

BOT CODE OF CONDUCT

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1. Statement

The purpose of this Code of Conduct is to govern both the ethical and legal conduct of the Trustees of Fedhealth Medical Scheme.

2. Introduction

The Trustees of the Scheme acknowledge that –

2.1 The objective of the Scheme is to provide sustainable medical cover in terms of the registered Rules of the Scheme to their members by undertaking liability to or in respect of the Scheme's beneficiaries and their dependants ("beneficiaries") in return for a contribution or premium.

2.2 While their primary duty is to ensure the financial stability of the Scheme, they are also in a position of trust and must therefore ensure that –

- 2.2.1 they remain fit and proper to hold the position of Trustee for the duration of their term;
- 2.2.2 they act honestly and in good faith in their deliberations, decisions and all other actions pertaining to their role as a Trustee with the best interests of the Scheme and its beneficiaries in mind at all times;
- 2.2.3 their personal interests and their duty to the Scheme are not brought into conflict;
- 2.2.4 they uphold ethical standards in all their activities. Trustees are required to subscribe, individually and as a body, to the principles of honesty, truthfulness, transparency and integrity and to exercise their duties and responsibilities in a fit and proper manner;
- 2.2.5 they diligently apply their minds to all matters when exercising their duties in their capacity as a Trustee;
- 2.2.6 ethical risks are incorporated in the Scheme's Risk Management process and that the Board provides effective leadership based on an ethical foundation.

3. Disclosure requirements

- 3.1 Where there is a potential conflict of interest between a Trustee's personal interests and his or her duty to the Scheme, this must immediately be disclosed, verbally or in writing to all fellow Trustees at the first available opportunity.
- 3.2 Each Trustee agrees to comply with and be bound by the legal guidelines on responsibility for acting in the best interest of the Scheme and preventing conflicts of interest attached hereto as annexure "A".
- 3.3 For purposes of disclosure, conflict of interest is defined as '*a situation in which a Trustee and/or his/her immediate family has a private or personal interest sufficient to appear to influence the objective exercise of the Trustee's official duties*'.
- 3.4 Any conflict of interest that has been disclosed to the Trustees must be assessed by the Board on its own merits taking into account the nature, extent, necessity, benefits derived, degree of conflict and any other material information relevant to the disclosed interest.
- 3.5 In the event that the Board of Trustees is not comfortable with the alleged conflict of interest, it will be the Board's decision as to whether to permit it or not.
- 3.6 To maintain the integrity of the Board, Trustees are encouraged to refrain from any potential conflict of interest without first obtaining the specific minuted approval of the Board of Trustees.
- 3.7 Trustees must ensure that they do not obtain or receive, directly or indirectly, a personal profit, gain or benefit as a result of their relationship with the Scheme. Where required by the terms of the Scheme's Gift Policy for Trustees and the Principal Officer and/or Chairperson of the Scheme, the acceptance or intended acceptance of a gift must be disclosed at the first available opportunity.
- 3.8 Each Trustee agrees to comply with and be bound to the terms of the Scheme's Gift Policy attached hereto as annexure "B".

4. Skills development and assessment

- 4.1 Every Trustee is entitled to receive such training and orientation, at the expense of the Scheme if necessary, as is necessary or desirable in order for that Trustee to fulfil his or her responsibilities effectively. To further promote transparency, all Trustees are required to list on the Agenda of each Board meeting their attendance at training courses, seminars and other events related to the medical industry, the cost thereof and who was responsible for such cost.
- 4.2 Trustees must ensure that their skills and experience as Trustees are, to the extent possible, passed on to new Trustees.
- 4.3 Trustees are required to take part in a peer review every second year.
 - 4.3.1 Each Board Committee Chairperson reviews the Trustees as well as any independent members on his or her committee.
 - 4.3.2 The Chairperson and Vice Chairperson of the Board and the Principal Officer review the performance of each committee.

5. Fiduciary duty

- 5.1 To ensure compliance, Trustees must govern the Scheme in terms of the Scheme Rules, the Medical Schemes Act and all other applicable legislation.
- 5.2 Trustees look after money that belongs to other people (all stakeholders who rely on the Board to protect the Scheme and its moneys by acting with due care, diligence and skill) and have a fiduciary responsibility to protect the money contributed to the Scheme by beneficiaries; the investments of the Scheme; the accumulated reserves of the Scheme; and any other moneys held by or on behalf of the Scheme and their members.
- 5.3 The Trustees acknowledge that information about the Scheme, the beneficiaries, the service providers and the proceedings of the Trustees is

confidential and may not be disclosed to a third party, unless there is a contrary duty in law to do so.

- 5.4 Trustees must be satisfied that proper control systems have been put in place by the Board and third parties that provide services to the Board to ensure that accurate financial records are kept on behalf of the Scheme; that the administration and management of the Scheme is in accordance with the Rules of the Scheme; and that proper registers, books and records of all operations of the Scheme are kept.
- 5.5 Trustees must obtain expert advice on any medical, pharmaceutical, legal, financial, accounting and/or business matter impacting on the Scheme or its operations of which the Board of Trustees may lack sufficient expertise.
- 5.6 Trustees must ensure that there is competent, independent auditing of the accounts and books of the Scheme.
- 5.7 Trustees must ensure that there is equitable and fair treatment of all beneficiaries of the Scheme.
- 5.8 Trustees must ensure that adequate and appropriate information is communicated to members regarding their rights, benefits, contributions and duties in terms of the Rules of the Scheme. Members must be given full information on their contributions and benefits on joining the Scheme and at the beginning of every benefit year. They must also be supplied with detailed statements of account on a regular basis.
- 5.9 Trustees must apply their minds to the structure of the various options offered by the Scheme and ensure a balance between the contributions set at the beginning of each calendar year and the benefits to which members will be entitled. Trustees must also ensure that the structure of the options is fair to beneficiaries, and that there is no discrimination, as set out in the Medical Schemes Act.
- 5.10 Trustees must take all reasonable steps to protect the confidentiality of medical records concerning a beneficiary's state of health. Trustees should, at all times, be impartial and observe confidentiality. Where Trustees need to exercise their discretion on a matter, this discretion must be exercised consistently, taking into account the specific circumstances of each case.

6. Administrative issues

Trustees must ensure that proper Minutes of meetings of the Board and its Board Committees are kept and that a Register of Resolutions and Policy Decisions made by the Board are kept and regularly updated.

7. Breach of duty

- 7.1 If a Trustee should breach this Code of Conduct or act in contravention of any of the responsibilities imposed on him or her by the Rules of the Scheme or the Medical Schemes Act or any other applicable legislation then the Board should take such action as it considers appropriate.
- 7.2 Each Trustee acknowledges that they may be sanctioned, whether in the form of censure, suspension subject to any terms determined by the other Trustees, or expulsion from office, for any breach of this Code; and that any such sanction may only be imposed after that Trustee accused of such breach has been furnished with the opportunity to defend himself or herself.
- 7.3 Where a Trustee knows of, or suspects, that a violation has occurred, he or she must report, in person or in writing, to the Chairperson of the Board. The Board shall not allow any retaliation against a Trustee who acts in good faith in reporting alleged violations.
- 7.4 It shall be the responsibility of the Chairperson of the Risk and Legal Committee, in consultation with the Chairperson of the Board and the Principal Officer, to decide whether a formal hearing should be held as an appropriate response to a breach or act detailed in 7.1 above, and, if so, to decide on the venue and time of such a formal hearing, to nominate the persons who will be invited to participate in the hearing, and to appoint a chairperson from the Trustee body or an independent chairperson with legal qualifications. The Trustee who is alleged to have breached the Code shall be given reasonable notice of the venue and time of the meeting, shall be entitled to be present at the hearing and shall be entitled to have representation if he or she so chooses.

8. Social media conduct

The Board fully acknowledges and recognises the emergence and influence of social media and electronic communications, as well as the rights of individuals to actively participate in the undertaking of such activities. The goal of electronic communication from the Scheme is to cultivate an environment wherein the usage of electronic media contributes to the overall welfare and productivity of the Scheme. Additionally, the Scheme desires that our social media channels portray our internal culture through the use of posts, blogs, videos, pictures, events and more in real time.

However, it is in the Scheme's best interests that certain guidelines be set in the usage of social media and other electronic communication methods, especially when the usage of such mediums directly affect the Scheme processes. It is for that purpose that the Scheme will draft and wilfully uphold this Social Media and Electronic Communications Policy (attached hereto as Annexure "C"), which will be communicated to all service providers and will be binding on the Board.

9. Transparency

The Board recognises that sound corporate governance practices are essential for integrity, accountability and fairness, which define the Scheme's ethical culture and this sets the ethical tone for the Scheme, which is consistent with the Scheme's values:

- Respect
- Honesty
- Trust
- Determination
- Passion
- Empowerment
- Ownership
- Empathy.

This Code of Conduct, as amended from time to time, shall be posted on the Fedhealth website (www.fedhealth.co.za).

10. Code of Conduct declaration

I, _____[insert Trustee name]_____, have read, understand and agree to abide by the Code of Conduct of Fedhealth Medical Scheme Board of Trustees and I understand that such adherence is a condition of my appointment as a Trustee.

Signed this _____ day of _____, 20_____.

Signature

Annexure A – Conflict of Interest

Fedhealth medical scheme legal guidelines on responsibilities for acting in the best interests of the Scheme and preventing conflicts of interest

A fiduciary duty is a legal relationship of confidence or trust between two or more parties. Examples of persons who owe such a duty to another are an agent (to his or her principal) and a director (to his or her company).

A medical scheme is owed a fiduciary duty by its board (“**Board**”) and each of its Trustees. This document deals with the fiduciary duties of acting in the best interests of the Scheme and preventing conflicts of interest.¹

This document has been drafted with reference to the following:

- the Medical Schemes Act;²
- the Companies Act;³
- the King Code on Governance in South Africa – **King III** (2009) and **King IV** (2016);
- relevant South African case law.

¹ Other fiduciary duties of the Board and its trustees towards the Scheme include: not exceeding the limitations of the powers allocated to it/them, maintaining an unfettered discretion, exercising its/their powers in accordance with the purposes for which they were conferred and to not take corporate opportunities or secret profits.

² 131 of 1998.

³ 71 of 2008. As at 9 June 2009, this Act has been promulgated but not yet given a commencement date.

Save in respect of those duties which are prescribed by law, it is the Board's duty, if it believes it to be in the best interests of the Scheme, to override a recommended practice, but then to explain why the chosen practice was applied and give the reasons for not applying the recommended practice.

1. The Board and its Trustees should act in the best interests of the Scheme⁴

- 1.1. The Board should always act in the best interests of the Scheme and the foundation of each decision should be intellectual honesty, based on all the relevant facts. Every decision should be a rational business one taking into account relevant information at the time.
- 1.2. The Board shall lead in an ethically and responsible manner through the transparent promotion of Scheme objectives.⁵
- 1.3. The Board shall act with due care, diligence, skill and good faith.⁶
- 1.4. The Board has collective authority and decision-making powers, but Trustees have individual responsibility.
- 1.5. Each Trustee has:
 - 1.5.1. a duty to exercise a degree of care, skill and diligence that would be exercised by a reasonably diligent individual who has both:
 - 1.5.1.1. the general knowledge, skill and experience that may reasonably be expected of an individual carrying out the same functions as are carried out by a Trustee in relation to the Scheme; and
 - 1.5.1.2. the general knowledge, skill and experience of that Trustee; and
 - 1.5.2. a fiduciary duty to act in good faith and in a manner that the Trustee reasonably believes to be in the best interests of the Scheme.
- 1.6. Failure to properly perform these duties may render a Trustee personally liable to pay monetary damages, whereas the failure to perform certain statutory duties may result in a Trustee facing criminal liability.

⁴ Adapted from, *inter alia*, Principle 2.14 of King III. Note that in terms of King III, these principles should be applied to all other entities, regardless of the framework under which these entities have been established, subject to any specific standards required.

⁵ Adapted from, *inter alia*, Principle 1 and 14 of King IV

⁶ Section 57(6)(b) of the Medical Schemes Act.

1.7. Individual Trustees or the Board as a whole should be entitled, at the expense of the Scheme, to take independent professional advice in connection with their duties, if they deem it necessary, but only after following a process agreed by the Board.

2. The Board and its Trustees should manage conflicts of interests⁷

- 2.1 The Board shall take all reasonable steps to avoid conflicts of interest.⁸
- 2.2 The personal interests of a Trustee, or persons closely associated with that Trustee, should not take precedence over those of the Scheme.
- 2.3 Certain conflicts of interest are so fundamental that these should be avoided. Other conflicts (whether real or perceived) should be disclosed timeously and in full detail to the Board.
- 2.4 The chairperson of the Board (“**Chairperson**”) should be independent and free of conflicts of interest on appointment and this role should not be fulfilled by the Principal Officer (“**PO**”).
- 2.5 The Scheme may however have sound reasons for appointing a Chairperson who does not meet all the criteria for independence and should be prepared to justify its decision in terms of good corporate governance principles. In such an event the Board should appoint a lead independent Trustee to assist the Board in dealing with any actual or perceived conflicts of interest that arise in these or future circumstances.⁹
- 2.6 The Chairperson should manage conflicts of interest. It is not sufficient merely to table a register of interests. All internal and external legal requirements must be met. The Chairperson should ask affected Trustees to recuse themselves from discussions and decisions in which they have a conflict, unless they are requested to provide specific input, in which event they should not be party to the decision.
- 2.7 If a Trustee has a personal financial interest in respect of a matter to be considered by the Board, or knows that a related person¹⁰ has a personal financial interest in the matter, the Trustee:

⁷ Adapted from, *inter alia*, Principle 2.14.4 of King III. Note that in terms of King III, these principles should be applied to all other entities, regardless of the framework under which these entities have been established, subject to any specific standards required.

⁸ Section 57(6)(c) of the Medical Schemes Act.

⁹ Adapted from Principle 2.16 of King III.

¹⁰ In terms of section 2 of the Companies Act: (a) an individual is related to another individual if they: (i) are married, or live together in a relationship similar to a marriage; or (ii) are separated by no more than two degrees of natural or adopted consanguinity or affinity; and (b) an individual is related to a juristic person if the individual directly or indirectly controls the juristic person, as determined in accordance with section 2(2) of the Companies Act.

- 2.7.1 must disclose the interest and its general nature before the matter is considered at the meeting;
- 2.7.2 must disclose to the meeting any material information relating to the matter, and known to the Trustee;
- 2.7.3 may disclose any observations or pertinent insights relating to the matter if requested to do so by the other Trustees;
- 2.7.4 if present at the meeting, must leave the meeting immediately after making any disclosure contemplated in paragraph 2.7.2 or 2.7.3;
- 2.7.5 must not take part in the consideration of the matter, except to the extent contemplated in paragraphs 2.7.2 or 2.7.3;
- 2.7.6 while absent from the meeting in terms of the above:
- 2.7.6.1 is to be regarded as being present at the meeting for the purpose of determining whether sufficient Trustees are present to constitute the meeting; and
 - 2.7.6.2 is not to be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted; and
- 2.7.7 must not execute any document on behalf of the Scheme in relation to the matter unless specifically requested or directed to do so by the Board.¹¹
- 2.8 The PO should not be a member of the Remuneration or Audit Committees, but should attend by invitation. POs should, however, recuse themselves when conflicts of interest arise, particularly when their performance and remuneration are discussed.
- 2.9 As part of a due diligence exercise in relation to sourcing appropriately skilled and experienced Trustees and ensuring that they are appropriately independent, the onus is on the individual Trustee to determine whether he or she has the requisite capability to make a meaningful contribution and that he or she is free from apparent or actual conflicts.
- 2.10 The Scheme may not enter into an administration contract with a party in which any employee, Trustee or other officer of the Scheme has a direct or indirect financial interest.¹²

¹¹ See section 75 of the Companies Act.

2.11 A person shall not be a member of the Board if that person is:¹³

- 2.11.1 a person under the age of 21 years;
- 2.11.2 an employee, director, officer, consultant, or contractor of the Administrator or the Scheme or of the holding company, subsidiary, joint venture or associate of that Administrator;
- 2.11.3 a broker;
- 2.11.4 a person, including a legal person, associated with the Administrator of the Scheme;
- 2.11.5 the PO of the Scheme; and
- 2.11.6 the Auditor of the Scheme.

2.12 In principle,¹⁴ a Trustee may also hold a position as director on the board of a company. If a Trustee does accept such a position, he or she is required to keep confidential any confidential information which he or she acquires as a Trustee or director, as the case may be. The person may not disclose confidential information about the Scheme to the company, even though the company could benefit from such information, or vice versa. The person would furthermore be required to act in good faith in what he or she believes is in the best interests of both the Scheme and the company.

¹² BN 73 of 30 June 2004: Notice of declaration of undesirable business practice in terms of section 61 (1) of the Medical Schemes Act.

¹³ In terms of rule 17.7 of the Rules.

¹⁴ A trustee/director may, however, be precluded from doing so in terms of his or her contract with the scheme or the company, or in terms of the articles of the company.

Annexure B – Gift Policy

1. Purpose of the policy

This document sets out the policy of the Scheme applicable to each Trustee, the Principal Officer and all employees of Fedhealth (collectively referred to as “Scheme Personnel”) in respect of any gift, as defined above.

The purpose of this policy is to determine appropriate conduct in relation to any gift offered to or received by Scheme Personnel. In this way the governance of the Scheme is intended to be demonstrated as one of integrity, independence and accountability.

In accordance with this policy, Scheme Personnel should never solicit a gift or gifts for personal gain.

2. Gifts

For the purpose of this policy a gift is defined as any present, tangible object or service, entertainment, entry or attendance to any sporting event, accommodation, transport, trip or excursion provided or offered for less than its arm’s length market value in circumstances that could reasonably be assumed as having been so provided or offered as a result of the potential recipient’s perceived ability to influence Scheme decisions.

3. Declaration

Scheme Personnel should make declarations to the Board of Trustees of the Scheme (“the Board”) of all gifts, as defined above. In the event of a gift exceeding R1 000 in value, such gift must be entered in the Gifts Register, at the monthly BOT meeting. The register is held by the Scheme Secretary.

4. When prior Board approval required

In the event of a gift exceeding R1 000 in value, such gift should be declared to the Board prior to acceptance. Where the monetary value of a gift is not known, the brand name of the gift should be given as an indication of its worth.

No subsidised overnight transport or accommodation must be accepted without the prior approval of the Board.

In the event of uncertainty as to the value, appropriateness, potential offence by the offer or external perception as to the intention behind the offer, the intended recipient should consult with the Board prior to acceptance of a gift.

5. Gifts from third party service providers

Scheme Personnel as well as their family members may not accept gifts, no matter what the value, from any third party service provider (including the Administrator).

The following exceptions are applicable:

- Advertising matter of limited commercial value, for example desk calendars or diaries
- Occasional business entertaining such as lunches, cocktail parties or dinners
- Occasional personal hospitality such as tickets to local sporting events or theatres provided that the cost of any travel or accommodation is approved by the Board.

6. Non-compliance with this policy

Non-compliance with this policy will result in:

- a. Disciplinary action being taken against employees of the Scheme (including the Principal Officer)
- b. The appropriate action being taken against Trustees, as non-compliance constitutes a breach in the BOT Code of Conduct.

Annexure C – Social Media Policy

1. Statement

The purpose of this policy is to promote the acceptable use of social media to the benefit of the Fedhealth Medical Scheme (hereinafter referred to as “the Scheme”) brand and prevent a negative impact on the Scheme on social media platforms.

2. Introduction

The Scheme fully acknowledges and recognises the emergence and influence of social media and electronic communications, as well as the rights of individuals to actively participate in the undertaking of such activities. The goal of electronic communication from the Scheme is to cultivate an environment wherein the usage of electronic media contributes to the overall welfare and productivity of the Scheme. Additionally, the Scheme desires that our social media channels portray our internal culture through the use of posts, blogs, videos, pictures, events and more in real time.

However, it is in the Scheme’s best interest that certain guidelines be set in the usage of social media and other electronic communication methods, especially when the usage of such mediums directly affect the Scheme processes.

3. Principles

The following principles apply to the professional use of social media on behalf of the Scheme as well as personal use of social media when referencing the Scheme.

1. The Trustees and employees need to know and adhere to the Scheme’s Code of Conduct, and other approved policies, when using social media in reference to the Scheme.
2. The Trustees and employees should be aware of the effect their actions may have on their images, as well as on the Scheme’s image. Any information that is posted or published may be public information for a long time, which can financially impact the Scheme.
3. The Trustees and employees should be aware that the Scheme may observe content and information made available through social media, therefore each Trustee and employee should use their best judgement in posting material that is neither inappropriate nor harmful to the Scheme, its Trustees, employees or members.

4. The Trustees and employees are not to publish, post or release any information that is considered confidential or not public. If there are questions about what is considered confidential, this should be prior discussed with the Board before anything is posted by a Trustee or employee.
5. Social media networks, blogs and other types of online content sometimes generate press and media attention or legal questions; these should be referred to the authorised Scheme's spokespersons.
6. If a Trustee and/or employees find or encounter a situation while using social media that threaten to become antagonistic, they should disengage from the dialogue in a polite manner and refer the matter to the Scheme's spokespersons.

4. Policy review

The policy should be reviewed by the Risk and Legal Committee on an annual basis, where after the policy will go to the Board for ratification.