Social and relationship capital

Our patients

The quality of our care and the consistency with which we are able to deliver it, underpin our licence to operate. Netcare's consistency of care strategy and related objectives are well established. They are designed to achieve consistently excellent clinical services so that we deliver on our promise to provide the best and safest person-centred health and care (of body and mind) to our patients. Over the past three years, we have progressed the processes and mechanisms needed to measure our performance and ensure accountability for this strategy, both at a Group and service platform level.

Ask Afrika Orange Index
Medicross was placed first in the 2021 Ask Afrika Orange Index® service excellence awards for its commitment to consistent quality of service delivery across its national network of medical and dental centres. This is the first time that Medicross has been presented with the award. Netcare was placed third.

The pillars of our consistency of care strategy

We aim to fulfil the Netcare promise made to our patients in a consistently excellent manner

1	2	3	4	5
Perception of care	**Quality of care**	**Clinical efficiency**	**Clinical governance**	**#WeCare**
How our patients perceive the care they receive (includes doctor engagement, compassion-based training and measuring patient experience)	Our clinical performance as measured by our outcomes	Cost efficiency and our funder relationships	Clinical governance; safety, health, environmental sustainability and quality (SHEQ) management; and research	How we support the health and wellness of our workforce
PG 114	PG 116	PG 124	PG 120	PG 139

Supported by Group-level clinical and SHEQ teams with decentralised resources across our service platforms

Enabled by the Netcare digitisation strategy and informed by data driven decision-making

Measured by accountability instruments at the Group and service platform levels

Towards the end of 2020, we added a fifth pillar to our consistency of care strategy – #WeCare – which reflects the fourth element of the ***Quadruple Aim*** and our focus on looking after the wellbeing of our clinical and non-clinical employees. Our initiatives are reported on page 139 of the Our people section.

Despite another difficult year, and two COVID-19 surges, the structures put in place in 2020 to manage the pandemic, gave us room this year to renew our focus on the strategic consistency of care activities that had been delayed during the first year of the pandemic. We first published our quality of care outcomes in 2019 with new measures added in both subsequent years. This year, our quality of care outcomes are reported separately in our online quality report.

During the year, we continued the Group-wide project to standardise and digitise SHEQ practices across all our service platforms to strengthen legal and operational compliance. We focused on three key areas, namely; occupational health and safety (OHS), integrated waste management and quality management systems. The SHEQ function is now well established and the digital processes are starting to enable data driven decision-making. Our focus now is to embed the more efficient operational approaches that SafeCyte (the digital SHEQ platform) supports across the Group.

The British Standards Institution has recertified Netcare (excluding Akeso Clinics), awarding the Group ISO 9001:2015 accreditation for the third consecutive year. Akeso Clinics will be included in the ISO audit for the first time in FY2022.

Associated risks and opportunities

Economic environment and demand for private healthcare	PG 65
COVID-19 pandemic	PG 66
Delivering consistently outstanding person-centred health and care	PG 67
Implementation of the digital and data strategies	PG 68
Competitor activity	PG 69
Availability and quality of skills	PG 70

Key takeaways for FY2021

COVID-19 and our focus on OHS will continue to ensure the care and safety of our patients and employees

Over the past year, we have made significant strides in improving the quality and safety of care we provide to our patients

During the July 2021 riots, our major incident plan, which is based on global best practice, ensured that the care we provided to patients in KwaZulu-Natal was not interrupted, including supplies of food, medicines, personal protective equipment (PPE), oxygen, fuel and additional security

Social and relationship capital | Our patients continued

Perception of care

Engaging with our patients and their loved ones in a meaningful, caring and understanding way, empowers them to be involved and partner with us on the patient's journey to health. We are dedicated to ongoing improvement in this care dimension.

Feedback from patients is critical in helping us assess how we are delivering against our promise to provide the best and safest care. Patient feedback should not only focus on operational aspects and complaints. Over the years we have received positive feedback from patients, indicating that it is just as important to enable patients to acknowledge those who care for them. As such we launched the gratitude card programme; patients are invited to join the platform upon admission, and are able to send as many gratitude cards as they want to whomever they want throughout their stay (see page 142).

How we engage with our patients

- Person-centred care teams in each hospital.
- An online patient satisfaction survey on our website and a post discharge email survey.
- A bespoke complaint management system, CareNet, including an online form with context-specific categories. The per-hospital complaint rate dashboard is refreshed every 30 minutes.
- A customer care team that operates a central contact centre, and manages direct contact with the hospital, regional or corporate offices, corporate website and social media platforms. All of these mechanisms interface with CareNet.
- Various digital initiatives that enhance patient experience and perception of care, including Netcare **appoint**med™.
- Patient focus groups and listening forums.

How electronic medical records (EMRs) will benefit our patients

Providing our patients with easy access to their health and care data (records and results) over their entire lifetime and covering all our service platforms, will empower them to take co-responsibility for their health and wellness and make informed decisions, supporting real participatory health.

FY2021 performance

Compassionomics

- Ten employees from across our service platforms took part in the Applied Compassion Training course at Stanford University, enabling them to take on the role of ambassadors for compassion. Each participant designed a unique project which will be integrated into the compassion-based training programmes implemented in the Group.

Patient feedback survey

- Launched a new in-hospital patient feedback survey that has replaced the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS). The survey provides a better measure of what matters to our patients and is aligned to our values and the behaviors we seek to encourage in our people, and see reflected in the patient experience. Following a successful pilot, the independently validated tool has been implemented at all Netcare hospitals. Patients receive the survey link within 48 to 72 hours of discharge while the memory of their stay is still fresh in their minds.
- The number of patients who complete the survey has increased. Considering both quantitative scores and rich qualitative free-text responses, we can now use artificial intelligence (AI) to assess the key themes arising from patient feedback and use this insight to drive targeted improvement initiatives.
- Developed surveys to evaluate the oncology nurse navigation service, obtaining feedback from both patients and oncologists on their experiences of this unique service.
- An electronic customer satisfaction survey is being developed for Netcare Occupational Health with a paper-based version in place as an interim measure.

Patient engagement

- Launched the Family Connect line during the second COVID-19 surge, using contracted social workers at facility level to facilitate communication with the families and loved ones of admitted patients. Netcare **appoint**med™ acts as intermediary; ensuring that callers are registered as next of kin and then contacts the social worker at the hospital who facilitates the appropriate communication (see page 140).
- Hosted the first national virtual support group, in collaboration with CANSA, in June 2021 with a further two meetings held since then, continuing to provide support to cancer patients and their families despite COVID-19 restrictions.
- National Renal Care launched a patient-centred mobile application that assists patients to establish nephrologist-guided exercise programmes to manage chronic renal disease. It also provides them with access to our healthcare partners as well as information on a wide variety of wellness-related topics. From FY2022, patient EMRs will be uploaded onto the application to allow them to engage, participate and manage their dialysis treatment and progress.

Digitising the person-centred health and care journey

Netcare appointmed™

Operational

A free telephonic service for patients and general practitioners (GPs) to make appointments with healthcare practitioners and specialists at Netcare hospitals, Akeso Clinics and Medicross medical and dental centres.

Digital pre-admissions

Operational

Online hospital pre-admission for elective procedures before the day of admission. 39% of our medical and surgical admissions are pre-admissions.

Netcare 911 Locate Me

Operational

Accessed through the Netcare mobile application, the service uses automated SMS geolocation to identify and auto-populate a caller's address, reducing call handling time and increasing accuracy of location.

Netcare VirtualCare (telehealth)

Operational

A secure platform for virtual doctor consultations (video or telephonic). Patients do not need to download an app to use the service. The platform can host group telehealth sessions for up to 20 users, specifically developed for group therapy sessions.

CARE4YOU

Roll out underway

Improves the levels of compassion with which patients are cared for and enables patients to express their gratitude to those who have cared for them (see page 142).

Patient feedback survey

Operational

Collects patient feedback data to measure what matters to patients. This is used to inform our interventions to improve perception of care and treatment.

Social and relationship capital | Our patients continued

Quality of care

Our outcomes are measured using a rigorous process aligned with international standards and in accordance with good data science practice. Local and international benchmarks are used when there is sufficient information and context for it to be considered a valid comparison. Our internal processes are overseen by Consistency of Care Committees at Board and service platform levels. The Clinical Data Council is responsible for coordinating the collection of all clinical data across all service platforms, ensuring that clinical data collection, reports and analysis align, and ensuring the accuracy and completeness of all datasets. The measurement of our clinical performance supports our objective to deliver consistently excellent care outcomes and demonstrates our value to patients and funders. In addition to the improved communication and engagement with patients, digitisation will have a profound impact on enhancing patient safety.

FY2021 performance

85 measures
published in our **quality of care report** – 27 new measures and 10 measures retired or updated
(FY2020: 68[1])

Netcare 911's response time
(median time in minutes from answering a call to arriving on-scene) was
17.2
(FY2020: 16.4)

64%
of our **patient reported experience measures** (PREMs) improved or remained stable despite the physical barriers to patient interaction needed to protect people from COVID-19

69.2%
of patients **reported pain relief during their transportation to hospital** as a result of improved pain management
(FY2020: 64.4%).

1. Restated to reflect only the number of measures reported in the integrated report (excluding those on the website).

Quality of care reporting

- Enhanced our quality of care reporting on the Netcare website, including a quality overview specifically developed for investors. We are redesigning our quality of care webpage to cater for the clinical information needs of our diverse target audience. Looking forward, we will redefine how quality of care is reported, moving away from the staid governance approach to a more consumer friendly set of measures that are easily understood.
- Launched the Clinical Outcomes Index (COI) for senior leadership – an automated dashboard of clinical outcomes, updated monthly. It includes the measures we use internally at service platform level, those we publicly report and those we are contractually obliged to report to funders quarterly, benchmarked against the measures reported by our competitors. It also allows comparisons between Netcare hospitals. The first release covers the Hospital division's patient safety measures (infection prevention and control), clinical pharmacy and nursing. In FY2022, we will deliver the next COI release which will include antibiotic stewardship, sentinel adverse events and patient experience.

FY2021 performance continued

Quality measures

- **Netcare 911 response time:** over the past two years, COVID-19 has negatively impacted Netcare 911's call-to-scene time. However, the average response time to Priority 1[1] cases is 15.3 minutes. Factors that have played a role in the overall slower response times include the need to acquire additional information from callers to protect response teams, time to don the appropriate PPE and vehicle availability, which during the third COVID-19 wave was also affected by long waiting times at hospitals. Our focus in the year ahead will be to adapt our protocols and procedures for the slower stages to decrease response time.
- **Netcare 911 pain management:** education interventions and new medications have positively impacted our pain management score. This together with an increased number of ambulances crewed by advanced life support paramedics who are able to administer new analgesic medications, mean that this score is expected to increase in the coming months.
- **Patient reported experience measures:** COVID-19 has resulted in far-reaching disruptions to our care delivery models and measures to prevent COVID-19 transmission in our facilities have impacted patient experience. In our PREM surveys, we ask patients if they feel they have been treated with courtesy and respect, been listened to and had things explained to them in an easy-to-understand way. In our hospitals, the PREM scores pertaining to our nurses increased, even when compared with pre-pandemic scores. We view this as a testament to the commitment of our nurses to providing the best care, even in these challenging times. The PREM scores for doctors remained stable in FY2021, a positive result given the pressures they have been dealing with. At Akeso Clinics, scores for nurses declined; the pressures relating to COVID-19 as well as increased activity levels and pressure caused by a higher employee turnover are more than likely playing a role. Programmes to address burnout are underway. Doctor scores remained high for Akeso Clinics and our therapist scores have been stable over the past two years. For Netcare Cancer Care, PREM scores remained high, with three improving, two remaining stable and only one deteriorating. National Renal Care's scores have dropped since FY2020. Across all our service platforms, patient feedback will be used to improve patient experience.
- **Medicine:** the percentage of patients who received their first dose of antibiotics within one hour of prescription dropped from 88.0% in FY2020 to 82.6%, likely due to the impact of COVID-19 waves on hospital resources. In FY2021, we recorded reductions in the number of medicine-related incidents across the Hospital division, Akeso Clinics and Medicross. Some of the improvement in the Hospital division can be attributed to improved analysis by pharmacy teams on severity of incidents; however, it should be noted that with the focus on COVID-19, the tracking and monitoring of medication-related incidents was not maintained at the same levels as prior years. This is being addressed through team engagements.
- **Antibiotic utilisation:** there is a direct correlation between the increase in antibiotic use across the Hospital division and COVID-19 surge periods, which has impacted this measure for FY2021. Global literature highlights the inappropriate use of broad spectrum antibiotics for the prevention of non-confirmed secondary bacterial infections in patients with COVID-19, a phenomena that we have also observed. To mitigate this risk in future surges, we have drafted and circulated a guideline for pharmacy teams on the appropriate use of antibiotics in COVID-19 cases. Our antibiotic prescription reviews indicate that antibiotic use remains stable. Vigilance and continual improvement will remain key focus areas.

1. Patients with severe life-threatening physical trauma.

Quality report (for detailed disclosure).

Social and relationship capital | Our patients continued

Safety, health, environmental sustainability and quality management

All OHS activities have been digitised on SafeCyte (risk assessments, legal appointments, the functioning of our Health and Safety Committees and incident reporting) with electronic OHS records replacing paper-based records. The integrated waste management processes have also been digitised as well as waste plans for the Hospital division. We resumed our internal quality reviews (self-assessments) during FY2021, which were put on hold in FY2020 due to COVID-19.

Occupational health and safety

- Legal compliance
- Health and safety programme
- Standard medical surveillance programme
- Risk assessments
- Training
- COVID -19 vaccinations

Integrated waste management

- Regulatory compliance
- Data driven decision-making
- Waste volume reduction
- Reduce waste costs and landfill waste and increase recycling

Quality management systems

- Internal quality assurance
- ISO 9001:2015 certification
- Office of Health Standard Compliance (OHSC) collaboration and alignment

Enablers

Digitisation, data management and reporting
SHEQ organisational design

FY2021 performance

Occupational health and safety

Around
85%
of our employees have been vaccinated
(vaccination is voluntary)

Provided
hospital treatment
or suitable quarantine accommodation
for employees at our expense

Recorded
1 118 679 hours
of absenteeism
(FY2020: 1 155 570 hours)

4 726
workers compensation claims **have been submitted** to the Compensation for Occupational Injuries and Diseases Fund since the start of the pandemic, with 4 269 claims being from the Hospital division.

- Reviewed the organisational structure to ensure the efficient and adequate resourcing of the SHEQ function. Four regional SHEQ managers have been appointed to assist with SHEQ strategy implementation and additional occupational health nurse practitioners are being appointed to execute the medical surveillance programme across service platforms.
- Provided mandatory OHS training to 1 351 employees between May 2021 and October 2021, who achieved a 99% pass rate. This excludes informal health and safety training provided online or by external service providers (around 200 employees trained). We also provided vaccination education and information to our employees and hosted pop-up vaccination sites at our facilities for ease of access for our staff and medical practitioners.
- Compliance to the Group's standardised agenda and standard operating procedures for OHS Committees was 84% overall, covering the Hospital division, Medicross and National Renal Care. Improvement plans are in place to reach our target of 90% compliance. OHS Committee performance assessments will be extended to Netcare 911 and Akeso Clinics in FY2022.
- Enhanced our employee incident and management reporting. This will help to identify incident trends and inform targeted improvement initiatives.

FY2021 performance continued

- Implemented a SHEQ risk assessment methodology; compliance to the prescribed risk assessment methodology and implementation of controls was measured in the Hospital division, Medicross and National Renal Care. Targeted improvement plans are being implemented.
- We are developing a comprehensive occupational health plan for the Group, which will include a customised medical surveillance programme for each service platform based on workplace exposure risk. Programmes have already been developed for the Hospital division, Cancer Care and National Renal Care. The medical surveillance plan will be rolled out over three years, starting with high-risk clinical staff during the first year.
- 19% of employees who were assessed by our COVID-19 surveillance programme (baseline medicals), were deemed to be vulnerable and at higher risk for developing complications if they contract COVID-19. These employees are accommodated appropriately.
- Implemented digital tuberculosis screening and surveillance using SafeCyte, removing the manual screening of paper-based questionnaires to identify employees at risk.
- Netcare 911 appointed a full-time driving coach to conduct driving assessments and improve driver skill and awareness. Netcare 911 achieved a record low accident cost in FY2021.
- Provided transport and overnight accommodation for our employees in KwaZulu-Natal impacted by the July 2021 riots, and supplied staple foods for the families of those employees who were unable to source their own. Also at this time, nursing managers and unit managers were used in clinical areas to care for patients as well as employees sent from Gauteng to KwaZulu-Natal.

Employee incidents	**Occupational disease (COVID-19)**	Injuries on duty	Sharps and splash incidents
Hospital division	**2 861**	588	123
Akeso Clinics	**75**	10	0
Medicross	**83**	23	7
National Renal Care	**328**	2	5
Total	**3 347**	623	135

Reported for the period October 2020 to September 2021. Netcare 911 is still being onboarded to SafeCyte's employee incident reporting functionality.

Integrated waste management

- Healthcare risk waste (HCRW) volumes increased significantly in FY2021 as a result of COVID-19, with associated cost increases. For the same reason, recycling volumes dropped to prevent the risk of cross-contamination. Addressing this will be a key focus for FY2022. A waste volume and cost dashboard has been developed to direct waste management improvement (reduce cost and increase recycling) while maintaining fastidious regulatory compliance. It will be used by Waste Officers at facility level. Our waste management initiatives are reported on page 167.

Quality management systems

Internal quality assurance

- The Hospital division achieved an 89% compliance rate (49 facilities) in its internal quality review using our newly digitised tools, Medicross achieved 90% compliance (40 facilities) and National Renal Care achieved 96% compliance (102 facilities). The digitised internal quality review functionality will be rolled out to Akeso Clinics and Netcare 911 in FY2022. Peer reviews between our facilities (which provide more valuable insight) will be reinstated in FY2022, although this will depend on future COVID-19 surges.
- Standardised the processes and policies of a quality management system for Akeso Clinics. The auditing process to establish a baseline from which to develop improvement plans is underway.
- We are developing a plan to ensure that each new site acquired for Netcare Occupational Health is assessed against ISO 9001 so that intervention plans can be developed to achieve compliance across all sites in FY2022. Compliance with ISO 45001 is planned for FY2023.

External quality assurance

- The British Standards Institution's audits currently underway will provide us with ISO certification for a further three years to 2025 with interim annual surveillance audits to ensure compliance.
- In February 2021, the OHSC submitted draft copies of the private hospital inspection tools to the Hospital Association of South Africa (HASA) for comment. The OHSC will use these tools in its inspections of our facilities against the National Department of Health's (NDoH) Core Standards. OHSC will provide independent training to each hospital group in SA following which a pilot test of the tools will take place. Inspections are expected to start in the first half of 2022 and we are ensuring the readiness of our facilities.

Social and relationship capital | Our patients continued

Clinical governance

To promote good clinical governance, we have implemented a robust credentialing process[1] for all our independent contracted healthcare practitioners. This ensures that only persons who are qualified and registered to practice are providing clinical services to patients at Netcare. In addition to ensuring patient safety, this process mitigates against the risk of medico legal suits and reputational harm. It holds our healthcare practitioners accountable to the highest professional, ethical and legal standards.

A review will be undertaken annually to ensure that all healthcare practitioners comply with our requirements and submit the documentation that is renewable annually. Non-compliance will be managed by the Clinical Practice Committee. The credentialing process started in October 2021, and once the review of all agreements has been completed, a project will be launched to digitise the agreements.

1. *Our relationships with healthcare practitioners are governed by multiple contractual agreements. Credentialing covers Health Professionals Council of South Africa (HPCSA) registrations, admitting and practising privileges, terms and conditions of clinical practice and indemnity insurance.*

FY2021 performance

Clinical governance framework

- Established an independent panel of experts in various fields of clinical medicine (representative of university affiliations and demographics) to provide clinical practice advisory services to the Clinical Practice Committee. The panel will also conduct peer reviews and make recommendations regarding evidence-based clinical guidelines, policies and protocols.
- Rolled out new terms of references for our Physician Advisory Boards (PABs) to ensure they function in a standardised manner. The PABs provide operational and clinical guidance to hospital management and doctors, and contribute to clinical governance decision-making at hospital level.
- Akeso Clinics is developing a clinical governance framework for psychiatrists and allied professionals at all its clinics. This will be supported by the Clinical Practice Forum.
- We are developing a centralised clinical governance system for Netcare Occupational Health. Audits have already been undertaken to identify opportunities to strengthen management and leadership at site level.
- Established a multi-disciplinary Clinical Research Collaborative tasked with developing datasets that can be used to analyse and interpret data. The collaborative works closely with the Clinical Data Council. A number of researches were published during the year as reported in the online quality report.

Quality report (for detailed disclosure).

Doctor partnerships

We are proud to have as partners in healthcare delivery, a large and broad array of healthcare practitioners, with many exemplary qualifications and achievements. Clinicians are key partners in delivering to patients; they impact directly on patient experience, the cost of care and quality of care outcomes.

Engaging with them and partnering with them to deliver care is key to our ability to deliver on our promise and achieve organic growth. It is imperative that we understand their needs and what we must do to meet these needs and improve our value proposition to them. This year, providing our healthcare practitioners with support has been a key focus, given that the three COVID-19 surges have left many feeling burnt out and fatigued with physical, emotional and mental strain.

Doctor behaviour and adoption of new ways of working are two of the most important determinants of CareOn's success. We have redesigned our strategy to drive adoption, focusing on a combination of shared ownership, usefulness and ease of use for doctors. Pleasingly, attendance at CareOn feedback sessions continues to increase. Doctors are given the opportunity to be involved in testing the system and to provide input on refining and improving functionality.

Associated risks and opportunities

COVID-19 pandemic	PG 66
Delivering consistently outstanding person-centred health and care	PG 67
Implementation of the digital and data strategies	PG 68
Competitor activity	PG 69
Availability and quality of skills	PG 70

Key takeaways for FY2021

Granted admitting and practising privileges to 71 new doctors at our acute and mental health facilities, equating to a net gain of 10 doctors – of the recruited doctors for the Hospital division, 65% practice in surgical disciplines (FY2020: net gain of 82 doctors)	The average age across the base of new doctors in the Hospital division is 40 (FY2020: 41)	A number of initiatives are being developed to meaningfully involve and partner with our healthcare practitioners in our strategy of person-centred health and care, and ultimately, improve patients' perception of care	Held 143 PAB meetings, 14 Digital Advisory Board meetings, 194 emergency and trauma morbidity and mortality meetings and 80 emergency and trauma medical education meetings (FY2020: 336 in total)

Social and relationship capital | Doctor partnerships continued

How we engage with our doctors

- A comprehensive framework for contractual management and governance supported by the Clinical Practice Committee and its independent panel of clinicians. The panel reviews clinical matters across the Group.
- PABs in the Hospital division and morbidity and mortality meetings.
- Personalised clinical information (PCI) tool, which benchmarks doctors against their peers on quality of care, perception scores and efficiency outcomes.
- Netcare Cancer Care's multi-disciplinary team meetings, attended by surgeons, oncologists, navigators and other healthcare practitioners to plan care for patients.
- The head practitioner in each primary care facility and the Practitioners' Association – responsible for addressing medical and dental matters with primary healthcare providers and allied healthcare practitioners.
- A National Acute Manager responsible for building relationships with nephrologists at National Renal Care.
- Continuous professional development forums across all service platforms.
- Digital Advisory Boards enabling doctors to provide input on the development of specialised CareOn[1] applications.
- Our virtual online platforms, including One Netcare, the doctor's portal, Netcare **appoint**med™ and VirtualCare (telehealth platform).

How EMRs will benefit our healthcare practitioners

EMRs will enable healthcare practitioners to better collaborate across disciplines and remotely access patient charts and test results in real time, enabling more informed decision-making based on accurate information. Coordinated care will provide more efficient treatment.

1. CareOn is the Hospital division's EMR project.

FY2021 performance

- Engaged with doctors on the cost effectiveness of their care based on the PCI reports, which provide year-on-year comparative data. The tool enables effective two-way evidence-based engagement on clinical outcomes, patient experience scores and aspects that add to total cost per event. PCIs are updated quarterly.
- Critically reviewed our engagement with our healthcare practitioners using quantitative and qualitative focused analytical techniques to enhance our doctor engagement framework and strategy.
- Piloted a neuroscience-based compassion training module for our healthcare practitioners across service platforms as well as for patient-facing administrative and pharmacy employees.
- The One Netcare website will include individualised clinician webpages that our healthcare practitioners can use to differentiate themselves. We will provide users with improved search functionality to access healthcare practitioner information, which will not only allow our healthcare practitioners to reach a broader patient group, but also assist patients to find the right doctor for their needs.
- National Renal Care hosted a nephrologist workshop to introduce its healthcare partners to its new EMR system, nephrOn.
- Continued to deploy Resident Medical Officers rolled out in the first COVID-19 wave in certain Netcare hospitals. The care delivery model supports resident doctors in their treatment of patients in critical care during surges or when they need to self-isolate. The model ensures 24/7 cover for all critical care patients and allows doctors to have sufficient down time.
- Looking forward we will develop a management system that will provide a single, holistic and comprehensive view of healthcare practitioner data as well as a single coordinated touch point for engagement with doctors. This data, and access to it, will be governed by the Clinical Data Council.
- Achieved 60% doctor participation in Netcare **appoint**med™.

Source: Perreira, Tyrone, et al. "Physician Engagement: A Concept Analysis." Journal of Healthcare Leadership, vol. Volume 11, no. 11, July 2019, pp. 101–13, doi:10.2147/jhl.s214765.

Social and relationship capital continued

Funders

We are committed to engaging with funders on cost efficiency, the quality and safety of our care and our patients' experience, and collaborating on opportunities for improvement.

Most of these discussions require analytical and clinical expertise. Appropriate engagement with funders also ensures that we are able to present competitive proposals to secure our participation in identified network opportunities to increase market share.

We review and evaluate all available provider network opportunities. Restricted network proposals are carefully considered to balance cost and potential market share gains. The Tariff Committee assesses the proposals, ensuring that they are commercially sound.

Our high-cost medicine programme includes appropriate management and monitoring of medicines that have a high financial risk to both Netcare and patients due to their cost not being fully covered by medical schemes or classified as scheme exclusions. Our clinical pharmacy teams engage with doctors on medicine cost and any related funding issues, and assist with motivation letters, where these are required.

Associated risks and opportunities

Economic environment and demand for private healthcare	PG 65
Funder regime	PG 67
Delivering consistently outstanding person-centred health and care	PG 67
Implementation of the digital and data strategies	PG 68

Key takeaways for FY2021

- Continued arbitrage between annual tariff increases and higher operating costs
- The number of network requests for proposals has increased compared to FY2020
- Grew Netcare's overall representation in medical scheme networks

In April 2021, the Council for Medical Schemes (CMS) declared the following practices by medical schemes to be irregular and undesirable business practice:

- The selection of designated service providers without a fair procurement process that is equitable, transparent, competitive and cost effective.
- Imposing excessive co-payments.

The CMS was expected to publish guidelines on these declarations but has since indicated that the process has been halted pending the conclusion of an appeal process.

How we engage with funders

- Day-to-day interventions on patient coding and case management.
- Dedicated relationship managers who engage with funders on issues, including quality outcomes, patient experience and utilisation trends.
- Quarterly quality of care reports as per contractual agreements.
- Contract and tariff negotiations.

FY2021 performance

- Launched the electronic health code index for coding and case managers as well as specialists to improve our clinical classification and coding of diagnoses, symptoms and procedures. The more accurate expression of complexity of cases will ensure that our cost per event comparisons are more precise when medical schemes compare cost efficiency, which in turn, will reduce the risk of funder rejections and exclusion from networks.
- Continued to use the monitored emergency use of unregistered interventions (MEURI) framework to manage efficiency and cost per event for COVID-19 related investigational therapeutics and high-cost ethical items (see alongside).
- We are developing a report that monitors all patients who receive a high-cost medicine. The report will track payment received by funders per medicine, allowing us to pre-empt which high-cost medicines are likely to be rejected and respond accordingly.

MEURI study

Last year, we introduced a methodology to implement a standardised COVID-19 safety monitoring framework across multiple institutions within Netcare (including inpatient and outpatient settings) and to track the use, safety and efficacy of investigational therapeutics used to treat COVID-19 (including patient response, side effects and overall health) with real-time data availability across our facilities. The framework ensures that an appropriate clinical care guideline and protocol are designed based on the best available literature. The study also gives doctors the opportunity to contribute to the greater body of medical knowledge regarding investigational therapeutics for COVID-19 infections. While many doctors supported the initiative, the pressure exerted by COVID-19 made it difficult for doctors to get consent from patients to enrol them onto the programme. Enrolment in the MEURI was also advised and encouraged by some funders to assist in the reimbursement of experimental treatments used during the pandemic. The MEURI study is still open to doctors who want to participate. Analysis of the data has commenced.

Social and relationship capital continued

Suppliers

Our supplier base comprises over 4 000 suppliers. Around 60% of our procurement spend is on medicine, medical devices and medical equipment sourced from SAHPRA[1]-registered suppliers. The balance of spend relates to services, indirect supplies, property, technical services (including repairs, maintenance, consultancy services, plant and machinery) and utilities.

Key to our ability to provide high-quality health and care is our ability to sustainably procure goods and services that are compliant with regulation, quality and patient safety standards, fit for purpose and procured from suppliers who align with our strategic objectives and have the ability to service our facilities and ensure product availability. Continuous focus is placed on utilisation and cost management of consumables, medical devices and medicine across medical disciplines to reduce cost per event. Supplier engagement, negotiation and monitoring are key to ensuring we achieve these objectives.

Mechanisms that support supplier engagement

- Supplier review meetings with key suppliers (quarterly) and strategic commodity suppliers (monthly).
- Tender processes and contract negotiations.
- Service level agreements where performance against key performance indicators is measured.
- Medical conferences, exhibitions and webinars.
- Online supplier surveys.

1. *South African Health Products Regulatory Authority (SAHPRA).*

In FY2021, we continued our efforts started in FY2020 to use local supply and small business for goods and services needed to manage COVID-19. The significantly increased prices for PPE and other COVID-19 related consumables experienced in FY2020, started to stabilise from January 2021 but are not yet at pre-pandemic levels, particularly international freight costs which remain volatile and were inflated throughout FY2021. Our large inventory of PPE procured during the first COVID-19 wave was significantly reduced during the second and third waves.

Challenges experienced during FY2021 include:

- Worldwide shortages of active pharmaceutical ingredients and products.
- Long lead times for the supply of monitors, related medical equipment and computer hardware due to worldwide shortages of computer components. Lead times were further compounded by logistical challenges.
- Inflated freight costs resulted in abnormal price increases, mainly on bulky low-cost high-volume devices, which required meticulous risk management.
- Inflationary pressures are starting to materialise in some areas such as plastics manufacturing, which places pressure on price containment. This is being carefully managed.

ESG considerations

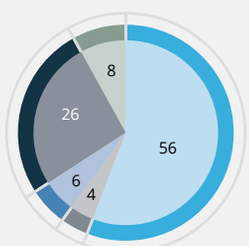
As part of our quality management, we conduct robust supplier and product vetting and meticulously assess all certifications to ensure supply chain risks are managed and that product quality is of the highest standard. All new suppliers are required to complete Netcare's standard terms and conditions of trade, as well as a compliance declaration which covers good industry practice, including ESG considerations.

Healthcare risk waste	Enterprise and supplier development	Data protection and privacy
Given the potential negative environmental impact associated with our HCRW if not treated according to regulation, we assess our treatment service providers and their operating plants. We also regularly engage with them to understand their future strategies and how these align with our goal to reach zero waste to landfill.	We identify opportunities to enhance and address any market access barriers that stunt the development of potentially high-growth black-owned or black women-owned enterprises (see page 134).	Strict measures are employed to ensure that our suppliers with whom we share our information or who have access to our systems have the necessary processes and procedures in place to protect our information.

FY2021 performance

- Updated the eProcurement platform to standardise processes, enable more flexibility in the purchasing process, and automate more aspects of the procurement process.
- Automation and digitisation will continue to be a focus for our procurement team to deliver procurement efficiencies.
- Continued to test and evaluate the products of newly identified local suppliers.
- Following the civil unrest in July 2021, we requested our strategic suppliers (medication, security, cleaning, catering etc.) to update their business continuity plans to incorporate any learnings. The updated business continuity plans have been submitted to Netcare.

Procurement spend
(%)



- Pharmacy
- Medical equipment
- Property and technical
- Indirect
- Other – dental, management, hospitals, primary care, Netcare 911

Social and relationship capital continued

Society

Our strategy explicitly commits us to pursue a more just and equitable society that is inclusive and upholds the constitutionally enshrined values of human dignity. We support government's intention to reconstruct society and the economy to be more inclusive of people who remain disadvantaged – black people, the youth, women and people with disabilities.

Introducing universal healthcare in SA will be challenging in our fractured healthcare system, but necessary to address persistent poverty and economic inequity which undermine the whole of society. Netcare stands ready to collaborate on designing and delivering sound and workable solutions that serve the health needs of all South Africans.

Testament to our belief that we are an integral part of society, it is with much gratitude that we acknowledge the support and generosity of the communities in which we operate. We have witnessed first-hand the African philosophy of Ubuntu and the value of the collective, with communities offering prayers, messages of support and thank you packs for our teams and the healthcare sector at large.

Associated risks and opportunities	
Sector regulations	PG 69
Availability and quality of skills	PG 70

Key takeaways for FY2021

- Focus on advancing National Health Insurance (NHI) has resumed
- The reduced pipeline of nursing students has been felt during the COVID-19 pandemic
- We achieved our goal to maintain a Level 4 broad-based black economic empowerment (B-BBEE) rating

Reforming SA's health system

The pandemic has highlighted that finding sustainable solutions to healthcare access requires synergy and collaboration between the private and public healthcare sectors. Reforms to strengthen the health system will continue in the foreseeable future.

National Health Insurance

National Assembly's Health Portfolio Committee is considering the NHI Bill, introduced to Parliament in August 2019, which paves the way for an NHI Fund which will purchase services from accredited public and private healthcare providers. As the Bill currently stands, medical schemes will only be allowed to offer cover for services not reimbursable by the Fund. Over 64 000 written submissions have been made to the committee, with 130 submissions being substantial. The committee plans to complete the public hearing process by the end of 2021, with 15 public hearings having been held between May to July 2021. Thereafter the Health Portfolio Committee will provide the NDoH with Parliament's proposed amendments to the Bill.

Solutions on how to finance universal healthcare remains the biggest challenge. Private hospitals fully support NHI, however are concerned about the concentration of systemic risk associated with a single fund. HASA proposes a multiple fund framework, where medical schemes continue to offer cover to members who are in a financial position to purchase private healthcare as well as pay mandatory NHI taxes, which in turn, will ensure that any additional taxes raised focus on reaching the most vulnerable in the interest of closing the inequity gap. Appropriate risk pooling across funds might be a more sustainable approach to social solidarity and closing the inequality gap as opposed to making the whole population solely dependent on the fiscus through a single NHI Fund.

An additional risk is the proposal to have 11 legislative amendments take effect when the NHI Bill is implemented. HASA's view is that legislative reform should only be considered once the NHI Fund is practically established unless a regulatory change is needed to achieve the fund objectives. This would ensure that the availability of healthcare services to eligible users is not placed at risk during the transitional phases. In addition, all proposed regulations should be subject to a public participation process.

Skills shortage

A study, commissioned by HASA and the NDoH, finalised early in 2021, confirms a shortage of approximately 27 000 nurses in SA and highlights that this gap is likely to grow to about 160 000 over the next 10 years. A concerted effort is required at a macro level to significantly ramp up the pipeline of nursing students to around 20 000 a year. This supply-demand mismatch is largely driven by an aging population, the growing disease burden, population growth, slow adoption of technology in the healthcare sector, natural attrition of nurses and the fact that nearly half of today's practising nurses are over 50 years old.

The South African Nursing Council's (SANC) new qualifications are welcome, however the restriction on the number of students that we are allowed to register on each programme is a constraint, which is being addressed with the SANC. This also challenges our ability to meet the recent amendments to the skills development pillar of the B-BBEE scorecard. We are actively participating in all the forums that seek to address this challenge.

FY2021 performance

Access to healthcare

- We are expanding NetcarePlus with new products and services that address affordability and access to care (see page 152).
- Through Business Unity South Africa, HASA and our other sector memberships, we continue to provide input on the NHI Bill. We also continue to engage with government, our peers and civil society on how private healthcare resources can be substantive contributors to advance the constitutional ideal of universal access to quality healthcare, and to respond to the structural weaknesses that threaten the healthcare sector.

Healthcare workers

- Supported the NDoH's Sisonke J&J vaccine rollout programme for all healthcare workers in SA. We mobilised our hospital pharmacists to assist public vaccination sites, including the Chris Hani Baragwanath Hospital, Prince Mshiyeni Memorial Hospital, Inkosi Albert Luthuli Central Hospital, Steve Biko Academic Hospital, Groote Schuur Hospital and Edendale Hospital vaccine sites. We were also part of the B4SA Hospital Vaccine workstream and the Electronic Vaccine Data System workstream.
- We are participating in the working committee of public sector, private sector and statutory body representatives, which has been established to develop a well-costed implementation strategy to train approximately 50 000 nurses and to co-create job opportunities. The committee will report to the National Economic Development and Labour Council (Nedlac) and the Presidency through the Public Private Growth Initiative office, and has started the process to engage with the new Minister of Health.
- Collaborated with HASA to submit a target-setting proposal to the Department of Employment and Labour (DoEL) for new healthcare sector-specific employment equity targets. The proposal requests that aspects such as the poor economic climate, gender imbalances in the sector, skills shortage, restrictions on student enrolments and time to qualify as a general nurse also be considered in target determination. The DoEL has reviewed the proposal and requested a follow-up meeting with HASA. Once promulgated, designated organisations must comply with the sector-specific targets to be awarded an employment equity compliance certificate.

Sharing our expertise and resources

- Engaged with two public hospitals to help them improve their readiness to pilot their own universal newborn hearing screening programmes.
- We are engaging with public sector hospitals on providing them with donor human breastmilk for babies from our Ncelisa Human Milk Banks (which are mandated to provide 1/3 of all milk processed to babies in the public sector). Partnerships are in place with Charlotte Maxeke Johannesburg Academic and Rahima Moosa Mother and Child Hospital. 698 babies were fed with donor breastmilk collected across our five Netcare Ncelisa Human Milk Banks (FY2020: 688) with 185 mothers donating their excess breastmilk (FY2020: 191). 151 babies in the public sector have benefitted from this milk (FY2020: 189).

Social and relationship capital | Society continued

Stakeholder engagement in action

Preparation for vaccinating our healthcare workers in the first half of 2021, required the collaboration of a number of key stakeholders. The private sector worked closely with the NDoH to provide a consolidated view of the number of healthcare workers requiring vaccination. We worked with the NDoH's IT and technical teams to ensure that all our healthcare workers were registered as vaccine candidates, removing the hassle of them having to self-register. Scheduling plans prioritised our most at risk patient-facing healthcare workers and ongoing communication kept our healthcare workers updated about the vaccine and its roll out. Several Netcare acute facilities were registered as vaccination sites for this phase of the vaccination rollout programme.

Transformation

Our transformation strategy

Strategic initiative

Our transformation strategy and initiatives are grounded in the principles of social justice, and designed to address the systematic and structural inequalities in SA. This year, we made remarkable progress in advancing socioeconomic transformation (set out alongside) across all five pillars of the B-BBEE scorecard despite the disruptions brought about by COVID-19.

FY2007
Level 5 rating

Adopted the Department of Trade, Industry and Competition's Broad-based Black Economic Empowerment Codes of Good Practice (dtic Codes).

FY2014
Level 2 rating

Received numerous accolades recognising Netcare as a transformation trailblazer in the healthcare and pharmaceuticals sector.

FY2015
Level 8 rating

Our rating dropped against the revised dtic Codes, largely due to not meeting the new requirements for enterprise and supplier development (ESD). An integrated transformation improvement plan was introduced to achieve a Level 5 rating by FY2020.

FY2018
Level 5 rating

Met our Level 5 B-BBEE rating objective two years ahead of schedule as a result of good progress made in targeted initiatives for Board and leadership diversification, skills development learnerships, preferential procurement and care of indigent patients.

FY2020/21
Level 4 rating

Developed a new transformation plan in FY2020 to achieve a Level 4 rating in FY2021, which we met a year earlier in FY2020. For FY2022, we aim to maintain our Level 4 B-BBEE rating (including improvement in our preferential procurement) and drive the achievement of our FY2026 employment equity targets.

Our transformation plan

Ownership

FY2021 internal ownership target score: met and exceeded

- Maintain black and women ownership.
- Generate value for the beneficiaries of our B-BBEE share schemes[1].

Leadership and workforce diversity

FY2021 internal management control target score: met and exceeded

- Ensure racial and gender diversity in our workforce and leadership structures.
- Promote social cohesion by tackling discrimination in the workplace.

Skills development

FY2021 internal skills development target score: met and exceeded

- Upskill our nurses (various six-month in-service programmes).
- Provide bursaries and development programmes for high-performing employees.
- Continue offering vocational learning opportunities for unemployed youth, including people with disabilities.

Enterprise and supplier development

FY2021 internal ESD target score: met and exceeded

- Support small, medium and micro-enterprises (SMMEs) by diversifying our supply chain.

Socioeconomic development

FY2021 socioeconomic development score: achieved all five points

- Increase access to quality health and care for indigent South Africans.

1. *The Health Partners for Life (HPFL) Trust comprises our employee share scheme, the Mother and Child Trust, the Physician Partnership Trust and the Healthy Lifestyle Trust.*

Social and relationship capital | Society continued

Our management and leadership development programmes aim to build a pipeline of talent and are aligned with our objective to normalise our workforce diversity profile in line with SA's economically active population (EAP) and create an organisational environment of empowering differences and enhanced diversity of thought and decision-making. Our workforce reflects our belief in diversity, human potential and the right to decent work for all South Africans across all races, gender identities, religion, sexual orientation or disability. Our focus remains on creating an inclusive organisational culture in which everyone feels they belong.

SA's high level of youth unemployment is of critical concern. We have a number of programmes that aim to make a contribution in this area, one of which is the Presidential Youth Employment Service (YES) programme. Our internships, workplace experiential learning and learnership programmes equip young unemployed people with the skills needed to enter the labour market; whether at Netcare or in the broader healthcare sector.

Achieving inclusive economic growth also requires concerted effort to diversify supply chains and support SMMEs, to build entrepreneurship and stimulate job creation. This has a ripple effect in addressing SA's prevailing socioeconomic inequalities. Specific programmes are in place to ensure we improve our procurement spend with black-owned and black women-owned enterprises in our supply chain and strategic projects to support ESD and newly qualified medical doctors.

FY2021 performance

Employment equity

18 346
employees
(FY2020: 19 214)

79.7%
of our workforce are
black South Africans
(FY2020: 79.0%)
(EAP: 91%)

81.2%
of our workforce are
women
(FY2020: 81.6%)

64.4%
are **black women**
(FY2020: 64.2%)

4.2%
of our workforce are
people with disabilities
against a target of 4.1% and above the national target of 2%
(FY2020: 3.9%)

52.9%
of middle managers are **black**
against a FY2021 target of 51.6%
(FY2020: 48.9%)

- **Strategic initiative** Approved a new five-year employment equity plan to FY2026.
- 44.4% of the Netcare Board are black people (dtic target: 50%), 44.4% are women and 33.3% are black women (dtic target: 25%).
- Appointed two women as members of the Executive Committee, resulting in women representation increasing by 14% to 31%; however, black representation declined 4% to 38% (see page 26)[1]. Gender and racial diversity at this level remain key focus areas, particularly our under-representation of black people.
- Improved overall black representation across all occupational levels; meeting our targets at middle management level for black and black women representation and for people with disabilities. We missed our target at senior management level and marginally missed the target at junior management and skilled worker levels (see page 80).
- 84.5% (FY2020: 84.4%[2]) of all recruitments and promotions went to black people, with 68.1% (FY2020: 66.1%[2]) being black women.

1. In terms of the B-BBEE scorecard, which excludes the CEO and CFO for management control, five Executive Committee members are black (45.5% against a dtic target of 60%) and four are women (36.4%) and one is a black woman (9.1% against a dtic target of 30%).
2. Restated to exclude foreign nationals.

FY2021 performance continued

Skills development

R49 million
training spend
(SDP2020: R66 million)

91%
(R45 million) was invested in
developing black employees
(SDP2020: 92%)

82%
(R42 million) was invested in
developing black women
(SDP2020: 83%)

1%
(R1 million) was invested in
employees with disabilities,
the decrease being as a result of the COVID-19 restrictions on training
(SDP2020: 4%)

Note: skills development period (SDP) is 1 April 2020 to 31 March 2021 as per the Health and Welfare Sector Education and Training Authority (HWSETA).

- The recent amendments to the skills development pillar of the dtic Codes, the need to either delay or pause learning and development programmes due to COVID-19 between April 2020 and March 2021, and restrictions on the number of nursing students that can be enrolled by Netcare Education had a significant impact on our skills development performance. Investing in the development of our people is a key focus for the Group, and together with our objective of improving our skills development performance rating, we expanded our bursary programmes for career and succession development and unemployed youth, and enrolled more YES learners, dental assistant interns and clinical engineering technician interns to address skills gaps.
- Strategic initiative Increased our commitment to train YES learners beyond our initial objective of 1 000 learners by September 2022. At September 2021, 1 167 youth had started a learnership or internship programme with another 325 learnership spots still to be filled. To date, 417 YES learners are gainfully employed, equating to 97% of the 428 YES learners who have successfully completed their learnership or internship. 70% of these learners are now permanently employed at Netcare.

Preferential procurement

R12.3 billion
procurement spend
(FY2020: R11.7 billion)

93%
(R11.4 billion) of total procurement spend was measurable under the
dtic Codes
(FY2020: 99%)

108%
of measurable spend was with
B-BBEE compliant suppliers
(dtic target: 80%)
(FY2020: 86%)

- 48.6% (R5.6 billion) of measurable spend was with >51% black-owned enterprises (dtic target: 50%; internal target 36%) and 28.2% (R3.2 billion) was with 30% black women-owned businesses (dtic target: 12%, internal target: 23%).
- Strategic initiative 8.0% (R914 million) of measurable spend was with qualifying small enterprises (QSEs) (moderated internal target: 8%) and 3.1% (R355 million) was with emerging micro enterprises (EMEs) (moderated internal target: 7%).

Social and relationship capital | Society continued

FY2021 performance continued

Enterprise and supplier development

R62 million

ESD spend

(FY2020: R71 million)

Invested

R45 million

in supplier development,

of which 62% (R28 million) was measurable under the dtic Codes, equating to 3.7% of net profit after tax (NPAT)

(dtic Code target: 2%)

Invested

R17 million

in enterprise development

supporting the growth of black-owned SMMEs. Of this amount, 47% (R8 million) was measurable under the dtic Codes, equating to 1.0% of NPAT

(dtic Code target: 1%)

- 50% of medical doctors with admission privileges are black doctors (FY2020: 48%). Of the 68 doctors recruited in the Hospital division, 74% are young black doctors.
- Supported the establishment of the North Coast Emergency Group (a 68% black-owned emergency practice operating at two of our hospitals in KwaZulu-Natal).
- **Strategic initiative** Since 2018, the My Walk Made with Soul project has diverted over 49 000 kilograms of our high-quality PVC waste (including drip bags and oxygen masks and tubing) from incineration or being sent to landfill to make 63 586 pairs of school shoes for underprivileged children (over 31 500 pairs of shoes donated to date). The solution supports education, job creation, enterprise development and environmental improvement. In total, 20 Netcare hospitals are participating in the initiative as well as an entrepreneurial business supporting seven jobs.
- **Strategic initiative** Developed a structured ESD support programme, with our external partner conducting baseline assessments of our ESD beneficiaries to define the support they need in terms of accounting, financial and governance compliance and reporting matters.
- Of our 15 ESD partners (FY2020: 14), eight (FY2020: six) are enrolled on the structured development programme, which regularly monitors their financial and operational performance. They are provided with access to markets and specialised support that helps assist them grow their businesses. 11 of these businesses are majority black women-owned businesses. Our ESD beneficiaries supported 204 jobs in FY2021 (72 new jobs created).
- 92 suppliers are receiving early payment terms and 37 doctors receive enterprise development support.

MYWALK MADE WITH SOUL

Netcare Ulusha YES Hub

Strategic initiative After being delayed due to COVID-19 restrictions last year, construction of the Ulusha Hub in Alexandra, Johannesburg, is now complete, with Phase 1 launched in May 2021. The aim of the project is to facilitate inclusive economic growth by addressing barriers to skills development, youth employment and sustainable entrepreneurship growth. Netcare sponsored the construction of the hub, which incubates high-potential small businesses from Alexandra.

The hub currently hosts the Cut Make and Trim Factory, the Culinary School and Restaurant, a 3D printing lab, a pottery and ceramics training and production centre and the YES for Youth enrolment centre. Young people who register at the enrolment centre are offered assessment, training, work opportunities, assistance with career guidance or new business ideas as well as access to networks, markets and partner support. In Phase 2, the hub will be expanded to include a drone academy, creative hub, digital lab and business centre.

Over
8 000
unemployed youth
enrolled at the Yes for Youth Centre.

38
young people
employed at the hub, by Hluvuko Designs.

The businesses operating at the hub
all offer youth training in their respective fields
from textile manufacturing and chef and culinary training to training on how to work with 3D printing systems.

Social and relationship capital | Society continued

Force for social good

Our success is intrinsically linked with the communities we serve. We invest in community and nation-building initiatives that align to our organisational competencies. The Netcare Foundation's medical assistance programmes provide access to quality healthcare for low-income and black South Africans. Our corporate social investment (CSI) strategy also prioritises health science education, specialised surgical programmes as well as sexual assault assistance programmes. We carefully select initiatives that are sustainable and capable of using the resources of the Netcare Foundation to achieve maximum impact.

Each Netcare hospital, facility and service platform supports social initiatives that address the specific needs of the communities in which they operate.

The non-executive and executive directors of the Board donated funds to the families of our fallen heroes who set examples of service leadership during the pandemic.

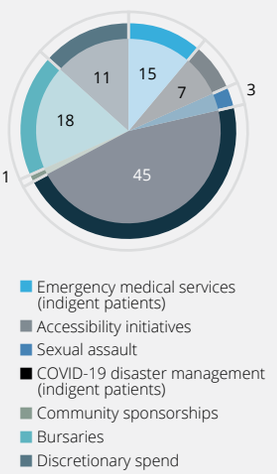
Our HPFL Trusts, established two years prior to the promulgation of the dtic Codes, support designated groups (academically deserving black doctors) and communities (early childhood development, various medical procedures and mental health services for young people, parents and teachers).

FY2021 performance

Corporate social investment

- Our CSI spend totalled R31 million (FY2020: R17 million) with 93% of our beneficiaries being black people (FY2020: 93%). 55% of our CSI spend qualified under the dtic Codes, equating to 2.3% of NPAT (dtic target: 1% of NPAT with 75% of beneficiaries being black).
- Treated 117 (FY2020: 65) indigent patients in need of COVID-19 care at a cost of R14 million (FY2020: R2 million). We also treated nine victims of the July riots who were admitted to hospital and underwent major surgery.
- Of the 484 sexual assault survivors treated free of charge across our 37 Sexual Assault Crisis Centres, 36% were under 18 years old, 93% were women and 81% were uninsured. 63% of survivors were encouraged to press charges, supporting efforts to fight the high levels of rape in SA. Over 14 500 survivors have been assisted since 2000.

CSI spend breakdown
(%)



Trusts

- The Mother and Child Trust donated R3 million in August 2021 for various medical procedures, including cochlear implant and cleft lip and palate programmes.. The Netcare Foundation has received these funds. The Trust has also donated R1 million since 2014 to 21 early childhood development centres based in Braamfischerville, Soweto, including libraries that assist the development of physical, cognitive, emotional and social skills in young children.
- Since 2007, the Physician Partnerships Trust has granted doctoral scholarships to 20 black doctoral fellows studying at local and international universities. 11 fellows have completed their doctoral theses and nine are at various stages of their doctorates. To date, our cumulative spend in this initiative is R61 million with R13 million (around R6 million for FY2022) set aside for those doctors who are still completing their degrees. A mentorship programme is being implemented for the fellows.
- The Healthy Lifestyle Trust donated R1 million to the development of a counselling container in Ivory Park, Johannesburg, and a teen depression and suicide prevention school outreach programme.

ESG report (for detailed disclosure).


NETCARE

Human and intellectual capital

Our people

COVID-19 has exerted enormous pressure on our employees who have had to work long hours providing compassionate health and care to our patients under challenging circumstances.

This was compounded by the national shortage of healthcare professionals experienced in both the private and public sectors. Despite these pressures, our people have demonstrated resilience, dedication and agility, persevering despite long shifts, exhaustion, anxiety and stress. The psychosocial toll paid by our frontline employees – in constantly confronting illness and, very sadly, the death of patients, colleagues and family members – should not be underestimated and we thank our people for their unwavering commitment, calibre and daily acts of courage and compassion.

Over and above our employee wellbeing programme delivered through Independent Counselling and Advisory Services (ICAS), a special psychosocial support initiative was introduced in FY2021 to provide our frontline workers with a comprehensive care programme and to serve as a mechanism to retain nursing staff during these challenging times. In addition, a new working model was introduced to provide temporary assistance to our frontline teams, in areas experiencing high patient volumes of very ill patients. This included extra personnel (clinical associates, emergency medical services staff and care workers) as well as the recruitment of students and volunteers in both clinical and non-clinical disciplines. Recruits were also used to facilitate the Family Connect Line. All recruits worked under guidance and supervision.

Associated risks and opportunities

Implementation of the digital and data strategies	PG 68
Availability and quality of skills	PG 70
Competitor activity	PG 69

Key takeaways for FY2021

The pressurised work environment brought about by COVID-19 has resulted in a higher turnover than usual among our nursing staff; retention strategies are being developed and additional psychosocial support provided	The mental and emotional wellbeing of our people has never been more crucial than during the COVID-19 pandemic	R49 million was invested in training and development (FY2020: R66 million), equating to 1.2% of our payroll and exceeding the 1% prescribed by the Skills Development Act	Netcare Education's student numbers for formal nursing qualifications have decreased from over 3 600 in 2012 to just over 1 440 at September 2021 due to the reduced allocation of students on SANC's new qualifications

	2021	2020	2019
Number of permanent employees	**18 346**	19 214	20 193
New employees	**2 058**	1 687	1 869
Employee turnover	**15.9%**	13.9%	14.6%
Union membership	**50.9%**	52.8%	52.7%

Note: excludes National Renal Care. Numbers have been restated to include PPPs.

Employee wellbeing (#WeCare)

Employees identified as being at higher risk of severe COVID-19 infection are accommodated appropriately according to our risk stratification guidelines, which may include excluding them from working in certain zones or transferring them to non-patient facing areas. In our office settings, remote working, dedicated work areas and rotational shifts are implemented. Healthcare workers take fully paid special leave (and not sick leave) in the event that they have to quarantine due to high risk exposure. If an employee contracted COVID-19 at work or there is a high possibility that this is the case, they are entitled to claim workers' compensation.

While the health and safety of our employees is always a priority (see page 118), COVID-19 intensified the challenges faced by our people, making it increasingly important for us to prioritise their mental and emotional wellbeing. Our focus remains to protect our people from infection, caring for those who are infected or ill and ensuring that our people receive the support they need to remain resilient.

Human and intellectual capital | Our people continued

FY2021 performance

Employee wellbeing

The overall ICAS engagement rate was 18.4%
(FY2020: 19.3%)

Of those employees who used ICAS,

62.3%

accessed professional counselling with mental health challenges being the largest problem category
(FY2020: 54.2%)

4.8%

of cases were formally referred for assistance
(FY2020: 5.1%)

55 social workers

delivered over 50 000 counselling interventions during the second and third COVID-19 waves, assisting our employees and our patients and their families

379 managers

used the managerial support programme, which assists them to effectively engage with their teams, deal with and resolve conflict, and identify and support employees experiencing specific challenges

126 webinars

delivered emotional impact training to 963 employees, covering stress and burnout, wellness, crisis management and customer excellence

- Continued to provide a 24-hour Netcare COVID-19 Care Line and reverse billed SMS service that engages with nurses in self-quarantine on their health and wellbeing.
- The onsite social workers, contracted through one of our ESD beneficiaries, provided individual and group counselling sessions for frontline workers (trauma debriefing, emotional and supportive counselling, coping skills and self-care strategies, and referral for further support, where required).
- Through ICAS, provided 658 employees and their immediate family members with group counselling interventions to help them process shock and trauma.
- For our paramedics, who have not escaped the levels of mental strain brought about by COVID-19, an enhanced mental wellness programme was launched in partnership with Akeso Clinics and includes group therapy sessions.
- Netcare Cancer Care launched a wellness programme to equip staff with the skills to manage distress and relationships, promote self-care and practise mindfulness. All nurse navigators are required to attend sessions with Akeso Clinics counsellors once a month.
- Medicross introduced listening forums for employees to collectively reflect on the hardships endured during the COVID-19 surge periods. The forums provide a supportive environment where employees can express their thoughts, feelings and concerns. The sessions are used to gauge the overall morale in clinics and explain why certain policy decisions have been made.
- National Renal Care provides its employees with a peer support programme to encourage coping through shared experience. It also hosts virtual feedback sessions to give employees within regions the opportunity to share how they are feeling, to address any pressing needs and to inform staff of important news and updates, as well as regional quality leadership forums focusing on wellbeing, building resilience and leadership during COVID-19.

Employer of choice

We continually work to distinguish our employee value proposition to position Netcare as an employer of choice, and strive for a harmonious, fair and productive working environment based on trust and cooperation. Engaging with our employees, and acknowledging their extraordinary efforts, has been critical over the past two years. We have implemented initiatives to augment our usual engagement methods both with employees and the trade unions that represent them.

Engagement and tools to support change are also critical as we move to digitise Netcare. Over the past three years, a range of organisational change initiatives have been introduced to support new ways of working, drive change acceptance and develop the skills needed to ensure the successful implementation of projects.

We reward employees for their contribution to the Group. Our remuneration policy is designed to support our ability to attract and retain talent at all levels of the organisation and drive a high-performance culture. Remuneration decisions consider Group, team and individual performance as well as values and behaviours that promote the delivery of person-centred health and care.

How we engage with our employees

- Employee engagement assessments (ordinarily conducted every two years).
- Workplace Transformation Committees at each site, comprising employee and management representatives trained on transformation-related legislation.
- Employee wellbeing programme (counselling and advice, managerial support programme and a health and wellness service).
- Strategy roadshows and dialogues, as well as Leadership in Touch Forums, providing managers and employees with the opportunity to engage on specific or general issues.
- Diversity interventions (diversity dialogues, focus groups, surveys and customised workshops).
- CARE4YOU engagement platforms and workshops to build resilience and respond with compassionate care and empathy (compassionomics).
- Change management interventions (change readiness surveys and emotional impact assessments).
- Contract and annual salary negotiations, and national consultative forums with trade unions, representing employees in the Hospital and Primary Care divisions.
- Confidential SHOUT hotline, which enables employees to report alleged or perceived incidents of racism, sexism, discrimination, harassment and any human rights violations.

FY2021 performance

Employee engagement

- Used Nurses Day to celebrate our nursing staff, with video messages of gratitude delivered by the Executive Committee and senior managers played across all our facilities and posted to our social media platforms.
- Set up additional platforms to maintain leadership visibility and support decision-making, with regular engagement from Richard Friedland, our CEO.
- Awarded all employees and subcontracted staff with COVID-19 Netcare Frontline Hero medals to recognise their compassionate, person-centred care during the pandemic.

Competitive remuneration, benefits and recognition

- Between 1 July 2020 to 15 October 2020, we received R5 million from government's Temporary Employment Relief System for employees that were not paid or paid less as a result of COVID-19.
- Approved annual salary increases, linked to the consumer price index, with employees at levels below executive level receiving a higher percentage increase.
- The Remuneration Committee approved a special discretionary payment for managers in December 2020.

Remuneration overview: PG 100.

Human and intellectual capital | Our people continued

FY2021 performance

CARE4YOU

Strategic initiative CARE4YOU uses positive psychology to drive behaviours of compassion, kindness and empathy as a way of living and working at Netcare. The programme is designed to recognise individual and team performance, and enable all employees (clinical and non-clinical staff) to experience both giving and receiving of compassion.

By September 2021, CARE4YOU had been implemented at nine hospitals with 395 managers and compassion ambassadors trained to spearhead the programme. 2 121 employees had been enrolled on the blended programme, which includes theoretical content and experiential workshops. CARE4YOU training will also be provided to non-permanent staff, including security, cleaning, catering and agency nursing personnel. A second module of CARE4YOU will be developed to build resilience and deliver exercises to develop mindful compassion in the workplace. Our goal is to use this platform to create a culture of continuous learning and development in compassion.

The programme also includes a digital gratitude card platform enabled in nine hospitals that allows patients to express gratitude to the employees and teams who have cared for them. The digital gratitude cards are delivered to the mobile device of the acknowledged employees and posted on gratitude boards displayed in the wards. This initiative is a powerful personal motivator for our employees and positively impacts the patient experience.

The feedback from employees indicates that the programme is valuable, healing, motivating and empowering. The impact of this initiative will be measured by the scores received in the patient feedback survey.

We intend to roll out the CARE4YOU programme, associated compassionomics workshops and the gratitude card platform across all Netcare hospitals in FY2022 and continue to reinforce the CARE4YOU message at sites where the programme is already running. Looking ahead, we plan to extend the gratitude platform to allow visitors and family members to send thank you cards, and to allow doctors to receive messages of thanks.

Change management

- Continued to assess change readiness, and engage with and prepare employees and doctors for the implementation of CareOn, both in our hospitals and Akeso Clinics pilot sites.
- Delivered a number of post CareOn implementation interventions to ensure effective adoption. Regular nursing toolbox talks and surveys identify challenges being experienced so that they can be addressed and determine whether further change management support is required. Care sessions facilitated by Akeso Clinics' therapists provide employees with an opportunity to safely express their feelings and provide support and training on coping strategies, managing stress and resilience.

Employee relations

- Successfully concluded the FY2021/22 wage negotiations with three of four recognised trade unions and entered into collective agreements regarding employee health and safety. A wage dispute with the fourth trade union remains unresolved.
- Held discussions with trade unions on our health and safety initiatives and the management of employees affected by COVID-19, as well as the sector skills gaps and skills development opportunities, and progress made in this regard.
- The Group's headcount dropped 4.5% to 18 346 mostly due to attrition and a freeze on appointments. Only 28 roles became redundant and all retrenchments followed the requirements set out in our collective bargaining agreements.
- Eight grievances about labour practices were received; all were addressed and resolved (FY2020: six).

Diversity and inclusion

We aspire to be a fully inclusive employer. Diversity enriches our organisational culture and enhances our employee value proposition, attracting talented individuals who are passionate about delivering person-centred health and care. Our leadership is committed to dealing with racism and inappropriate behaviour, and to breaking down the barriers to social cohesion. We are working to create safe spaces where employees can have difficult conversations or challenge inappropriate behaviour to advance social cohesion within our workforce. In FY2020, our wellbeing survey highlighted a need for the development of a diversity and inclusion programme, which we have started implementing.

Our zero-tolerance approach to all forms of discrimination covers our employees, contractors, healthcare providers and partners as well as our patients and their families.

FY2021 performance

- **Strategic initiative** Successfully piloted a diversity and inclusion programme at an Akeso Clinic. Diagnostic focus group discussions were held with management and a sample of employees. The programme has since been upscaled with 64 leaders and employees from eight hospitals attending diagnostic focus group discussions to help us identify the needs, experiences and challenges faced by our people. The feedback received was used to inform customised engagement workshops for each operation. The programme will be held at 13 additional facilities in FY2022.
- Four cases of unfair discrimination, racism and/or workplace bullying were reported through the SHOUT Line (FY2020: 11). For all cases where employees have provided their consent, investigations were conducted and all have been resolved. ICAS and Akeso Clinics provide support to those who have been aggrieved.
- 710 new employees provided with awareness training on our zero-tolerance approach to discrimination and harassment (FY2020: 1 165).
- Looking forward, we will conduct digital surveys to explore how our people experience our culture of diversity, inclusion and belonging.

Training and development

We have a strong culture of people development with a range of structured learning and development programmes that equip our workforce at various levels with the skills required to perform at their best. Our management and leadership programmes are designed to develop a diverse pipeline of scarce, core and strategic skillsets needed to deliver our business strategy, drive the development of black people, and support succession planning. Programmes like ***Caring the Netcare Way*** and ***Leading the Netcare Way*** aim to enhance behaviours that support our culture of care.

We direct most of our training spend to developing healthcare professionals with a focus on registered nurses, paramedics and pharmacist practitioners. Our nursing qualifications are accredited by SANC and aligned to the National Qualifications Framework (NQF). Given the restrictions of our student enrolments on formal nursing qualifications, our nurses attend six-month in-service certificate programmes to ensure they are fully equipped to care for our patients and deliver the best and safest person-centred care.

The key behavioural traits and abilities we believe will be required by our future managers and leaders are incorporated into our management and leadership development programme curricula. These behaviours include service leadership, adaptability, the ability to drive change, a global mindset, the ability to communicate effectively and critical thinking.

Our training metrics are calculated for the skills development period April 2020 to 31 March 2021 as per the HWSETA measurement year.

Voted the preferred employer in the healthcare sector in the bp STUDENTS' CHOICE AWARDS, as voted for by tertiary students in the largest survey of its kind.

Human and intellectual capital | Our people continued

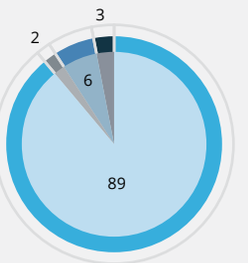
FY2021 performance

Training

- Invested 89% of our training spend in formal career-oriented NQF programmes (SDP2020: 84%).
- 84% of training spend benefitted unskilled and semi-skilled mid-level workers.
- 354 nurses enrolled on the six-month in-service programmes (SDP2020: 352).
- 320 nurses (SDP2020: 899) participated in our intensive care unit (ICU) upskilling programme, implemented last year to increase ICU nursing resources to manage COVID-19.
- 120 employees participated in our academic development programme, which addresses skills gaps in numeracy, business communication, research, computer literacy and English (SDP2020: 95). The programme prepares the candidates for our SDP2022 intake to our new nursing qualifications.
- 13 357 employees had completed education and awareness training on the Protection of Personal Information Act (POPIA) by October 2021, using a blended model of eLearning and classroom sessions.
- Developed a patient centric skills programme for Akeso Clinics' frontline administration and finance support teams. 131 employees attended this training.

1. Includes computer skills, systems-related, CARE4YOU, diversity and inclusion and continuous professional development training.

Breakdown of training spend (March 2021) (%)

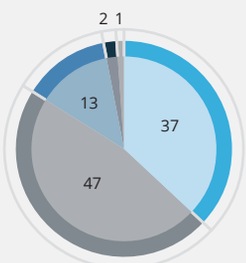


- Formal nursing training (SDP2020: 72%)
- Emergency and critical care training (SDP2020: 6%)
- Management and leadership development (SDP2020: 6%)
- In-service and continuous professional development programmes[1] (SDP2020: 16%)

Management and leadership development

- Our management programmes were particularly impacted by COVID-19.
- Implemented eLearning and blended delivery methods for our management and leadership programmes, minimising the need for classroom learning during the pandemic.
- Developed a customised executive leadership development programme for 25 of our top performing leaders across the Group. The programme will identify talent and build a talent pipeline for key roles. Coaching to build individual strengths and improve where gaps may exist will run until December 2021 with an evaluation session scheduled for April 2022.
- The 13 middle managers enrolled on our senior leadership development programme in partnership with the University of Pretoria, have resumed their training and the programme is expected to conclude in November 2022 (delayed due to COVID-19). Pleasingly, the programme has assisted in identifying talent for promotion, including black, female talent for three senior leadership roles within the Group.
- Resumed the four management development programmes from February 2020 that were postponed due to COVID-19. Additional online refresher sessions helped these participants manage the interruption in their learning.
- Enrolled 93 (88% black) shift leaders, unit managers and heads of departments in a new cohort of our management development programme, delivered via a blended learning approach (SDP2020: 387).
- Rolled out the eighth phase of the ***Leading the Netcare Way*** initiative, reaching 53 nursing managers (SDP2020: 86).

Breakdown of spend per employment level (March 2021) (%)



- Unskilled workers
- Semi-skilled workers
- Skilled technical and qualified workers, junior managers, supervisors, foremen and superintendents
- Professionally qualified and experienced specialists and middle managers
- Other

Training

(at March 2021)	**2021**	2020	2019
NETCARE[1]			
Employees trained			
Paramedics	**1**	31	19
Nurses enrolled on formal nursing programmmes[2]	**1 025**	1 240	1 353
Six-month in-service programmes for nurses	**354**	352	530
Other training programmes	**11 351**	13 653	14 412
Total employees trained	**12 731**	15 276	16 314
% of employees trained who are women	**86.0%**	90.0%	89.6%
Training interventions and spend			
Number of training interventions delivered	**25 335**	50 378	59 618
Skills development spend	**R49 million[3]**	R66 million	R84 million
NATIONAL RENAL CARE			
Clinical technology students	**11**	5	6
Postgraduate clinical technologists	**4**	4	5

1. Excludes National Renal Care.
2. SANC accredited and registered on the NQF.
3. 1.2% (SDP2020: 1.1%) of payroll, comparing favourably with the 1% requirement prescribed in the Skills Development Act No 55 of 1998.

Human and intellectual capital continued

Digital transformation and data

In delivering a person-centred approach, which encourages ownership and participation by patients in their health and care, the digitisation of our entire ecosystem is critical.

Good progress was made to get the digital and data programme back on track and within budget, despite the ongoing impact of COVID-19. In FY2022, we intend to complete the EMR implementations in Akeso Clinics and National Renal Care, and to implement the Hospital division's EMR project (CareOn) at a further 13 hospitals, bringing the total to 20 by September 2022.

The pinnacle of our digitisation journey will be to give our patients seamless access to their healthcare data and the services they need, through an interactive, transactional website and ultimately their mobile phones, enabled by the customer engagement management (CEM) platform. The CEM platform will enable patients and the broader public to engage with our full ecosystem of services, including digitally booking appointments, reviewing their discharge summaries and conducting online hospital pre-admissions, as well as purchasing NetcarePlus products.

The quality and integrity of our data is critical to accurate communication with our patients through the CEM, and to inform operational processes and decision-making. In FY2021, we clarified accountability for data quality and identified some challenges in our clinical and patient demographic data. These will be remediated in FY2022 towards our goal of maintaining a data quality score of over 80% across our service platforms.

Using AI to analyse our comprehensive datasets will yield enhanced treatment protocols and clinical outcomes, as well as operational processes.

In April 2021, Netcare Digital was established as a jointly owned company between Netcare and A2D24.

The value that will be created by our digital strategy can be found in the value outcomes section: PG 88.

Associated risks and opportunities

Delivering consistently outstanding person-centred health and care	PG 67
Implementation of the digital and data strategies	PG 68
Cybercrime and cybersecurity	PG 68
Competitor activity	PG 69

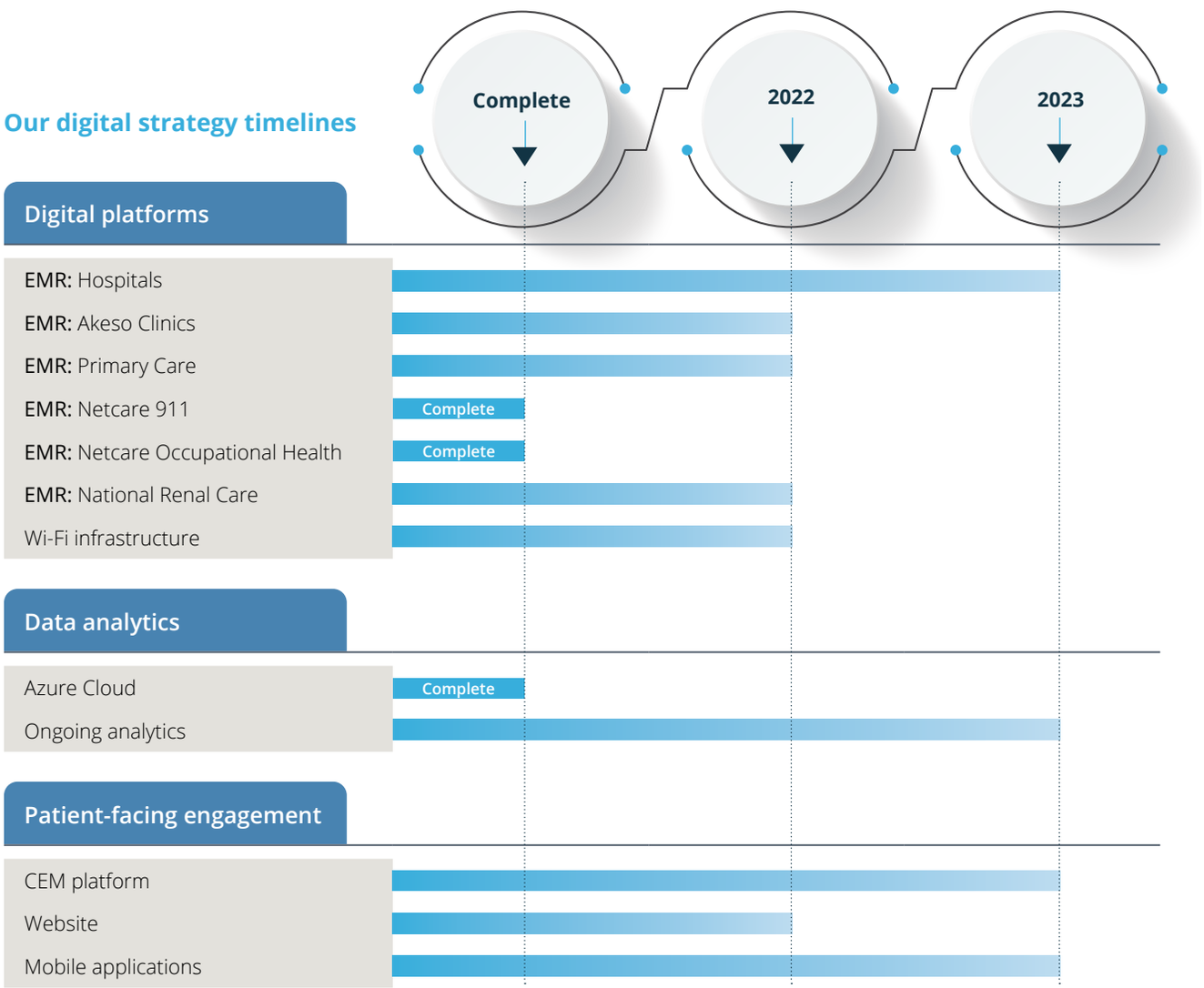
Our digital strategy road map

1	2	3
Digitise the entire patient experience	**Create a customer engagement platform**	**Leverage data to drive personalised health and care**
2019 – 2023		
Use technology to make every patient interaction with Netcare seamless and empower patients with the information and tools they need to take co-responsibility for their health	Amalgamate and unify data from all sources created by Netcare's digital infrastructure into a data platform to create a single 360-degree view of a patient in real time	Use our wealth of data to drive predictive data analytics and targeted patient treatment plans, resulting in a more personalised health and care experience for our patients
Exceptional experience for patients		

Key takeaways for FY2021

The digitisation and data programme is back on track and within budget despite COVID-19 delays	Where EMRs were in operation during COVID-19 waves, doctors were able to limit their presence in wards while still managing patients remotely, timeously and effectively	Continued focus on cybersecurity and the protection of personal information

Our digital strategy timelines



Human and intellectual capital | Digital transformation and data continued

Electronic medical records

Strategic initiative Access to single view EMRs across all our service platforms will deliver patient-focused care based on seamless data collection, and accurate measurement and reporting of clinical outcomes. It will give patients access to their records and results, enabling them to participate in their healthcare and make informed decisions. It will give healthcare practitioners access to real time, accurate information anytime and anywhere, and all healthcare practitioners will gain the same clinical understanding of a patient, to support collaborative and coordinated care, and better healthcare outcomes.

The CareOn application offers remote access to patient information – a capability available in only a handful of hospitals globally. All documentation, whether administrative or clinical is captured electronically, replacing manual, paper-based and fragmented clinical records and systems. Doctors are able to request nursing interventions and order and receive results of diagnostic tests.

In FY2022, we will begin providing patients in our digitised hospitals, Netcare 911, Akeso Clinics and National Renal Care with their own discharge summaries, prescriptions and care notes.

FY2021 performance

NETCARE

Hospital division (CareOn)

- Netcare Rehabilitation Hospital in Gauteng became our first fully digitised hospital on 1 June 2021. This was followed by full CareOn implementations, including our new maternity and neonates modules, in the Western Cape at Netcare Kuils River, Netcare N1 City and Netcare Blaauwberg hospitals and at Netcare Milpark, Netcare Jakaranda and Netcare Femina hospitals in Gauteng. The Western Cape implementations were successful despite the second and third COVID-19 waves and associated staff shortages (which challenged our ability to train users). Lessons learnt from these roll outs are improving our implementations.
- Continued to add new functionality to CareOn, including improvements to prescription processing, maternal-foetal monitoring and user experience.
- Integrated CareOn with third parties such as major laboratories, blood banks and radiology services.
- Roll out across the hospital network is expected by December 2023.

NETCARE cancer care

Cancer Care

- Successful centralisation and upgrade of ARIA, which integrated three regional radiotherapy planning systems (Gauteng, Cape Town, Durban) into one database housed in the Netcare data centre. This radiotherapy planning environment creates optimised patient treatment plans, offers remote access to doctors and is more cost effective to run. We have established a good foundation to scale up the system in future.
- We are now working to enable automated billing of radiotherapy treatments, which will eliminate duplicate patient records and redundant data capture processes.

NETCARE akeso

Akeso Clinics (CareOn Akeso)

- Completed the development and pilots of the core modules of CareOn Akeso.
- Fully implemented CareOn in nine out of 12 Akeso Clinics facilities with the balance to be completed in FY2022. Akeso Richards Bay, opening in early 2022, will be a fully digitised hospital.

NETCARE 082 911 24HR EMERGENCY MEDICAL SERVICES

Netcare 911

- Developed a proof of concept for a fully integrated digital solution to transmit a patient's vital statistics from emergency vehicles to our hospital network, specifically Emergency departments, to enable our teams to prepare for the patient's arrival.

FY2021 performance continued

Primary Care

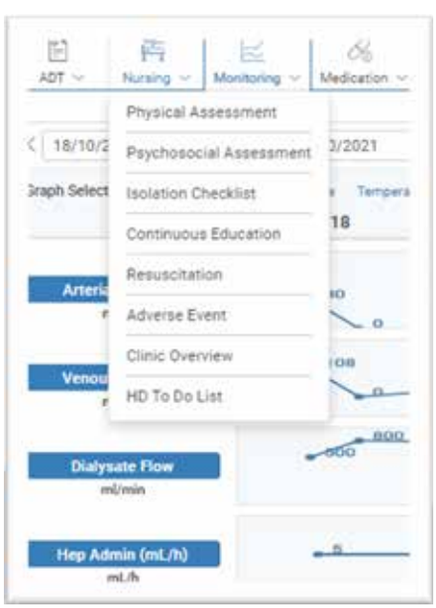
- Largely completed the roll out of the integrated practice management system, Elixir Live. The remaining six clinics will be migrated to the new solution early in 2022.
- We are developing an EMR for Medicross covering GP and dental modules. The GP application was completed in November 2021.
- Developed an integrated EMR and booking solution for Netcare Occupational Health, for both onsite and offsite operations. In FY2022, we will demonstrate the benefits of our Netcare Occupational Health EMR solution to prospective clients.

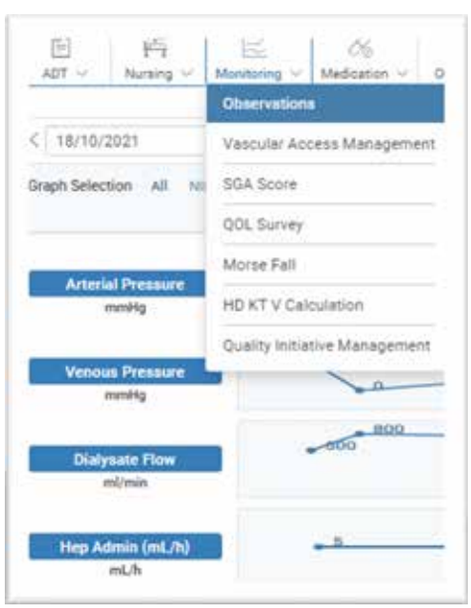
National Renal Care (nephrOn)

- The nephrOn project is on schedule for completion by September 2022. To date, the system has been introduced to 62 (out of 69) clinics with high levels of adoption. Some efficiencies have already been achieved with significantly more expected by FY2023.
- nephrOn's integration with pathology laboratories is near completion.

A detailed patient record for National Renal Care

The solution will function across **69 dialysis clinics**, including **1 100 dialysis machines** and will provide information to patients and doctors on:





Human and intellectual capital | Digital transformation and data continued

Data analytics enablement

Our datasets are vast and include clinical, medication, finance, billing, institutional, asset management, employees, procurement, independently contracted healthcare workers, clinical governance and products data. The Data Council is mandated to implement data governance within Netcare and ensure that our data meets specific data quality standards. In FY2022, we will continue to improve the quality of our data and advance our data platform to ultimately become the single source of data for all analytics.

FY2021 performance

FY2021 performance

- Strategic initiative Successfully delivered the first release of the COI, collated from a single source (see page 116).
- Strategic initiative Developed various business-specific use cases, including an outbreak detection solution (intended for deployment in FY2022), a tool to prioritise debt collections cases and an intelligent tool for optimising the placement of Netcare 911 emergency vehicles.

Improved patient safety with digital scripting

CareOn enables the digital management of medication, which ultimately will support a closed loop medication system. Our processes for prescription, dispensing, preparation and administration are fully digitised – another first for SA and approved by SA Pharmacy Council. All prescriptions are checked against IBM Watson Health Micromedex, for any interactions between medication, other medication and allergies the patient may have, achieving a high level of medication safety.

Digital scripting has been shown to reduce medication and prescribing errors by 60%[1] – we have introduced a new prescription validation process to support this	The data accessible from the digitisation of the process identifies delays or bottlenecks in the system, covering over 1.8 million in-hospital scripts every year	Better insight enables the re-engineering of processes to optimise efficiencies

1. Center for the Advancement of Health. Computerized doctors' orders reduce medication errors. 2007.

Digitising the person-centred health and care journey: PG 115.

Cybersecurity

Our digitisation journey places increasing reliance on IT systems to process personal information. Our hybrid approach to cybersecurity includes an experienced cybersecurity team, responsible for our cybersecurity strategy and operational management, supported by external experts. Our challenge is to ensure that our IT systems and data are adequately secured without impeding access to patient information for healthcare facilities and doctors.

The additional cybersecurity controls implemented for COVID-19 in FY2020 as well as our best of breed technologies continue to stand us in good stead in safeguarding our information. A robust set of metrics is used to monitor our cybersecurity performance.

The appropriate technical and organisational safeguards – based on international best practice and control frameworks – are in place to secure the integrity and confidentiality of personal information and to detect, prevent and respond to security violations. These safeguards are regularly verified internally and externally to ensure their effectiveness. A dedicated team and process governs instances of non-compliance with our privacy policies and procedures, ensuring they are documented, reported and, where required, corrective measures are taken.

FY2021 performance

- There were no cybersecurity breaches experienced during FY2021 and no data was lost.
- Strengthened our cybersecurity through several initiatives, and appointed additional specialist cybersecurity professionals.
- Continued to educate our people about cybersecurity risks, using awareness training, monthly newsletters, videos and simulated phishing emails.
- The POPIA Steering Committee and working groups continued to implement our privacy framework and monitor our compliance with POPIA.

IT governance and risk management

We operate a robust IT governance, risk management and compliance function, and Group IT supports the principles and practices of fairness, transparency, responsibility and accountability in its dealings with stakeholders. The guidelines of our IT governance framework and operating model are measurable, ensuring that the governance of our IT processes and resources is effective and efficient, and that the integrity, continuity, confidentiality and availability of information is managed in a cost effective manner.

The protection of personal information in our day-to-day business operations is fundamental. We maintain a sound approach to the implementation of privacy protection measures across all business operations, aligned to applicable privacy and data protection laws. Our cybersecurity and privacy frameworks ensure that we can effectively monitor, govern and enforce best practice policies as well as appropriately respond to and recover from cyber-related incidents and prevent or minimise data loss.

Through these frameworks and careful management of our risk exposure to acceptable levels, economic value is created by safeguarding our physical and intellectual assets. All frameworks include assessments, risk management, training and awareness.

The Board, Audit and Risk Committees each oversee various aspects of IT and are kept comprehensively updated on the progress of the EMR and data-related implementations. Management committees that provide oversight include the Executive Committee, the IT Steering Committee (IT strategy, risk and opportunity management), the Information Security Management Committee, the POPIA Steering Committee and the Group Compliance Committee, among others.

Human and intellectual capital continued

New business development

The need for new and more affordable ways to access private healthcare, for more certainty on the cost of quality healthcare, and for innovative solutions that contribute to the sustainability of the private healthcare sector is greater than ever before. In addition to our digitisation strategy, our funding solutions aim to support organic growth by leveraging our ecosystem of services, capabilities, facilities and infrastructure to reach new markets and make quality private healthcare a reality for more South Africans.

Associated risks and opportunities	
Economic environment and demand for private healthcare	PG 65
Implementation of the digital and data strategies	PG 68
Competitor activity	PG 69

Key takeaways for FY2021

R47 million invested in new business development (FY2020: R63 million)	NetcarePlus will continue to incur start-up losses, which will reduce as the business' contributions to the Group's ecosystem ramp up from the development and sale of products	Capital investment in NetcarePlus has been minimal to date with operational costs amounting to R68 million – costs of R108 million are expected over the next two years	We are investing in an integrated marketing strategy to build our marketing capacity, raise brand awareness of our new products and promote our digital presence

NetcarePlus

Strategic initiative In November last year, we introduced Netcare's Innovative Healthcare solutions business, which now operates under the NetcarePlus brand. This is a newly established division which has been set up to create new and affordable ways to access private healthcare, particularly for those who are employed but uninsured or under-insured. It is estimated that this market represents a third of South African households and accounts for more than half of the total household expenditure in SA[1]. While our products are still new in the market, we believe that delivering an integrated end-to-end financial services platform that seamlessly integrates with our unique ecosystem of healthcare will extend our reach to under-serviced South Africans, while enhancing our core business. We will continue to resource the business with the right people and expertise to build and sustain its viability.

1. Bureau of Market Research Expenditure Analysis.

NETCARE plus

Prepaid GP vouchers	Prepaid vouchers for select procedures	Accident and trauma cover[2]
Launched FY2020	**Expanded in April 2021**	**Launched April 2021**
• Aimed at making primary care accessible and affordable. • Available for either virtual consultations via telemedicine, or face-to-face consultations. • Option to include acute medication.	• Includes all costs for certain procedures, such as cataract surgery, with no additional expenses.	• Provided in conjunction with Hollard, provides comprehensive medical care related to accidents and trauma.
Prepaid optometry vouchers	**Prepaid dental vouchers**	**Gap cover[2]**
Launched August 2021	**Launched November 2021**	**Available in January 2022**
• Includes full eye examination and visual screening, lenses and frames.	• Vouchers for basic dentistry services.	• Includes cover for emergency costs beyond accidents, shortfalls for out-of-hospital specialists, and upfront co-payments for the voluntary use of a Netcare hospital that is not part of the member's medical scheme network.

2. This insurance product, underwritten by Hollard, is not a substitute for medical scheme membership.

Human and intellectual capital | New business development continued

Our network of trusted healthcare practitioners includes providers in the Netcare ecosystem and third-party providers who share our values, based in both rural and urban areas. These partners have access to our telehealth platform and Netcare **appoint**med™. NetcarePlus offers practitioners the opportunity to increase patient volumes without additional administration costs, with validated vouchers that guarantee payment.

Other business advances

Other initiatives to access new business or expand existing businesses include:

- **Strategic initiative** Expand our occupational health service offering and client base, offering digitised specialist occupational health services that assist multinational corporates and smaller businesses across industries with their OHS responsibilities.
- **Strategic initiative** Develop strategic partnerships such as our investment in Founders Factory Africa (FFA) to identify innovative solutions that address access to healthcare in Africa at lower price points. FFA builds and scales technology start-ups solving global problems.

FY2021 performance

Netcare Occupational Health

- Successfully tendered for a state-owned enterprise contract for another three years.
- Acquired a new contract for an initial period of six years, where we are the main service provider to deliver medical examinations for around 1.2 million people and their beneficiaries, at 60 gold mines. To date, 30 sites are operational in SA and three in Lesotho.
- There are a number of bids in the pipeline for occupational health and integrated services in various sectors.

Founders Factory Africa

- Together with Standard Bank and Irish-based organisation, Small Foundation, we have invested in FFA which is working to support growth in healthtech, fintech and agritech start-ups. FFA has invested in nine incubator businesses of which three are healthtech related and 25 accelerator or scale businesses of which nine are in healthtech.

Manufactured capital

Estate and medical equipment

Our facilities, infrastructure and medical equipment give us unparalleled reach, scale and ability to serve South Africans. A key aspect of our capital expenditure is to upgrade, replace and maintain our estate and medical equipment as a cornerstone of our value proposition to patients, doctors and funders. In line with growing mental healthcare needs, our key areas for footprint expansion are in the Akeso Clinics network.

Our established long-term capital management policies remain firmly in place and ensure an optimal capital structure and a disciplined approach to financial investment. In line with our asset light strategy, we invest in strategic projects that will drive revenue growth and ensure operational excellence and cost efficiency. Financial models are used to stress test our operating and financial assumptions, to make sure we consider a variety of possible scenarios to inform our efforts to minimise risk. Board approval is required for projects exceeding R50 million.

Our physical asset management and maintenance system ensures that we attain optimum sustainable performance from our investment in plant and medical equipment while ensuring we comply with SHEQ requirements and apply best operating procedures in all aspects of asset management.

Associated risks and opportunities

Economic environment and demand for private healthcare	PG 65
Competitor activity	PG 69

Key takeaways for FY2021

Capital expenditure in FY2021 amounted to R1.1 billion (R460 million for expansion projects and R684 million for replacement)	The overall capital expenditure guidance for FY2022 is R1.4 billion, including new facilities, digitisation projects and the capital required to maintain the quality of our facilities and medical equipment	Capital expenditure will wind down from FY2024 to a level of sustaining the investment needed to maintain our estate (approximately R1.0 billion).

Digital transformation and data: PG 146.
Chief Financial Officer's review: PG 170.

FY2021 performance

NETCARE

Hospital division

- On track with the construction of the new Netcare Alberton Hospital (427 beds), which will open in April 2022. The hospital is the relocation of the Netcare Union and Netcare Clinton hospitals into one facility.
- Allocated R80 million to ensuring our hospitals are equipped to provide the best care for COVID-19 patients, including ventilation and monitoring equipment.
- Relocated a linear accelerator to Netcare Milpark Hospital. The radiation unit started operating in April 2021 with good growth in activity to date.
- No new beds were commissioned.
- Upgrades were implemented at Netcare Garden City, Netcare Parklands and Netcare Linksfield hospitals.
- Handed operations of the Queen 'Mamohato Hospital and the associated filter clinics over to the Government of Lesotho following the termination of the public private partnership agreement.
- Closed three day theatres which were not performing to our return on invested capital (ROIC) expectations. The Netcare Ceres Hospital and the Netcare Optiklin facility have been closed and are available for sale.
- Projects planned for FY2022:
  - Introduce radiation oncology services at Netcare St Anne's Hospital in partnership with a leading oncology practice.
  - Refurbish a further two sections of Netcare Garden City Hospital.
  - Complete the upgrade of the 14-bed neonatal ICU at Netcare Unitas Hospital.
  - Begin the upgrade of the ICU and general wards at Netcare St Augustine's Hospital.
  - Refurbish six theatres at Netcare Parklands Hospital.

NETCARE 911

Netcare 911

- Completed the replacement of the advanced life support equipment in ambulances. Parapac transport ventilators have also been rolled out across the response vehicle fleet.
- Replaced our dedicated mobile ICUs with a state-of-the-art fleet that allows for seamless transfer of critically ill and injured patients from one ICU to another while maintaining the same level of ICU care.
- Looking forward we will continue to replace our ambulance fleet, a project that will take three years.

NETCARE akeso

Akeso Clinics

- The 36-bed Akeso Richards Bay Clinic is scheduled to open in the first quarter of 2022.
- Obtained Eastern Cape Department of Health approval in January 2021 for the 72-bed Akeso Gqeberha Clinic, which is expected to open in the second quarter of 2023.
- Plans have been approved by the Limpopo Department of Health for the 150-bed Akeso Polokwane Clinic. Construction is expected to take 14 months.

NETCARE

Asset management (Hospital division)

- Completed the asset management improvement project, achieving a central asset management and maintenance monitoring system across all hospitals.

Manufactured capital | Estate and medical equipment continued

Facilities and assets	2021	2020	2019
Hospital division			
Owned and managed acute hospitals	**53**	53	55
– Registered beds	**10 005**	9 986	10 046
– ICU and high care beds	**1 907**	1 885	1 813
– Wards	**505**	477	467
– Theatres	**349**	349	350
– Emergency departments	**40**	41	44
– Hybrid theatres, catheterisation and electrophysiology laboratories	**34**	34	33
– Cancer care centres	**15**	15	15
Mental health hospitals	**12**	12	12
– Registered beds	**891**	891	891
Medicross day clinics	**12**	15	15
Primary Care			
Medicross centres and Netcare Occupational Health clinics	**67**	68	75
Sub-acute facilities	**1**	2	2
Netcare 911			
Emergency bases	**82**	82	83
Vehicles	**215**	211	202
Helicopter ambulances	**8**	8	6
National Renal Care			
National Renal Care facilities	**69**	68	67
Dialysis stations	**956**	979	936
Expenditure on equipment			
Purchase of new equipment	**R408 million**	R494 million	R622 million
Repairs and maintenance (operating expense)	**R469 million**	R404 million	R384 million
Total	**R877 million**	R898 million	R1 006 million

Natural capital

Environmental sustainability

Our 2023 environmental sustainability strategy, started in FY2013, strongly focused on energy as the major contributor to our emissions and costs. We set a target to reduce energy intensity by between 22% and 25% by FY2023, which we met this year and are on track to achieve our stretch target of 30%.

Given our progress, and the evolving landscape characterised by innovations and technological and legislative changes, we have developed an even bolder sustainability strategy to take us through to FY2030. Energy usage will remain our core focus, however, water and waste will play more prominent roles to maximise our positive environmental impact.

A timeline of our past sustainability initiatives can be found in the ESG report online.

Post-implementation reviews on projects representing 69% of our capital investment in environmental sustainability have shown that we are achieving greater savings than originally predicted, and compound savings resulting from the 2023 strategy are expected to total around R1.4 billion. For the remaining years of the 2023 strategy, our focus will be on optimising our existing efficiency projects and we expect the benefits of the strategy to continue to grow over the next 10 years and beyond.

We were one of the first companies in Africa to commit to the Science-based Target Initiative (SBTi) aligning with the Paris Agreement of the United Nations Framework Convention on Climate Change. The SBTi aims to reduce emissions to limit the global mean temperature increase to below 2ºC by 2050 compared to the pre-industrial era. While we have experienced delays in the target setting phase of this initiative, we have updated our targets, re-started our engagements with SBTi and re-committed to this process with revised targets that exceed the SBTi required minimums.

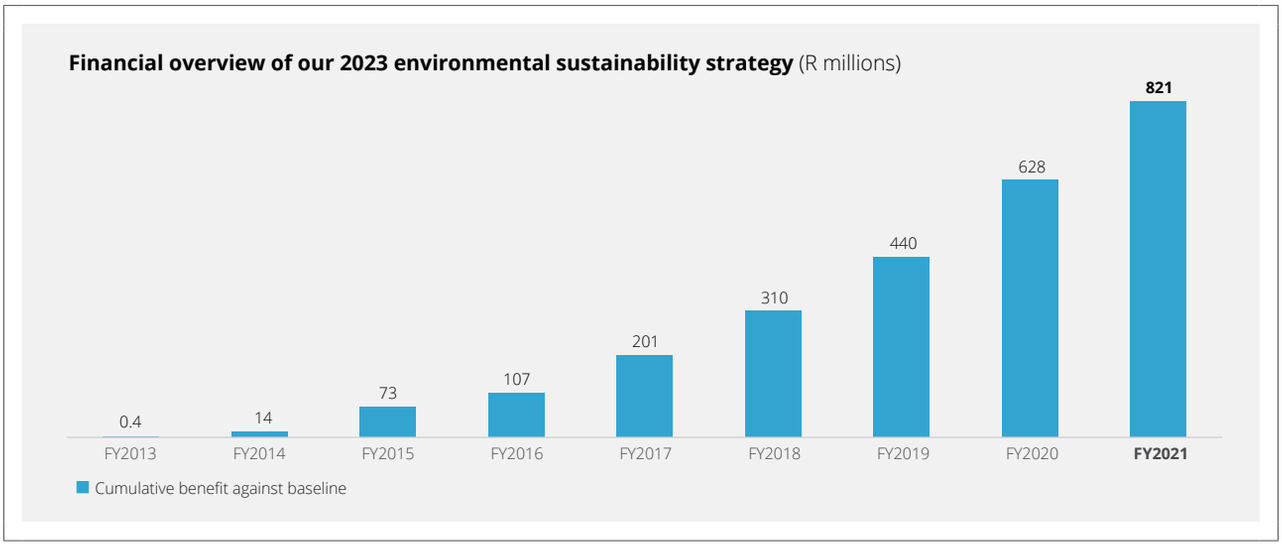
Associated risks and opportunities

Delivering consistently outstanding person-centred health and care	PG 67
Availability of electricity supply	PG 71
Water security	PG 71

Key takeaways for FY2021

- 194 environmental sustainability projects[1] initiated across the Group since FY2013 with a total capital investment of R550 million (FY2021 capital expenditure of R23 million)
- Our environmental sustainability projects have achieved operational savings of R821 million since FY2013, with electricity savings of R21 million[2] realised in FY2021, exceeding our FY2021 target of R6 million
- Return on our environmental sustainability projects is 149% to date with additional returns to be extracted in the years ahead as tariffs continue to escalate
- We raised a R1 billion sustainability-linked bond, a first for Africa. The bond is linked to our environmental performance, with reductions in interest linked to prespecified emissions and water-reduction targets.

1. A total of 43 projects are still active.
2. The Hospital division contributed to 97% of total savings.



Our new environmental sustainability strategy

Based on global best practice, our 2030 environmental sustainability strategy will contribute to future-proofing our business. The integrated approach will address climate change-related risks, regulatory changes and scarcity of resources. Our overarching goal is to achieve carbon neutrality by FY2050, with much of this achieved by FY2030. The new strategy will focus on reducing Scope 1 and Scope 2 emissions, revising our procurement strategies to achieve reductions in Scope 3 emissions and refining our approach to water consumption and waste generation. We believe our 2030 strategy is well within our reach and skillset and will not only give Netcare a licence to operate but will continue to set us apart as a leader in healthcare sustainability.

Ensure minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment

Goal 1	Goal 2	Goal 3
Comply with 2030 global best practices including science-based targets and carbon budget goals	Become a leader in healthcare sustainability solutions	Drive long-term security, efficiencies and cost savings for the business through sustainable resource management

FY2030 targets

Achieve zero Scope 2 emissions	Reduce Scope 1 and Scope 3 emissions

Energy

- Achieve **100% dependence on renewable energy**.
- Achieve a further **energy efficiency reduction of 5%** (a total reduction of 35% on our FY2013 baseline).

Water

- Significantly lower our impact on the limited freshwater sources in SA.
- Achieve a further **20% reduction in water consumption intensity** (from 500 litres per bed per day to 400 litres).

Waste

- Achieve **zero waste to landfill** to reduce our Scope 3 emissions.

Global guidelines and directives underpinning our 2030 strategy

SBTi
United Nations Sustainable Development Goals
Our environmental, social and governance commitments

Natural capital | Environmental sustainability continued

Mitigating our environmental risks: ensuring continuous care

In August 2021, the Council for Scientific and Industrial Research released its statistics on power generation for the first half of 2021. It reported that SA had experienced load shedding for 650 hours in the first six months of the year, already 76% of the total load shedding experienced during 2020, which was SA's worst year on record. In addition, unplanned outages totalled around 15 300 megawatts.

The National Water and Sanitation Master Plan (2019) estimated that SA could have a 10% gap between water supply and demand by 2030, even if the planned additional water supply projects are implemented. Not only does this impact the quality of care, but recent incidents have highlighted the need for comprehensive plans to contain a catastrophic fire in hospitals, particularly when local fire authorities who, due to the aging and fragile municipal water infrastructure, may not be able to respond appropriately. During FY2021, we reviewed all Netcare hospitals to assess their ability to secure a sufficient 'fire hydrant water' supply and pumps, independent from domestic supply.

In the event of large-scale electricity or water disruption or a fire, our major incident plan defines the managerial and administrative actions and processes to be taken at our facilities to ensure a rapid, coordinated and appropriate response and the minimal possible disruption to essential care services. When water supply is interrupted, affected facilities automatically implement a 'water conservation mode', doubling the period of available backup water supply.

Our mitigating measures for outages

Electricity

- Around 200 generators.
- Uninterrupted power supply and generators at all acute and day hospitals to power critical functions.
- Seven acute and two day hospitals have dual redundancy (of second stand-by generators) for critical functions.
- Full island load capacity, including dual redundancy, at 26 hospitals (representing 60% of our hospital beds) and 12 day hospitals, meaning there is no impact on the entire site in an outage.

Water

- Between 24- and 48-hours of backup water supply stored at most Netcare facilities.
- A desalination plant at the Netcare Christiaan Barnard Memorial Hospital, which supplies 100% of the hospital's water and is capable of supplying water to all our facilities in the Western Cape independently of the water utility.
- A 500 000 litre water reservoir at Netcare Milpark Hospital and a 612 000 litre reservoir at Netcare Garden City Hospital. Both reservoirs are able to supply water to other hospitals in Gauteng in an emergency.
- Boreholes and filtration plants at five hospitals that have experienced chronic water shortages in the past. Netcare Greenacres Hospital, completed in FY2021, now operates independently of the water grid and is able to assist Netcare Cuyler Hospital with water supply if the need arises.

Energy and emissions

To achieve zero Scope 2 emissions, we aim to secure 100% renewable energy by FY2030. To drive a carbon-neutral status by FY2050 or sooner, carbon offset projects will be used to reduce our Scope 1 and Scope 3 emissions.

As of FY2021, the cumulative electricity tariff increase since FY2013 has been 92%, meaning that had we continued with business as usual, our electricity cost per bed would have been R48 000, and our total electricity expense for FY2021 would have been R549 million (accounting for growth in patient days). As a result of our energy efficiency initiatives, our electricity cost per bed has only increased by 36% and is currently R34 000 – a 29% reduction on the estimated business-as-usual cost.

Between FY2019 and FY2021, our Scope 1 and Scope 2 emissions have increased 0.7% due to the changes that we have had to make to our hospital heating, ventilation and air-conditioning (HVAC) systems to protect our patients and healthcare workers from COVID-19. While this negatively affects savings, a slight reduction in electricity consumption was achieved in FY2021.

ESG report (for more information on our renewable energy programme).

Natural capital | Energy and emissions continued

FY2021 performance

Our 67[1] (FY2020: 63) **solar PV systems** generated 15.6 gigawatt hours (GWh) of renewable energy in FY2021, contributing

R26 million

to savings for the year
(FY2020: 13.4GWh saving more than R23million)

We have achieved a

28% reduction

in electricity usage per bed since FY2013 (FY2023 target for overall energy: between 22% and 25%, with a stretch target of 30% by FY2023)

Scope 1 and Scope 2 emissions decreased from 33.6 tCO_2e[2] per bed in FY2013

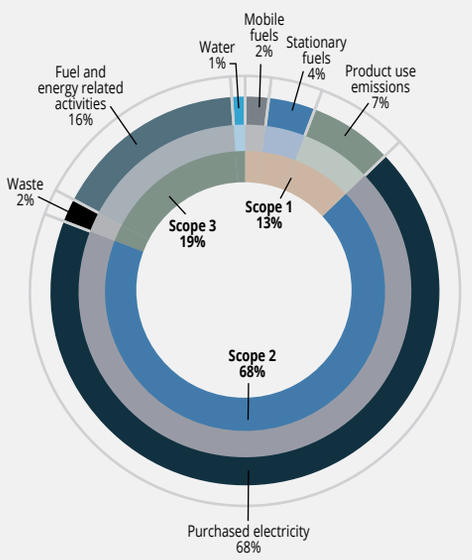
to 21.8 tCO_2e per bed in FY2021, a reduction of 35%

98%

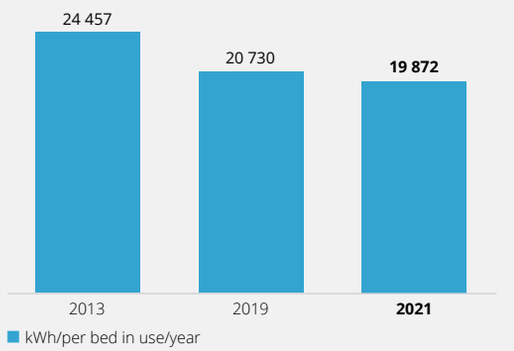
of our **overall capital investment** in environmental sustainability projects has been on energy efficiency projects (including HVAC, water heating, lighting and solar PV) totalling R537 million, achieving operational cost savings of R723 million

1. *This is the second largest commercial solar PV fleet in SA.*
2. *Tonnes of carbon dioxide equivalent (tCO_2e).*

Breakdown of greenhouse gas (GHG) emissions



Electricity intensity on monitored facilities

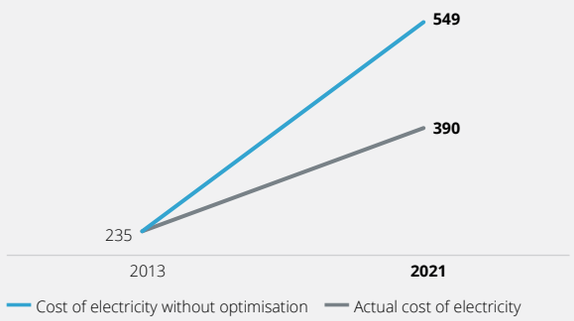


Note: this graph shows current year, pre-COVID-19 and our baseline year with fewer patients days recorded for FY2021. It covers only acute hospitals.

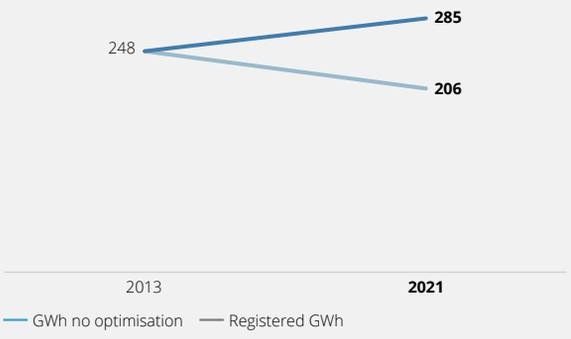
FY2021 performance continued

Optimisation impact from energy saving initiatives

Financial impact (Rm)



Energy optimisation (GWh)



- We are conducting an analysis of the sources of our Scope 1 and Scope 3 emissions to understand which emissions are under our control and can be reduced or eliminated, and which are not under our control and must be mitigated through carbon offsets (planting trees, buying carbon credits and investing in agricultural offset programmes).
- Started exploring electric ambulances and the use of biofuel to reduce the Scope 1 emissions from our emergency services fleet. Implementation of these initiatives is likely to be in the medium to long term.
- Increased loadshedding led to a 4% increase in Scope 1 emissions as the use of diesel generators was needed to continue operating. While energy purchased decreased year on year, a 4% increase in Eskom-generated electricity emissions resulted in an overall 3% increase in our Scope 2 emissions.
- Scope 3 emissions increased 80% due the increased accuracy of third-party emissions reporting.

Natural capital continued

Water

A water audit conducted in FY2015 revealed that 39% of our facilities are located in areas at elevated risk of experiencing regular water shortages, especially during drought conditions. This is likely to increase to around 49% of our facilities by 2025. Our water strategy is in its early stages with many unknowns still to be investigated. While our primary objective is to reduce our water consumption from 500 litres per bed per day to 400 litres per bed per day by FY2030, we must first establish a solid baseline from which to measure progress and explore alternative sources of water.

FY2021 performance

Water usage per bed

reduced from 194 kilolitres

in FY2013 to 167 kilolitres per bed in FY2021, a 14% reduction

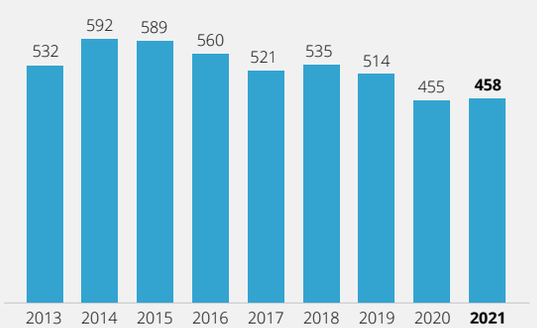
0.9% increase

in overall **water consumed** compared to FY2020, with the cost related to water decreasing 0.8% year on year

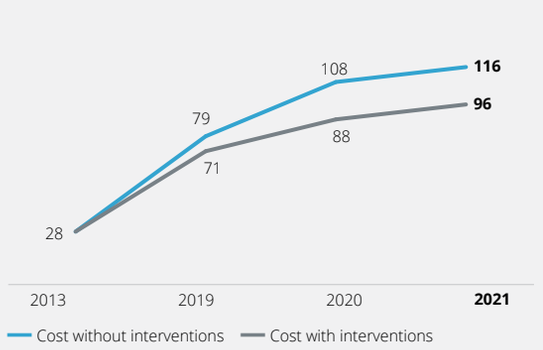
R12 million

invested in **water saving initiatives** (wastewater treatment and newer water efficient technology), achieving operational cost savings of R58 million

Water reduction (litres per bed per day)



Optimisation impact from water saving initiatives (Rm)



- The new Netcare Alberton Hospital will have a greywater harvesting system that captures and treats the facility's greywater to potable standards. Around 50 000 kilolitres of water will be recycled a year. The capital investment for this project is R12 million with an annual saving of R2 million.
- Drilled a second borehole and installed a filtration plant at the Netcare Greenacres Hospital.
- Looking ahead to FY2022, we will upgrade all autoclaves in the Hospital division to more water efficient technology and National Renal Care will implement indirect feed (storing all unused water) reverse osmosis plants in all units, enabling a water saving of between 50% and 70% depending on the facility.
- In terms of advancing our water strategy, we will roll out more water meters in our facilities and undertake an in-depth analysis to understand our water usage per area (for example, theatres, laboratories, doctors' offices, ICUs etc.) and per activity (for example, to clean equipment, to operate equipment, in gardens etc.).

Waste

With landfill space in SA rapidly decreasing, and the severe cost to the environment associated with waste disposed through landfills, our waste strategy is designed to exceed the National Waste Management Strategy, aiming to reduce our waste to landfill to zero by FY2030.

HCRW, is our most expensive category of waste to dispose of and includes sharps, gloves, used medical items like bandages and infectious waste (including highly infectious or isolation waste) and anything anatomical. The balance is classified as general waste which is either recyclable or sent directly to landfill. Recycling will contribute to a reduction in Scope 3 emissions, limit our exposure to unpredictable waste cost escalation and convert our waste streams to value streams while also supporting our social transformation objectives by creating circular economies that support job creation. Diverting waste from landfill saves transport and landfill associated costs as well as emission-related costs such as carbon tax.

It is widely accepted that a healthcare institution's waste is broken down into approximately 85% non-hazardous waste (general waste) and 15% HCRW. As our HCRW is accurately reported (given our focus on this waste stream and legislative controls), this would indicate that our general waste is underreported in terms of the industry ratio. We are working to enhance our measurement of the general waste stream to better understand the related Scope 3 emissions and define a reduction pathway. SafeCyte, our SHEQ information management system (see page 118), will play a key role in quantifying this waste stream. We anticipate zero waste certification for the Group by FY2026.

FY2021 performance

Total volume of waste generated

reduced by 8%

compared to FY2020 to 9 406 tonnes, **largely due to lower patient day activity** as a result of COVID-19

HCRW increased

from 1.99 kilograms (kg) per patient day in FY2019 to 2.85kg in FY2020 and 3.31kg in FY2021 as waste that was previously classified as **general waste is now treated as infectious waste** due to possible COVID-19 contamination

The cost of HCRW increased by **32%** and **general waste** by **4%**, driven by COVID-19

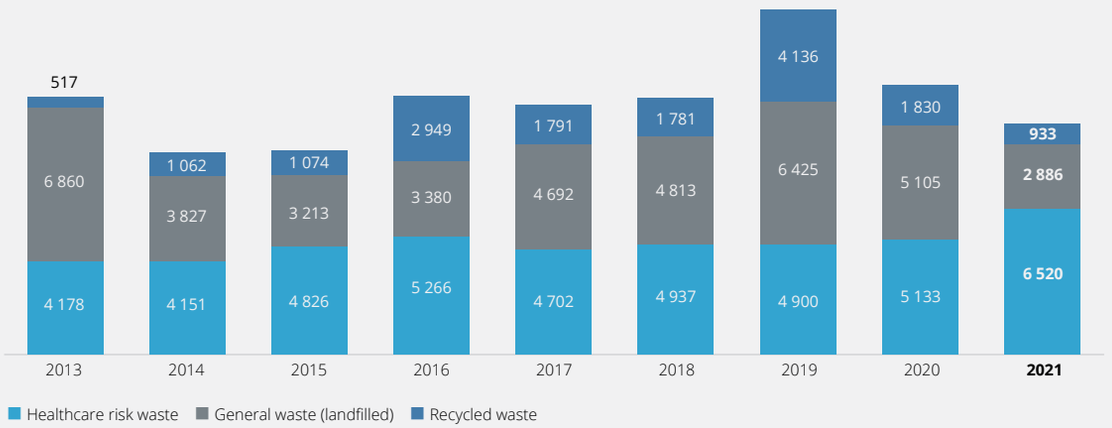
R1 million

invested in **waste reduction initiatives** (better sorting and segregation of waste at source), achieving operational cost savings of R40 million

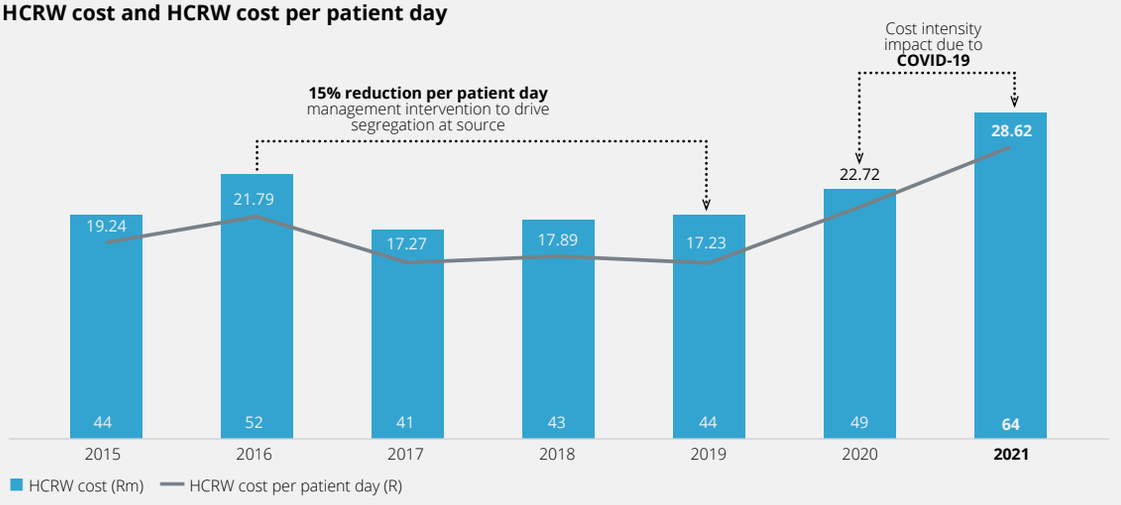
Natural capital | Waste continued

FY2021 performance continued

Total waste volume (kgs)



HCRW cost and HCRW cost per patient day



- Started a zero waste to landfill pilot at four facilities that does not require additional funding.
- At Netcare Montana Hospital, we are exploring the treatment and conversion of HCRW to a standard where the end product may be reused safely. The treated HCRW is being palletised into a brick-like product, which is sterile and poses no risks for human handling or the environment. An analysis is underway to determine what the bricks can be used for. Starting August 2021, 20 tonnes of HCRW is being treated monthly, sourced from five of our hospitals.
- Other solutions being tested are the crushing of clinical glass sold for use in the paint industry, the recycling of dedicated single-use sharps containers, a composting of organic waste feasibility study at two hospitals, the piloting of a waste plan biodigester plant in the Western Cape and our My Walk Made with Soul initiative (see page 134).

Utilities	Unit	2021	% change	2020	2019	Baseline (2013)
Energy use[1]						
Total energy consumed	gigajoules	**954 692**	(0.2%)	956 560	983 418	1 038 540
CO_2 emissions						
Scope 1 emissions	tCO_2e	**37 862**	4.0%	36 392	34 192	38 337
Scope 2 emissions	tCO_2e	**209 172**	2.8%	203 514	211 026	231 467
Scope 3 emissions	tCO_2e	**59 270**	79.5%	33 014	30 395	41 961
Total Scope 1, 2 and 3 emissions	tCO_2e	**306 304**	12.2%	272 920	275 613	311 765
CO_2 intensity ratios						
Ratio of Scope 1 and 2 to:						
– Revenue	tCO_2e/Rm	**11.65**	(8.5%)	12.73	11.36	20.09
– Registered beds	tCO_2e/bed	**21.82**	2.8%	21.23	21.58	33.56
Water consumption[2]						
Total water consumption	kilolitres (kl)	**1 895 020**	0.9%	1 878 400	2 132 022	1 803 026
Ratio of total water to:						
– Revenue	kl/Rm	**89**	(10.3%)	100	99	116
– Registered beds	kl/bed	**167**	0.7%	166	188	194
Waste[2]						
Healthcare risk waste	tonnes	**6 520**	27.0%	5 133	4 900	4 178
General waste (landfill)	tonnes	**2 886**	(43.5%)	5 105	6 425	6 860
Total volume of waste	tonnes	**9 406**	(8.1%)	10 238	11 325	11 038
Recycled waste	tonnes	**933**	(49.0%)	1 830	4 136	517
Ratio of total waste generated to:						
– Revenue	kg/Rm	**444**	(18.3%)	543	525	729
– Registered beds	kg/bed	**831**	(8.3%)	906	997	1 188

1. Total energy use includes purchased electricity and other fossil fuels but excludes renewable energy. Electricity meters cover more than 90% of the hospital network, 75% of Primary Care and 100% of Akeso Clinics' electricity expenses. Data covers SA and Lesotho.
2. Data covers SA and Lesotho.
Note: all facilities have water meters with more than 800 components installed since 2015.

Financial capital

Chief Financial Officer's review

"Although COVID-19 and its effects will remain with us for the foreseeable future, we believe the experience we have gained over the last 18 months will enable us to better manage its complex impacts. The Group's balance sheet and underlying businesses, and our pipeline of strategic initiatives, are strong. This should support Netcare's return to pre-COVID-19 levels of profitability and growth over the medium term."

Keith Gibson, **Chief Financial Officer**

Key indicators[1]

Revenue	EBITDA[2]	Adjusted HEPS[3]
R21 005 million ▲ 11.5%	R3 193 million ▲ 24.8%	67.4 cents ▲ 107.4%

Net debt/EBITDA	Cash and committed facilities	Resumption of dividend at
1.7 times (2020: 2.5 times)	R5.6 billion	34.0 cents

GCR credit rating	Compliant with banking covenants[4]
• Long term AA- • Short term A1+	• Net debt to EBITDA <2.75x ✓ • EBITDA/net interest >4.0 ✓

1. Normalised to exclude the impact of exceptional items comprising the termination of the Lesotho PPP and property impairments in FY2021, and profit on disposal of investment in associate and a once-off non-cash share-based payment expense on the B-BBEE-transaction in FY2020.
2. Earnings before interest, tax, depreciation and amortisation.
3. Headline earnings per share.
4. Measured on pre-IFRS 16 basis.

Overview

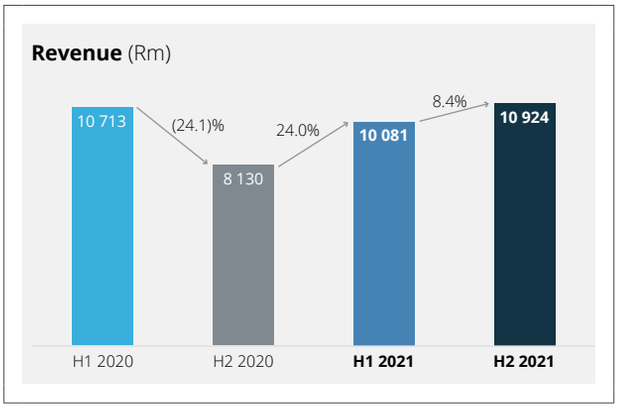
Weathering two sizeable waves of COVID-19 within a year constrained our capacity to operate efficiently. The short recovery periods between waves hampered our strategic momentum and impeded our recovery to pre-pandemic levels of occupancy, and consequently, profitability.

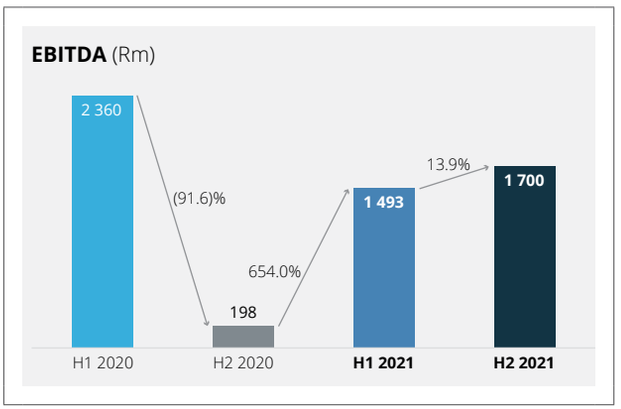
The impact on Netcare's operations of the first wave, which peaked in July 2020, was felt predominantly in the second half of the 2020 financial year (H2 2020). The second wave, driven by the emergence of the Beta variant in late November 2020, peaked in January 2021. This affected Netcare's operational and financial performance during H1 2021. The third wave followed the emergence of the more contagious Delta variant in May 2021, affecting H2 2021.

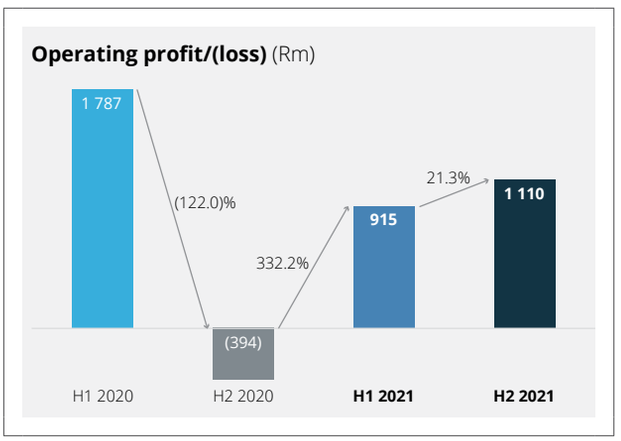
Despite the impact of these waves, we saw a solid improvement in the year-on-year financial results. Group revenue, EBITDA and EBITDA margins showed a steady sequential improvement in H2 2021, when benchmarked against H1 2021 and H2 2020. Positive operating leverage was achieved as we realised efficiencies from increasing occupancies, which allowed us to better flex our cost base. These benefits are ultimately reflected in adjusted HEPS improving by 107.4% to 67.4 cents.

Financial capital | Chief Financial Officer's review continued

Our cash preservation measures have proved necessary and successful over the past 18 months. Consequently, the Board approved the resumption of dividend payments and a final dividend of 34.0 cents per share has been declared.



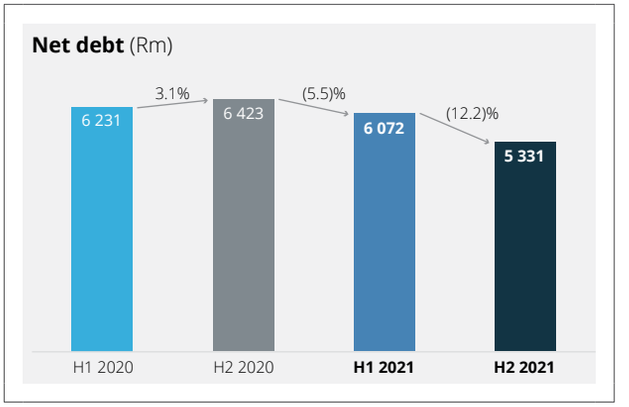




Netcare's statement of financial position remains strong, allowing ongoing investment in key strategic projects. Strong cash generation allowed us to reduce debt further during the year, with net debt down to R5.3 billion. At 30 September 2021, the Group had cash resources and committed undrawn facilities of R5.6 billion available for future funding and liquidity requirements.

In March 2021, Netcare launched Africa's first sustainability-linked bond. The R1 billion unsecured bond is a novel way of raising capital at a competitive coupon rate for our environmental sustainability projects and general corporate funding needs. Although this was a private placement, there was strong demand for the bond. This indicated both strong investor appetite for sustainable finance instruments, and their confidence in Netcare's business fundamentals of cost control, maintaining a strong statement of financial position and conservative gearing.

The Group generated strong cash flows during the year, improving the cash conversion ratio to 118.8% (2020: 58.3%).



Looking to FY2022, we anticipate capital expenditure of R1.4 billion. This includes approximately R227 million on strategic projects, R160 million to complete the new Netcare Alberton Hospital (replacing the Netcare Union and Netcare Clinton hospitals) and R80 million on a new Akeso Clinics facility.

Our focus will remain steadfast on maintaining an optimal capital structure, supported by disciplined capital allocation and measurement of returns, in full view of the considerations required to recover profitability and achieve balanced value creation for all our stakeholders.

Disciplined capital management approach

Our ambition is to remain a world-class provider of healthcare, which requires disciplined capital allocation to the strategic initiatives that will drive Netcare's ability to compete, innovate and grow. At the same time, we will maintain an optimal capital structure through diligent application of our capital management framework (below). We have implemented the framework over several years and continue to refine and embed it in the way we operate and measure enterprise value.

Our policy
Netcare's policy on capital structure is to maintain a strong balance sheet and to **retain an investment grade credit rating** while reducing the cost of capital with a **safe level of debt.**

OUR DISCIPLINED APPROACH THROUGH THE CAPITAL CYCLE INVOLVES:

01	02	03	04
INVESTMENT STRATEGY	**CAPITAL INVESTMENT**	**CASH GENERATION**	**CAPITAL DISTRIBUTION**
Identifying opportunities and alternatives linked to Group strategy	Using decision models to select investments with highest net present value (NPV)	Measuring performance through return on invested capital (ROIC) and economic profit	Maintaining optimal capital structure and returning surplus capital to shareholders
Examples: • Digitisation • Additions to the Netcare ecosystem	**Examples:** • New hospital builds • Disposal of under-performing facilities	**Examples:** • ROIC and economic profit implemented at hospital level to drive long-term cash generation	**Examples:** • Dividend policy • Share buybacks

01 **Investment strategy** involves the search for new growth opportunities and the consideration of alternatives aligned to the Group strategy. This includes the identification and selection of investments in our digital and data strategies, and of new business lines and services added to the Netcare ecosystem.

02 **Capital investment** pertains to applying robust decision models to evaluate and select investments with the highest expected NPV. This would apply to our decisions to invest in capacity, such as new hospital builds, as well as to disinvest where returns do not meet our hurdle rates, such as the disposal of under-performing facilities.

03 **Cash generation** is served by sound capital investment decisions, with economic profit and ROIC being the key metrics we use to monitor and drive Netcare's intrinsic value. These measures have been implemented at hospital level to ensure behaviours that will ultimately increase long-term cash generation.

04 **Capital distribution** employs decision analysis to determine the optimal capital structure for the Group and payout policies. If we do not have sufficient positive NPV investments available, we distribute surplus capital back to our shareholders.

Financial capital | Chief Financial Officer's review continued

Given the uncertainty surrounding the future impact of rolling COVID-19 waves, our short-term focus on cash preservation remains crucial. However, we will balance this with faithful application of our long-term capital allocation policies. As our operating environment normalises, we will advance our asset light strategy, favouring investments in strategic projects that will drive revenue growth, operational excellence and cost efficiency. During the year the Group invested capex of R120 million and incurred operational costs of R172 million on our flagship strategic projects.

We strive to find the right balance between investing in the long-term health of the Group and achieving our medium-term financial targets. In addition to ROIC and economic profit, we also use cash flow return on investment (CFROI) to measure performance. However, ROIC is our preferred metric as it is less complicated to calculate, requires fewer adjustments and is easier to communicate, both internally to our managers and to external stakeholders. ROIC is also a key driver of economic profit.

However, it is important to note that ROIC can be distorted, especially when comparing the performance of old hospitals to new ones, or by insufficient reinvestment in assets over time. Failing to invest in maintaining our facilities negatively impacts our ability to compete effectively as a trusted healthcare provider and, ultimately, would be detrimental to ROIC. CFROI removes this distortion because it is based on gross assets and is inflation-adjusted. For these reasons, it is ideal for benchmarking and acts as an assurance metric. As such, we monitor CFROI at executive level but use ROIC for managing our business on a daily basis. The measures are highly correlated, and we are confident that driving ROIC and economic profit results in enterprise value creation over time.

Analysis of financial performance

To aid comparability, the commentary that follows excludes the exceptional items (comprising the impact of the termination of the Lesotho PPP and property impairments in FY2021, and a profit on disposal of investment in an associate and a once-off non-cash share-based payment expense on the B-BBEE transaction in FY2020), unless otherwise indicated.

Key financial results

Rm	**30 September 2021**	30 September 2020	% change
Normalised revenue[1]	**21 005**	18 843	11.5
Normalised EBITDA[1]	**3 193**	2 558	24.8
Normalised operating profit[1]	**2 025**	1 393	45.4
Profit before taxation[1]	**1 284**	556	130.9
Taxation[1]	**(380)**	(243)	
Profit after taxation[1]	**904**	313	188.8
Exceptional items:			
Lesotho PPP termination (net impact)	**(35)**		
Impairment of properties	**(73)**		
Profit on disposal of investment in associate		522	
Share-based payment expense on B-BBEE transaction		(348)	
Taxation on exceptional items	**(36)**	(48)	
Profit for the year	**760**	439	
Adjusted HEPS (cents)	**67.4**	32.5	107.4
ROIC (%)	**7.9**	5.6	

1. Normalised to exclude the impact of exceptional items comprising the termination of the Lesotho PPP (refer note 11 of the audited Group financial statements) and property impairments in FY2021 and profit on disposal of investment in associate and a once-off non-cash share-based payment expense on the B-BBEE transaction in FY2020.

- Higher patient days and annual tariff increases lifted Group revenue 11.5% to R21 005 million (FY2020: R18 843 million).
- EBITDA improved by 24.8% to R3 193 million (FY2020: R2 558 million), and the EBITDA margin expanded to 15.2% from 13.6% in the previous year.
- Operating profit rose 45.4% to R2 025 million (FY2020: R1 393 million).
- Net interest paid, excluding interest on lease liabilities, reduced to R413 million (FY2020: R504 million) benefiting from a lower average debt and cost of debt over the period.
- Profit before taxation climbed 130.9% to R1 284 million (FY2020: R556 million). The taxation charge amounted to R380 million (FY2020: R243 million) reflecting an effective tax rate of 29.6% (FY2020: 43.7%).
- Profit after taxation increased by 188.8% to R904 million (FY2020: R313 million).

Exceptional items

In light of the early termination of the Lesotho PPP agreement by the Government of Lesotho, and ongoing uncertainty with regard to the resolution of matters under dispute, the Group recognised net losses of R35 million before tax.

Provisions for impairments of property assets amounted to R73 million, the majority of which relates to the Netcare Union and Netcare Clinton hospital buildings which will be vacated on the opening of the new 427-bed Netcare Alberton facility. The impact of COVID-19 on the property market has reduced the previously anticipated market valuations of these sites.

Operational performance

Rm	**Hospital and pharmacy operations**	**Non-acute services**	**Hospital and emergency services**	**Primary Care**	**Inter-segment elimination[1]**	**Total**
30 September 2021[2]						
Statement of profit or loss						
Revenue	**19 465**	**1 152**	**20 617**	**595**	**(12)**	**21 200**
EBITDA	**3 040**	**80**	**3 120**	**124**	**–**	**3 244**
Depreciation and amortisation	**(896)**	**(184)**	**(1 080)**	**(88)**	**–**	**(1 168)**
Operating profit	**2 144**	**(104)**	**2 040**	**36**	**–**	**2 076**
Additional segment information						
Impairment of property, plant and equipment	**(57)**	**(16)**	**(73)**	**–**	**–**	**(73)**

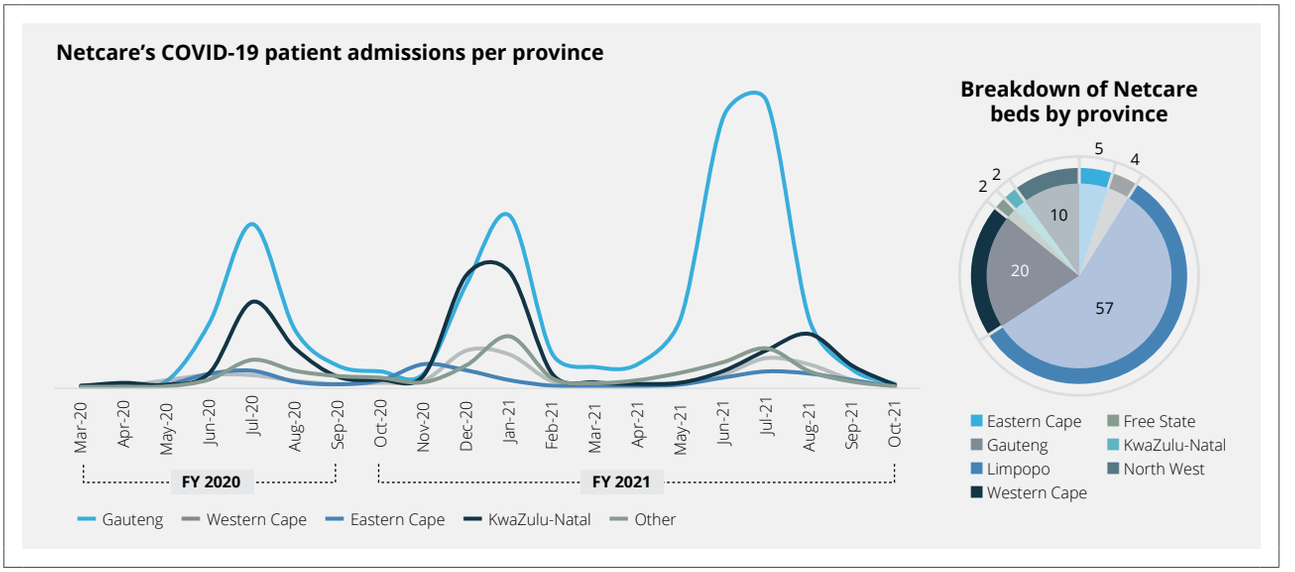
Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination[1]	Total
30 September 2020						
Statement of profit or loss						
Revenue	17 239	1 011	18 250	611	(18)	18 843
EBITDA before items below	2 362	103	2 465	93	–	2 558
Depreciation and amortisation	(885)	(177)	(1 062)	(103)	–	(1 165)
Operating profit – before items below	1 477	(74)	1 403	(10)	–	1 393
Share-based payment expense on B-BBEE transaction	(348)	–	(348)	–	–	(348)
Profit on disposal of investment in associate	522	–	522	–	–	522
Operating profit	1 651	(74)	1 577	(10)	–	1 567
Additional segment information						
Impairment of property, plant and equipment	–	(3)	(3)	–	–	(3)

1. Relates to revenue earned in the Hospital and emergency services segment.
2. The results for FY2021 are not normalised.

Financial capital | Chief Financial Officer's review continued

Impact of COVID-19 on operating results

There was a significant difference in the distribution and concentration of COVID-19 hospital admissions in Netcare across the various provinces, with our hospitals in Gauteng and KwaZulu-Natal most impacted during the first two waves. However, the Gauteng region absorbed the brunt of the impact of the third wave. With 77% of Netcare's beds concentrated in Gauteng and KwaZulu-Natal, suspending elective surgery was necessary during the COVID-19 waves. Our estimates put the impact of the decline in patient days on EBITDA at approximately R1.5 billion.



The Group incurred additional operating costs of R521 million to protect our patients, nurses, doctors, contractors and employees from COVID-19. Mostly, this was spent on PPE, screening, training and sanitising. We spent R80 million on capital expenditure related to the pandemic and also earned R53 million less from rental and parking income due to concessions granted.

Hospital and emergency services

This segment is disaggregated into Hospital and pharmacy operations, covering our acute hospital network and non-acute services. Non-acute services include emergency medical services, mental health clinics, the sale of healthcare products and vouchers, and cancer care services.

Segment revenue increased by 11.9% to R20 422 million (FY2020: R18 250 million).

The Beta variant impacted our operations in H1 2021, primarily in Gauteng and KwaZulu-Natal. Total patient days in the first half declined by 13.6% from the pre-COVID-19 base (H1 2020), comprising a decline in acute hospital patient days of 13.7% and 12.6% in mental health facilities.

The more contagious Delta variant, which peaked at a higher intensity than previous waves, impacted H2 2021 activity, primarily in Gauteng. From mid-August to September 2021, the easing of lockdown levels and lower COVID-19 admissions allowed for gradual opening to non-COVID-19 admissions.

Despite the challenges of navigating the rolling waves of COVID-19 and the short recovery periods between waves, our average full week acute hospital occupancies continued to improve, reaching 55.9% from 52.5% in FY2020.

Similarly, mental health occupancies steadily improved from 55.0% in FY2020 to 62.1% for FY2021.

Normalised EBITDA for the segment was up 24.5% to R3 069 million from R2 465 million in FY2020. The improved sequential performance is reflected in the EBITDA margin for the full year, which grew to 15.0% from 13.5% in FY2020, notwithstanding sizeable COVID-19 costs and operating costs related to strategic projects.

Primary Care

This segment offers comprehensive primary healthcare services, employee health and wellness services, and administrative services to medical and dental practices.

Total medical and dental consultations in FY2021 were 1.5% higher on a like-for-like basis, despite the impact of the pandemic, subsequent lockdowns, an absence of seasonal flu and the civil unrest in KwaZulu-Natal, which required temporary closure of some clinics.

Revenue for FY2021 declined by 2.6% year-on-year. However, EBITDA for FY2021 was 33.3% higher on the back of stringent cost management and the optimisation of staffing structures. The EBITDA margin for FY2021 improved to 20.8% from 15.2% in FY2020.

Statement of financial position

Rm	**30 September 2021**	30 September 2020
Assets		
Property, plant, equipment, goodwill and intangible assets	**14 721**	14 469
Right of use assets	**3 600**	3 755
Other non-current assets	**1 705**	1 670
Current assets	**4 139**	4 600
Cash and cash equivalents	**1 456**	1 450
Total assets	**25 621**	25 944
Equity and liabilities		
Total shareholders' equity	**10 589**	9 799
Borrowings	**6 787**	7 873
Lease liabilities – long and short term	**4 096**	4 045
Other liabilities	**4 149**	4 227
Total equity and liabilities	**25 621**	25 944

At 30 September 2021, total assets decreased to R25 621 million from R25 944 million in the previous year.

Capital expenditure on critical strategic projects continued during the year despite stop-start implementation as a result of COVID-19. Total capital expenditure (including intangible assets) amounted to R1.1 billion for the year (2020: R1.0 billion), of which R460 million was invested in expansionary projects.

The optimisation of working capital is a key focus at operating level, managed and monitored by the Working Capital Committee. Working capital was well managed in the year and inventory had normalised by the end the year. Most of the higher-priced PPE and drugs procured during the first wave were consumed, and inventory balances decreased by R566 million versus the prior year.

Total shareholders' equity increased to R10 589 million from R9 799 million.

Financial capital | Chief Financial Officer's review continued

Net debt

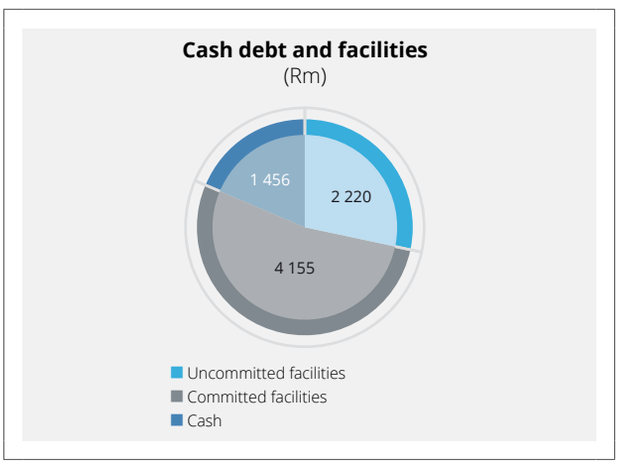
Rm	30 September 2021	30 September 2020
Gross debt	**6 787**	7 873
Cash	**(1 456)**	(1 450)
Net debt	**5 331**	6 423
Net debt to EBITDA[1] (times)		
Pre-IFRS 16	**2.0**	3.1
Post-IFRS 16	**1.7**	2.5
Cost of debt (%)	**5.9**	6.4
EBITDA/net interest (times)		
Pre-IFRS 16	**6.4**	4.1
Post-IFRS 16	**4.1**	2.9
Interest cover[1] (%)	**2.6**	1.6

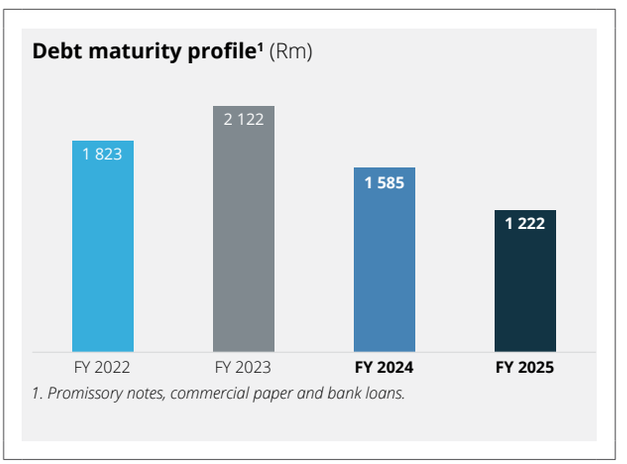
1. Normalised to exclude impact of exceptional items.

At 30 September 2021, Group net debt (exclusive of IFRS 16 liabilities) decreased to R5 331 million (FY2020: R6 423 million), reflecting solid cash generation and the benefits of our cash preservation measures. Net debt to annualised EBITDA strengthened to 1.7 times coverage at September 2021 from 2.5 times the year before, driven by the Group's improved performance.

The cost of debt decreased from 6.4% to 5.9% as a result of reductions in borrowing rates during the year. Net interest paid reduced to R413 million from R504 million in FY2020. Interest cover improved from 1.6 times to 2.6 times due to a better trading performance.

Debt facilities





The pressures introduced by the pandemic heightened the need to secure access to liquidity. At year-end, Netcare had cash balances of R1.5 billion and undrawn committed debt facilities of R4.1 billion. We have access to sufficient resources from which to fund the Group's future needs, which includes the proceeds of the sustainability-linked bond.

Our debt tenure reflects a manageable and appropriately staggered debt profit, with R1.8 billion maturing in FY2022.

Statement of cash flows

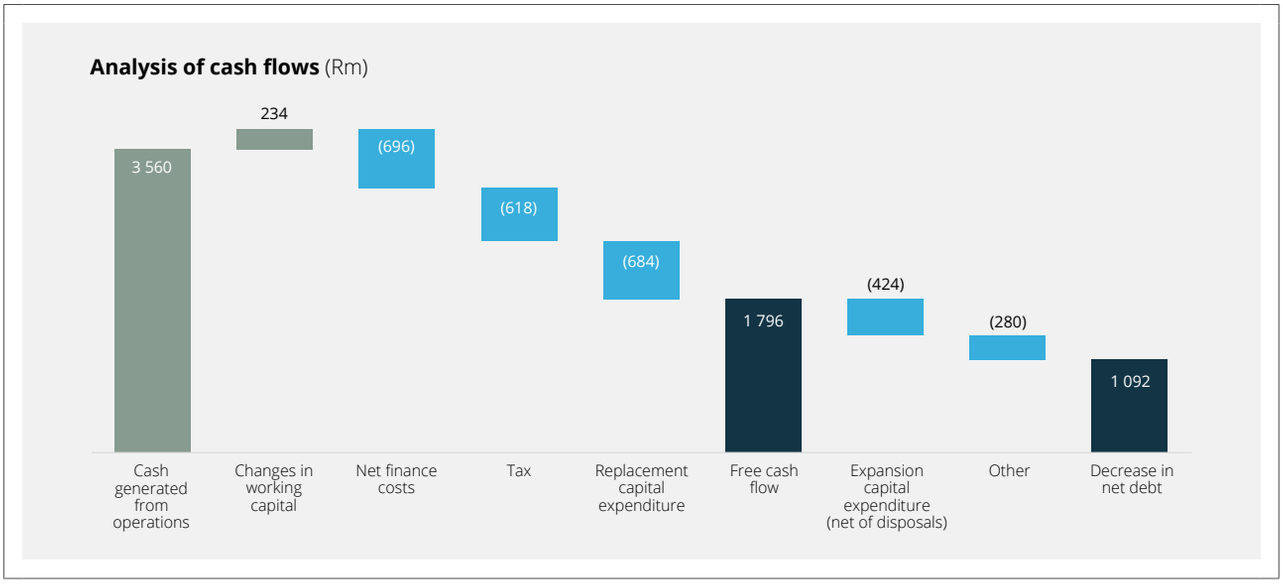
Rm	**30 September 2021**	30 September 2020
Cash generated from operations	**3 794**	1 492
Interest paid on debt	**(441)**	(580)
Interest paid on lease liabilities	**(371)**	(367)
Taxation paid	**(618)**	(601)
Ordinary dividends paid by subsidiaries	**(19)**	(11)
Ordinary dividends paid	**–**	(860)
Preference dividends paid	**(39)**	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE[1] trusts	**(1)**	(11)
Net cash from operating activities	**2 305**	(992)
Net cash from investing activities	**(1 026)**	58
Net cash from financing activities	**(1 269)**	653

1. Health Partners for Life Broad-based Black Economic Empowerment.

Better trading results in FY2021 improved cash generated from operations from R1 492 million to R3 794 million. Cash inflows included R234 million related to the net decrease in working capital, and benefited from normalised inventory holdings. After paying net finance costs of R696 million and cash taxes of R618 million, and investing R684 million to maintain our facilities, we achieved a free cash inflow of R1 796 million. An amount of R424 million, net of disposal proceeds, was invested in expansionary capital projects.

As a result, the Group's net debt decreased by R1 092 million, with a closing net to EBTDA leverage of 1.7 times.

Analysis of cash flows (Rm)



Financial capital | Chief Financial Officer's review continued

Outlook

The outlook for FY2022 depends largely on the evolution of the COVID-19 pandemic. The likelihood of further waves driven by new variants is high, as the emergence of the Omicron variant in late November 2021 indicates. Subject to a better understanding of the virulence of Omicron, we expect the severity of potential waves to wane due to higher levels of immunity from natural infection and vaccination.

Immunisation against the virus, and the speed at which vaccines can be modified for new variants, remain the most influential factors in alleviating our operating constraints. If SA is able to move from a pandemic to an endemic state in which outbreaks are not overly disruptive and are largely controlled by significant and frequent vaccination, faster recovery to pre-COVID-19 levels of activity will be possible.

We expect EBITDA margins in our divisions to strengthen. However, the Group margin is likely to remain unchanged due to planned operating costs of R273 million (FY2021: R172 million) associated with the implementation of our strategy.

The strength of the Group's balance sheet and underlying businesses, and our pipeline of new initiatives should support continued dividend payments and position Netcare to return to pre-COVID-19 levels of profitability and growth over the medium term.

Appreciation

I extend my gratitude to our finance staff across the Group for their skill and dedication to quality reporting in an extraordinarily challenging operating environment.

Keith Gibson
Chief Financial Officer


MATHABELA

Five-year review

Rm	**2021**	2020	2019	2018	2017
Summarised statement of financial position					
Assets					
Property, plant and equipment	**12 915**	12 665	12 541	12 098	13 908
Right of use assets	**3 600**	3 755	–	–	–
Goodwill and intangible assets	**1 806**	1 804	1 781	1 749	2 037
Deferred taxation	**987**	812	512	447	1 092
Other non-current assets	**718**	858	1 057	1 006	2 916
Total non-current assets	**20 026**	19 894	15 891	15 300	19 953
Total current assets[1]	**5 595**	6 050	5 524	5 464	8 159
Total assets	**25 621**	25 944	21 415	20 764	28 112
Equity and liabilities					
Total shareholders' equity	**10 589**	9 799	10 235	10 415	8 862
Long-term debt	**4 936**	6 761	5 061	5 114	7 232
Long-term lease liabilities	**3 588**	3 546	–	–	–
Financial liabilities	**32**	64	44	21	1 187
Deferred taxation	**309**	288	238	210	1 049
Other non-current liabilities	**545**	469	541	582	2 116
Total non-current liabilities	**9 410**	11 128	5 884	5 927	11 584
Total current liabilities[2]	**5 622**	5 017	5 296	4 422	7 666
Total equity and liabilities	**25 621**	25 944	21 415	20 764	28 112
Summarised statement of cash flows					
Cash generated from operations before working capital changes	**3 560**	2 887	4 516	4 570	4 395
Working capital changes	**234**	(1 395)	372	(343)	(126)
Cash generated from operations	**3 794**	1 492	4 888	4 227	4 269
Interest paid on debt	**(441)**	(580)	(602)	(729)	(732)
Interest paid on lease liabilities	**(371)**	(367)	–	–	–
Taxation paid	**(618)**	(601)	(967)	(916)	(874)
Ordinary dividends paid by subsidiaries	**(19)**	(11)	(21)	(23)	(37)
Ordinary dividends paid	**–**	(860)	(1 454)	(1 388)	(1 296)
Special dividends paid	**–**	–	(542)	–	–
Preference dividends paid	**(39)**	(54)	(54)	(55)	(56)
Distributions to beneficiaries of the HPFL[3] trusts	**(1)**	(11)	(26)	(21)	(49)
Net cash from operating activities	**2 305**	(992)	1 222	1 095	1 225
Net cash from investing activities	**(1 026)**	58	(1 125)	(3 087)	(2 029)
Net cash from financing activities	**(1 269)**	653	265	884	1 360
Increase/(decrease) in cash and cash equivalents	**10**	(281)	362	(1 108)	556
Translation effects on cash and cash equivalents of foreign entities	**–**	–	–	(81)	21
Cash and cash equivalents at beginning of year	**1 446**	1 727	1 365	2 525	1 979
Cash and cash equivalents related to assets held-for-sale	**–**	–	–	29	(31)
Cash and cash equivalents at end of year	**1 456**	1 446	1 727	1 365	2 525

1. Includes assets held for sale.
2. Includes liabilities held for sale.
3. Health Partners for Life.

	Compound growth %[1]	**2021**	2020	2019	2018	2017
Summarised income statement						
Continuing operations						
Revenue	2.6	**21 200**	18 843	21 589	20 717	19 114
Operating profit before items listed below	(11.1)	**2 076**	1 393	3 640	3 486	3 331
Profit on disposal of investment in associate		**–**	522	–	–	–
Share-based payment expense on B-BBEE transaction		**–**	(348)	–	–	–
Realisation of foreign currency translation reserve		**–**	–	128	–	–
Impairment of contractual economic interest in the debt of BMI Healthcare		**–**	–	–	(1 544)	–
Profit on sale of old Netcare CBMH[2] land and buildings		**–**	–	–	–	203
Operating profit		**2 076**	1 567	3 768	1 942	3 534
Net financial expenses		**(786)**	(893)	(486)	(327)	(143)
Attributable earnings of associates and joint ventures		**(114)**	56	75	73	89
Profit before taxation		**1 176**	730	3 357	1 688	3 480
Taxation		**(416)**	(291)	(879)	(682)	(942)
Profit for the year from continuing operations		**760**	439	2 478	1 006	2 538
Discontinued operations						
Loss for the year from discontinued operations		**–**	–	–	(467)	(5 267)
Profit on loss of control		**–**	–	–	4 205	–
Profit/(loss) for the year		**760**	439	2 478	4 744	(2 729)
Attributable to:						
Owners of the parent		**730**	392	2 393	4 885	(549)
Preference shareholders		**39**	54	54	55	56
		769	446	2 447	4 940	(493)
Non-controlling interest		**(9)**	(7)	31	(196)	(2 236)
		760	439	2 478	4 744	(2 729)
Divisional analysis						
Revenue						
Hospitals and emergency services	2.9	**20 617**	18 250	20 904	20 000	18 403
Primary Care	(4.4)	**595**	611	701	717	711
Inter-segment elimination		**(12)**	(18)	(16)	–	–
	2.6	**21 200**	18 843	21 589	20 717	19 114
Operating profit						
Hospitals and emergency services		**2 040**	1 403	3 577	3 427	3 268
Primary Care		**36**	(10)	63	59	63
Operating profit before items below		**2 076**	1 393	3 640	3 486	3 331
Profit on disposal of investment in associate		**–**	522	–	–	–
Share-based payment expense on B-BBEE transaction		**–**	(348)	–	–	–
Realisation of foreign currency transaction reserve		**–**	–	128	–	–
Impairment of contractual economic interest in the debt of BMI Healthcare		**–**	–	–	(1 544)	–
Profit on sale of old Netcare CBMH[2] land and buildings		**–**	–	–	–	203
		2 076	1 567	3 768	1 942	3 534

1. Compound annual growth rate for the period 2017 to 2021.
2. Christiaan Barnard Memorial Hospital.

Financial capital | Five-year review continued

		Compound growth %[1]	2021	2020	2019	2018	2017
Key performance indicators							
Ratios							
EBITDA margin[2]	%		**15.4**	13.6	20.3	20.3	20.8
Operating profit margin[2]	%		**9.6**	7.4	16.9	16.8	17.4
Interest cover[2]	times		**2.6**	1.6	7.5	10.7	22.8
Effective tax rate[2]	%		**35.4**	43.7	27.2	28.0	27.7
Return on invested capital	%		**7.9**	5.6	20.1	20.0	19.7
Current ratio	:1		**1.0**	1.2	1.0	1.2	1.1
Invested capital							
Property, plant and equipment			**12 915**	12 665	12 541	12 098	11 127
Right of use assets			**3 600**	3 755	–	–	–
Intangible assets			**200**	198	175	135	127
Deferred lease assets			**12**	32	28	25	23
Deferred taxation			**987**	812	512	447	433
Current assets			**4 003**	4 446	3 444	3 748	3 150
Inventories			**640**	1 206	564	589	565
Trade and other receivables			**3 251**	3 102	2 837	3 124	2 579
Taxation receivable			**112**	138	43	35	6
Current liabilities			**(3 225)**	(3 291)	(3 485)	(3 350)	(2 716)
Trade and other payables			**(3 207)**	(3 230)	(3 462)	(3 288)	(2 653)
Taxation payable			**(18)**	(61)	(23)	(62)	(63)
			18 492	18 617	13 215	13 103	12 144
Shareholder returns							
Basic earnings/(loss) per share	cents		**54.6**	28.3	176.7	357.7	(40.9)
Continuing operations	cents		**54.6**	28.3	176.7	68.5	182.1
Discontinued operations	cents		**–**	–	–	289.2	(223.0)
Headline earnings/(loss) per share	cents	(13.5)	**61.5**	(3.6)	165.9	49.3	109.9
Continuing operations	cents		**61.5**	(3.6)	165.9	68.8	169.2
Discontinued operations	cents		**–**	–	–	(19.5)	(59.3)
Adjusted headline earnings per share	cents	(17.6)	**67.4**	32.5	171.2	152.1	146.2
Continuing operations	cents		**67.4**	32.5	171.2	171.6	170.6
Discontinued operations	cents		**–**	–	–	(19.5)	(24.4)
Total dividends per share	cents		**34.0**	–	111.0	144.0	95.0
Ordinary dividends per share	cents		**34.0**	–	111.0	104.0	95.0
Special dividend per share	cents		**–**	–	–	40.0	
Dividend cover	times		**1.8**	–	1.5	0.3	1.2
Net asset value per share	cents		**792**	733	761	764	652

1. Compound annual growth rate for the period 2017 to 2021.
2. Based on continuing operations and excluding extraordinary items.

Key performance indicators continued

Operational performance indicators

South African acute hospitals

		2021	2020	2019	2018	2017
Number of hospitals[1]		**53**	53	55	57	58
Registered beds		**10 005**	9 986	10 046	10 187	10 181
Theatres		**349**	349	350	360	364
Hybrid theatres, catheterisation and electrophysiology laboratories		**34**	34	33	34	33
Day clinics		**12**	15	–	–	–
Increase/(decrease) in patient days	%	**6.2**	(19.6)	(1.4)	1.7	(1.0)
Average length of stay	days	**4.78**	4.27	3.88	3.83	3.79

Mental health

Number of facilities		**12**	12	12	12	–
Registered beds		**891**	891	891	834	–
Increase/(decrease) in patient days		**12.7**	(21.2)	17.9	25.8[3]	–
Average length of stay		**12.64**	12.22	12.23	12.08	–

Emergency services

Netcare 911 sites		**82**	82	83	80	84

Oncology

Number of oncology radiation facilities		**15**	15	15	15	10

National Renal Care

Renal dialysis facilities		**69**	68	67	63	63
Renal dialysis stations		**956**	979	936	867	843

Primary Care

Primary healthcare centres and travel clinics		**67**	68	75	83	83
Sub-acute facilities		**1**	2	2	3	3
Registered sub-acute beds		**31**	46	46	66	66
Day clinics		**–**	–	15	15	15
Total number of visits – millions		**2.1**	2.1	2.7	2.9	3.0

United Kingdom hospitals

Number of hospitals[1]		**–**	–	–	–	56
Registered beds		**–**	–	–	–	2 797
Increase in inpatient and day admissions (total cases)	%	**–**	–	–	–	0.5
Increase in outpatient cases	%	**–**	–	–	–	0.4

1. Owned and managed hospitals.
2. 2018 exclude Netcare Bell Street and Netcare Rand hospitals. 2019 and 2020 exclude Netcare Bell Street, Netcare Rand, Port Alfred and Settlers Hospitals.
3. Year-on-year growth.

Financial capital | Five-year review continued

		2021	2020	2019	2018	2017
Key performance indicators continued						
Social performance indicators						
Total employees		**18 346**	19 214	20 193	22 165	30 056
South Africa[1]		**18 346**	19 214	20 193	22 165	21 172
United Kingdom		**–**	–	–	–	8 884
Employee turnover						
South Africa	%	**15.9**	13.9	14.6	12.1	13.3
United Kingdom	%	**–**	–	–	–	18.5
Gender split						
South Africa						
Male	%	**18.8**	18.4	17.9	17.5	18.6
Female	%	**81.2**	81.6	82.1	82.5	81.4
United Kingdom						
Male	%	**–**	–	–	–	42.8
Female	%	**–**	–	–	–	57.2
Employees trained						
South Africa		**12 731**	15 276	16 314	13 693	14 335
United Kingdom		**–**	–	–	–	8 884
Training costs						
South Africa	Rm	**49**	66	84	70	54
United Kingdom	£m	**–**	–	–	–	1.9
Black (African, Coloured and Indian) employee representation[2]	%	**79.7**	79.0	78.3	77.0	75.4
Unionised employees[2]	%	**50.9**	52.8	52.7	50.8	51.3
Corporate social investment[2,3]	Rm	**31**	18	31	35	26
Environmental performance indicators						
South Africa and Lesotho						
Energy usage	gigajoules	**954 692**	956 560	983 418	961 802	1 052 635
Water usage	kilolitres	**1 895 020**	1 878 400	2 132 022	2 072 375	2 015 752
Carbon dioxide equivalent (CO_2e) emissions	tonnes	**306 304**	272 920	275 613	256 469	281 632
Scope 1 and Scope 2 CO_2e per R1 million revenue		**11.65**	12.73	11.36	10.99	13.16
United Kingdom						
Energy usage	megawatt hours	**–**	–	–	–	135 740
Carbon dioxide equivalent (CO_2e) emissions	tonnes	**–**	–	–	–	41 840

1. Includes PPPs.
2. SA operations only.
3. Inclusive of bursaries.

Key performance indicators continued

		2021	2020	2019	2018	2017
Ordinary share statistics						
Shares in issue	million	**1 439**	1 439	1 452	1 471	1 462
Shares in issue net of treasury shares	million	**1 337**	1 335	1 345	1 363	1 360
Weighted average number of shares	million	**1 336**	1 336	1 345	1 362	1 359
Diluted weighted average number of shares	million	**1 344**	1 343	1 358	1 378	1 374
Market capitalisation[1]	R million	**23 312**	18 592	25 483	35 613	34 796
JSE statistics						
Market price per share						
at 30 September	cents	**1 620**	1 292	1 755	2 421	2 380
highest	cents	**1 738**	2 132	2 762	3 161	3 632
lowest	cents	**1 130**	1 154	1 481	2 144	2 310
weighted average	cents	**1 416**	1 676	2 123	2 632	2 879
Number of share transactions		**508 997**	730 041	761 431	570 951	833 192
Value of share transactions	R million	**17 076**	30 711	26 233	31 499	39 232
Volume of shares traded	million	**1 205.7**	1 832.5	1 235.5	1 196.8	1 362.7
Volume traded to issued	%	**83.8**	127.3	85.1	81.4	93.2
Market performance ratios						
Earnings yield[2]	%	**3.8**	(0.3)	9.5	2.0	4.6
Distribution yield[2]	%	**2.1**	–	6.3	4.3	4.0
Price:earnings ratio[2]	times	**26.3**	(358.9)	10.6	49.1	21.7

1. Based on shares in issue.
2. Based on continuing operations.

Financial capital continued

Summarised Group annual financial statements

for the year ended 30 September 2021

These summarised Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2021 that were approved by the Netcare Board on 18 November 2021. The summarised Group annual financial statements do not contain sufficient information to allow for a complete understanding of the results of the Group, as would be provided in the complete audited Group annual financial statements. These summarised Group financial statements, and the audited Group financial statements from which they have been derived, were compiled under the supervision of KN Gibson CA(SA), Chief Financial Officer of the Group.

The summarised consolidated annual financial statements comprise:

- Summarised Group statement of profit or loss.
- Summarised Group statement of comprehensive income.
- Summarised Group statement of financial position.
- Summarised Group statement of cash flows.
- Summarised Group statement of changes in equity.
- Headline earnings.
- Summarised segment report.

The directors are responsible for the preparation and fair representation of the annual financial statements in accordance with the requirements of the Companies Act No. 71 of 2008 and in compliance with the Company's Memorandum of Incorporation.

The complete audited annual financial statements are available at **www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results**.

Operating activities

The activities of the Group's operating segments are described below:

- **Hospital and emergency services**
  This segment is further disaggregated into Hospital and pharmacy operations covering our private acute hospital network which includes day clinics, and non-acute services. The non-acute services include emergency medical services, the operation of private mental health clinics, the sale of healthcare products and vouchers and cancer care services.

- **Primary Care**
  This segment offers comprehensive primary healthcare services, employee health and wellness services and administrative services to medical and dental practices.

Going concern

Since the emergence of COVID -19 in South Africa in early March 2020, trading circumstances have changed dramatically, resulting in increased levels of uncertainty prevalent in the global and domestic economies, the healthcare sector and Netcare specifically. This heightened uncertainty has predicated a need to consider, in line with remodelled existing forecasts, the going concern assertion applicable to the Group.

Netcare achieved an improved performance in the current financial year, despite the impact of highly transmissible COVID-19 variants and rolling waves which affected the Group's ability to recover to pre-pandemic levels. Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 2.0 times (pre-IFRS 16) at 30 September 2021. Cash balances and available committed undrawn facilities amount to R5.6 billion which will ensure the availability of liquidity for the foreseeable future. The budget prepared for the 2022 year represents a recovery period as the impact of COVID-19 waves continue to affect profitability, and the Group's strategic projects gather momentum. However, improved profitability and cash generation is expected, with a return to pre-COVID-19 profitability levels expected thereafter within the five-year forecast period. On this basis the Board is confident in the ability of the Group and Company to continue as a going concern for the foreseeable future.

Accounting policies

The accounting policies and methods of computation applied in the preparation of the Group annual financial statements are in accordance with IFRS. All policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2020.

Report of the independent auditor's

These summarised Group annual financial statements for the year ended 30 September 2021 have been extracted from the complete audited Group annual financial statements on which the auditors, Deloitte & Touche, have expressed an unmodified audit opinion, with a reportable irregularity included therein, on the full set.

The directors take full responsibility for the preparation of the summarised Group financial statements, which have been extracted from and are consistent in all material respects with the Group's consolidated financial statements.

Summarised Group statement of profit or loss

for the year ended 30 September

Rm	**2021**	2020
Revenue	**21 200**	18 843
Cost of sales	**(10 748)**	(9 810)
Gross profit	**10 452**	9 033
Other income	**330**	386
Administrative and other expenses	**(8 518)**	(7 752)
Impairment of financial assets	**(188)**	(274)
Operating profit before items below	**2 076**	1 393
Profit on disposal of investment in associate	**–**	522
Share-based payment expense on B-BBEE transaction	**–**	(348)
Operating profit	**2 076**	1 567
Investment income	**116**	156
Finance costs	**(903)**	(1 031)
Other financial gains/(losses) – net	**1**	(18)
Attributable (losses)/earnings of associates	**(147)**	20
Attributable earnings of joint ventures	**33**	36
Profit before taxation	**1 176**	730
Taxation	**(416)**	(291)
Profit for the year	**760**	439
Attributable to:		
Owners of the parent	**730**	392
Preference shareholders	**39**	54
Profit attributable to shareholders	**769**	446
Non-controlling interest	**(9)**	(7)
	760	439
Cents		
Basic earnings per share	**54.6**	28.3
Diluted earnings per share	**54.3**	28.1

- Two severe COVID-19 waves causing suspension of elective surgeries
- ▼ 2.7% on FY 2019

R73 million impairment of properties

R71 million recognised on termination of the Lesotho PPP[1]

R172 million strategic project costs

Lower average net debt and lower average cost of debt

Losses primarily related to impairment of Lesotho debtors of R159 million

1. Public Private Partnership.

Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	**2021**	2020
Profit for the year	**760**	439
Items that will not subsequently be reclassified to profit or loss	**(25)**	(14)
Remeasurement of defined benefit obligation	**1**	50
Fair value adjustment on equity investments	**(26)**	(50)
Taxation on items that will not subsequently be reclassified to profit or loss	**–**	(14)
Items that may subsequently be reclassified to profit or loss	**75**	(55)
Effect of cash flow hedge accounting	**104**	(82)
Amortisation of cash flow hedge accounting reserve	**103**	86
Change in the fair value of cash flow hedges	**1**	(168)
Realisation of foreign currency translation reserve	**–**	4
Taxation on items that may subsequently be reclassified to profit or loss	**(29)**	23
Other comprehensive income for the year	**50**	(69)
Total comprehensive income for the year	**810**	370
Attributable to:		
Owners of the parent	**780**	323
Preference shareholders	**39**	54
Non-controlling interest	**(9)**	(7)
	810	370

Summarised Group statement of financial position

as at 30 September

Rm	**2021**	2020
ASSETS		
Non-current assets		
Property, plant and equipment	**12 915**	12 665
Right of use assets	**3 600**	3 755
Goodwill	**1 606**	1 606
Intangible assets	**200**	198
Investment in joint ventures	**185**	213
Investment in associates	**239**	378
Loans and receivables	**219**	158
Financial assets	**63**	77
Deferred lease assets	**12**	32
Deferred taxation	**987**	812
Total non-current assets	**20 026**	19 894
Current assets		
Loans and receivables	**132**	154
Financial assets	**4**	—
Inventories	**640**	1 206
Trade and other receivables	**3 251**	3 102
Taxation receivable	**112**	138
Cash and cash equivalents	**1 456**	1 450
Total current assets	**5 595**	6 050
Total assets	**25 621**	25 944
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	**4 297**	4 297
Treasury shares	**(3 557)**	(3 851)
Other reserves	**413**	783
Retained earnings	**8 780**	7 894
Equity attributable to owners of the parent	**9 933**	9 123
Preference share capital and premium	**644**	644
Non-controlling interest	**12**	32
Total shareholders' equity	**10 589**	9 799
Non-current liabilities		
Long-term debt	**4 936**	6 761
Long-term lease liabilities	**3 588**	3 546
Financial liabilities	**32**	64
Post-employment healthcare benefit obligations	**503**	469
Deferred taxation	**309**	288
Provisions	**42**	—
Total non-current liabilities	**9 410**	11 128
Current liabilities		
Trade and other payables	**3 207**	3 230
Short-term debt	**1 851**	1 108
Short-term lease liabilities	**508**	499
Financial liabilities	**38**	115
Taxation payable	**18**	61
Bank overdrafts	**—**	4
Total current liabilities	**5 622**	5 017
Total equity and liabilities	**25 621**	25 944

- Capital expenditure of R 1 144 million including R460 million spent on expansionary projects.

Working capital has been well managed and inventory levels continued to decline.

Net debt/equity ratio 0.5x (2020: 0.7x)

Reduction of net debt due to higher operating profit, improved working capital and suspension of ordinary dividends, partially offset by ongoing capital expenditure.

Summarised Group statement of cash flows

for the year ended 30 September

Rm	**2021**	2020
Cash flows from operating activities		
Cash received from customers	**20 702**	18 409
Cash paid to suppliers and employees	**(16 908)**	(16 917)
Cash generated from operations	**3 794**	1 492
Interest paid on debt	**(441)**	(580)
Interest paid on lease liabilities	**(371)**	(367)
Taxation paid	**(618)**	(601)
Ordinary dividends paid by subsidiaries	**(19)**	(11)
Ordinary dividends paid	**–**	(860)
Preference dividends paid	**(39)**	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE[1] trusts	**(1)**	(11)
Net cash from operating activities	**2 305**	(992)
Cash flows from investing activities		
Payment for acquisition of interest in associate	**(12)**	–
Payment for acquisition of interest in joint venture	**(9)**	–
Payments for acquisition of property, plant and equipment	**(1 132)**	(961)
Payments for additions to intangible assets	**(12)**	(38)
Proceeds on disposal of property, plant and equipment and intangible assets	**36**	38
Proceeds on disposal of investment in associate	**–**	778
Payments for investments and loans	**(105)**	(4)
Interest received	**116**	156
Dividends received	**92**	89
Net cash from investing activities	**(1 026)**	58
Cash flows from financing activities		
Proceeds on disposal of treasury shares	**1**	2
Purchase of ordinary shares	**–**	(251)
Debt raised	**1 000**	3 621
Debt repaid	**(2 108)**	(2 575)
Payment for acquisition of non-controlling interests	**(1)**	(2)
Proceeds from issue of shares to non-controlling interests	**9**	–
Payment of principal elements of lease liabilities	**(170)**	(142)
Net cash from financing activities	**(1 269)**	653
Net increase/(decrease) in cash and cash equivalents	**10**	(281)
Cash and cash equivalents at the beginning of the year	**1 446**	1 727
Cash and cash equivalents at the end of the year	**1 456**	1 446

1. Health Partners for Life Broad-based Black Economic Empowerment.

Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve	Foreign currency translation reserve	Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total share-holders' equity
Balance at 1 October 2019	4 334	(3 853)	(47)	(4)	498	8 611	9 539	644	52	10 235
Shares purchased and cancelled during the year[1]	(37)	–	–	–	–	(214)	(251)	–	–	(251)
Sale of treasury shares	–	2	–	–	–	–	2	–	–	2
Share-based payment reserve movements	–	–	–	–	391	–	391	–	–	391
Tax recognised in equity	–	–	–	–	–	(11)	(11)	–	–	(11)
Preference dividends paid	–	–	–	–	–	–	–	(54)	–	(54)
Ordinary dividends paid	–	–	–	–	–	(860)	(860)	–	(11)	(871)
Distributions paid to beneficiaries of the HPFL B-BBEE[2] trusts	–	–	–	–	–	(11)	(11)	–	–	(11)
Changes in equity interest in subsidiaries	–	–	–	–	–	1	1	–	(2)	(1)
Total comprehensive income for the year	–	–	(59)	4	–	378	323	54	(7)	370
Profit for the year	–	–	–	–	–	392	392	54	(7)	439
Other comprehensive income	–	–	(59)	4	–	(14)	(69)	–	–	(69)
Balance at 1 October 2020	**4 297**	**(3 851)**	**(106)**	**–**	**889**	**7 894**	**9 123**	**644**	**32**	**9 799**
Sale of treasury shares	**–**	**2**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**2**
Transfer[3]	**–**	**292**	**–**	**–**	**(471)**	**179**	**–**	**–**	**–**	**–**
Share-based payment reserve movements	**–**	**–**	**–**	**–**	**26**	**–**	**26**	**–**	**–**	**26**
Preference dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**(39)**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19)**	**(19)**
Other reserve movements	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**–**	**8**	**2**
Distributions paid to beneficiaries of the HPFL B-BBEE[2] Trusts	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**–**	**(1)**
Tax recognised in equity	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**–**	**(1)**
Changes in equity interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**10**	**10**	**–**	**–**	**10**
Total comprehensive income for the year	**–**	**–**	**75**	**–**	**–**	**705**	**780**	**39**	**(9)**	**810**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**730**	**730**	**39**	**(9)**	**760**
Other comprehensive income	**–**	**–**	**75**	**–**	**–**	**(25)**	**50**	**–**	**–**	**50**
Balance at 30 September 2021	**4 297**	**(3 557)**	**(31)**	**–**	**444**	**8 780**	**9 933**	**644**	**12**	**10 589**

1. In the prior year 12.7 million shares were repurchased at an average price of R19.68 per share. The shares were subsequently cancelled and now form part of authorised shares not issued.
2. Health Partners for Life Broad-based Black Economic Empowerment.
3. Transfer of treasury shares and share-based payment reserve in respect of vested shares.

Headline earnings

for the year ended 30 September

Rm	2021	2020
Reconciliation of headline earnings		
Profit for the year	**760**	439
Adjusted for:		
Dividends paid on shares attributable to the Forfeitable Share Plan and HPFL B-BBEE[1] Trust units	**–**	(14)
Preference shareholders	**(39)**	(54)
Non-controlling interest	**9**	7
Profit for the purposes of basic and diluted earnings per share	**730**	378
Adjusted for:		
Recognition of impairment of intangible assets in equity accounted earnings	**13**	–
Profit on disposal of investment in associate	**–**	(522)
Net loss on disposal of property, plant and equipment and intangibles	**5**	8
Recognition of impairment of right of use assets	**–**	1
Realisation of foreign currency translation reserve	**–**	4
Recognition of impairment of property, plant and equipment in operating profit and equity accounted earnings	**75**	3
Recognition of impairment of investment in associate	**–**	35
Tax effect of headline adjusting items	**(1)**	45
Headline earnings/(loss)	**822**	(48)

1. Health Partners for Life Broad-based Black Economic Empowerment.

Rm	2021	2020
Adjusted headline earnings		
Headline earnings/(loss)	**822**	(48)
Adjusted for:		
Amortisation of cash flow hedge accounting reserve	**14**	17
Fair value gains on derivative financial instruments	**(3)**	–
De-designation of a portion of a hedging instrument	**1**	16
Ineffectiveness losses on cash flow hedges	**1**	2
Reversal of loan impairment	**(11)**	–
Recognition of loan impairment	**9**	105
Net impact of Lesotho PPP[1] termination	**35**	–
Associate restructure costs	**–**	4
Restructure costs incurred by Netcare in respect of BMI Healthcare	**–**	1
Share-based payment expense on B-BBEE[2] transaction	**–**	348
Tax effect of adjusting items	**32**	(11)
Adjusted headline earnings	**900**	434
Cents		
Headline earnings/(loss) per share	**61.5**	(3.6)
Diluted headline earnings/(loss) per share	**61.2**	(3.6)
Adjusted headline earnings per share	**67.4**	32.5
Diluted adjusted headline earnings per share	**67.0**	32.3

1. Public Private Partnership.
2. Broad-based Black Economic Empowerment.

Adjusted headline earnings per share is a measurement used by the chief operating decision maker as a key measure of sustainable earnings from trading operations. The calculation of adjusted headline earnings per share excludes non-trading and/or non-recurring items, and is based on the adjusted profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year. The presentation of adjusted headline earnings is not an IFRS requirement, nor a JSE Listings Requirement.

Summarised segment report

for the year ended 30 September

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination[1]	Total
30 September 2021						
Statement of profit or loss						
Revenue	**19 465**	**1 152**	**20 617**	**595**	**(12)**	**21 200**
EBITDA[2]	**3 040**	**80**	**3 120**	**124**	**–**	**3 244**
Depreciation and amortisation	**(896)**	**(184)**	**(1 080)**	**(88)**	**–**	**(1 168)**
Operating profit	**2 144**	**(104)**	**2 040**	**36**	**–**	**2 076**
Additional segment information						
Impairment of property, plant and equipment	**(57)**	**(16)**	**(73)**	**–**	**–**	**(73)**

1. Relates to revenue earned in the Hospital and emergency services segment.
2. Earnings before interest, tax, depreciation and amortisation.

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination[1]	Total
30 September 2020						
Statement of profit or loss						
Revenue	17 239	1 011	18 250	611	(18)	18 843
EBITDA[2] before items below	2 362	103	2 465	93	–	2 558
Depreciation and amortisation	(885)	(177)	(1 062)	(103)	–	(1 165)
Operating profit – before items below	1 477	(74)	1 403	(10)	–	1 393
Share-based payment expense on B-BBEE[3] transaction	(348)	–	(348)	–	–	(348)
Profit on disposal of investment in associate	522	–	522	–	–	522
Operating profit	1 651	(74)	1 577	(10)	–	1 567
Additional segment information						
Impairment of property, plant and equipment	–	(3)	(3)	–	–	(3)

1. Relates to revenue earned in the Hospital and emergency services segment.
2. Earnings before interest, tax, depreciation and amortisation.
3. Broad-based Black Economic Empowerment.