Institutional investors</p> | |
| <p>17. The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance creation of value by the companies in which it invests</p> | <p>The Board of Trustees approves the GEMS Investment Policy, investment strategy, annual investment mandate and returns targets.</p> <p>The Board has mandated the Finance and Investment Committee through formal written terms of reference to provide effective oversight of the Scheme's investment practices in compliance with the Medical Schemes Act, the Rules of GEMS, the Financial Policy and Investment Policy.</p> <p>In the selection of and ongoing interaction with investment managers, the Scheme considers the Code for Responsible Investing in South Africa (CRISA) and encourages the investment managers to adhere to these principles. Investment managers are required to report on their environmental, social and governance activities.</p> <p>Scheme management is mandated to implement and execute the Investment Policy and to manage the contracts of the investment</p> |

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| | <p>managers.</p> <p>The investment consultants and asset managers contracted by the Scheme attend the meetings of the Finance and Investment Committee to report formally on compliance to the investment mandate.</p> <p>The Board makes decisions on outsourced investment services.</p> |