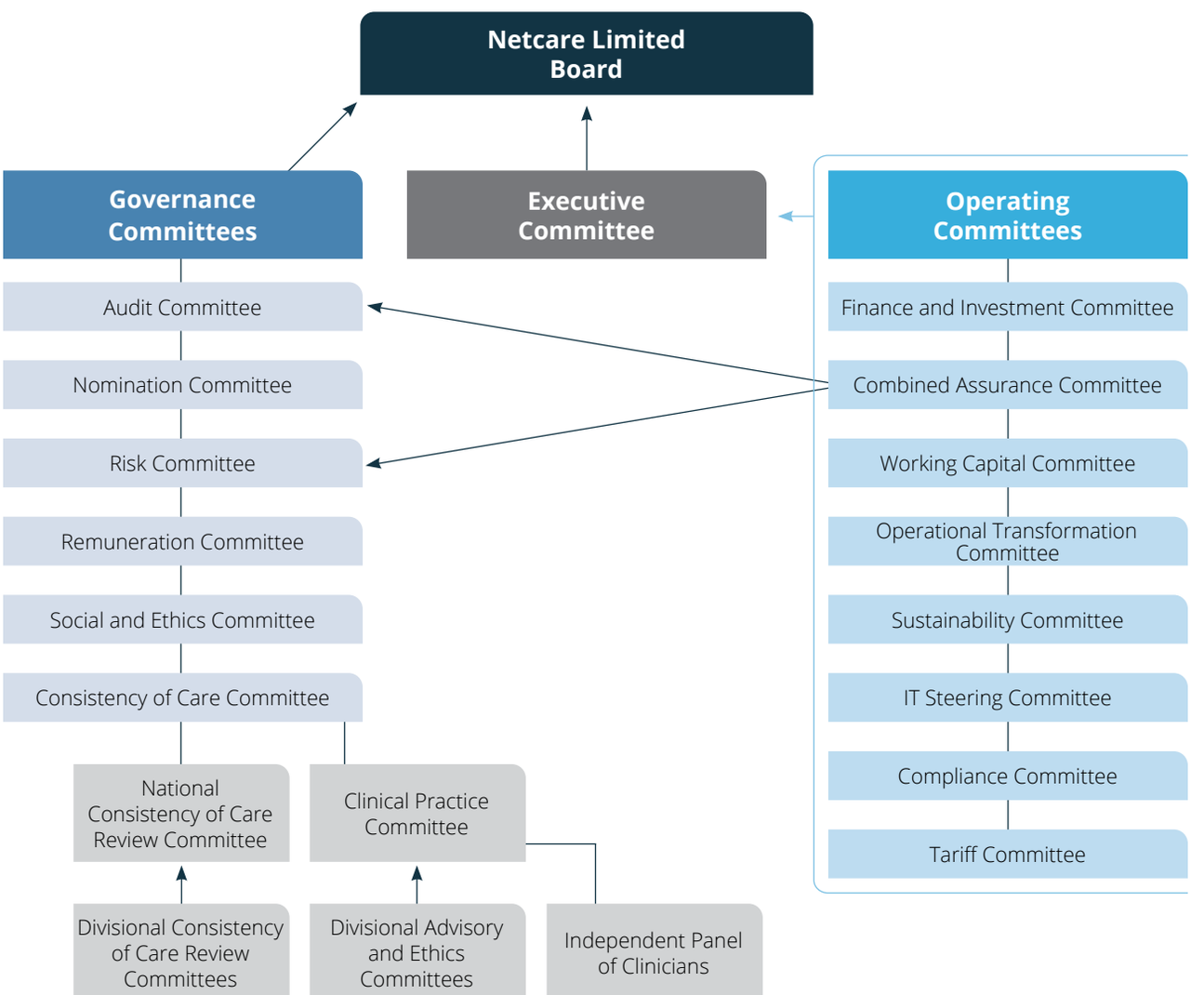
Governance overview

The ***Quadruple Aim*** challenges us to balance the value of our services with their cost to society, recognising that the quality of relationships with our patients, people and partners are fundamental to this balance. This aligns to King IV's foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value. Our integrated application of the principles and recommended practices of King IV aims to ensure that we achieve the intended governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Governance and delegation of authority framework



Ethical culture

We are committed to high moral, ethical and legal standards, and all our employees are expected to fulfil this commitment, including our policy of fair dealing and integrity when conducting Netcare's business. We take a zero-tolerance approach to theft, fraud and corruption, as well as discrimination and racism. Every incident reported through our whistle-blowing hotlines is investigated.

A number of initiatives and mechanisms are in place to support an ethical culture

Our **values, policies and Code of Ethics**, which provide the framework for ethical leadership and behaviour.	The **Clinical Practice Committee**, which sets guidelines on clinical conduct and monitors compliance with clinical governance criteria.	Our **ethics management programme**, which includes our annual ethics survey, and our ethics training and awareness raising initiatives.	Our **incident management system**, which logs clinical (e.g. patient falls or incorrect medication given) and forensic incidents.
Our **mechanisms that support the reporting of unethical behaviour**, including Group Forensics and the Fraud and Ethics Hotline (supports anonymous reporting for employees, patients, suppliers and the public).	The anonymous toll-free **SHOUT line** for employees to report alleged or perceived discriminatory or racist action or behaviour.	Our **remuneration policy**, which aligns our corporate strategy, performance and the values and behaviours we expect of our people. It also ensures fair, equitable and consistent reward.	Our **supplier policies and assessments**, where all new suppliers are required to complete a declaration confirming their compliance to fair labour practices, human rights and environmental criteria.

Fraud and ethics reporting	**2021**	2020	2019
Incidents of alleged fraud and irregularities	**182**	228	208
Incidents of alleged unethical medical behaviour	**0**	2	0
Total incidents of alleged misconduct	**182**	230	208

At the time of reporting, 89% of the incidents of alleged misconduct had been investigated and closed, with the remainder still under investigation. 12% of reports were received through the fraud and ethics hotline.

Governance overview continued

Ethics survey

Over 2 049 employees (FY2020: 384) participated in the annual ethics survey, representing all regions. Non-managerial participation increased to 62% (FY2020: 41%).

Some key insights from our ethics survey include:

- More than 88% of respondents agreed that they are encouraged to do the right thing and that senior management can be approached on ethical matters. Respondents felt that consistency is needed in how offenders are disciplined and that we could improve how we communicate on ethics.
- 78% of respondents felt that they are treated with dignity and respect, and that a safe and healthy environment and regulatory compliance are material matters for Netcare.
- 99% of respondents said that they were willing to report unethical behaviour and incidents, 94% were aware of the mechanisms in place to report misconduct and of those that said they had noted misconduct, 44% did not report out of fear of being victimised, fear that their report would not be anonymous or they relied on someone else to report it.

In response to these results, we will:

- Introduce a quarterly ethics information newsletter focusing on the issues raised in the survey.
- Ensure that ethics is discussed at management forums.
- Address the perception of unfairness in the disciplinary process.
- Roll out ethics training and awareness, and clearly convey our commitment to confidentiality and anonymity in reporting misconduct.

Board responsibility

The Board is responsible for governing the Group's approach to ethics and ensuring awareness around Netcare's commitment to doing business ethically. The Board's commitment to best practice governance drives us to constantly improve the way the business is managed, ensure decisions are taken openly and transparently within an ethical framework, and to deliberately improve our socioeconomic and environmental outcomes. All governance committees assist the Board in this responsibility. The Board's annual assessment of its performance and that of its committees, directors and executives includes a review of ethical outcomes.

FY2021 performance

- **Social and Ethics Committee:** considered the results of the ethics survey and the action plans to respond to areas highlighted for improvement.
- **Audit, Risk, Consistency of Care and Social and Ethics Committees:** reviewed the defalcation register, fraud trends and material incidents.
- **Risk Committee:** reviewed the Group's environmental sustainability and ESG practices.
- **Social and Ethics Committee:** reviewed the Group's B-BBEE plans and progress towards improving its B-BBEE scorecard.
- **Social and Ethics Committee:** reviewed the Group's compliance with the TCFD framework.
- **Consistency of Care Committee:** monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare's values and behaviours.

Key outcomes

- Refresher training on ethics will be delivered to the Board and the Executive Committee.
- Achieved an improved B-BBEE score of 88.09 (Level 4).
- A new five-year employment equity plan to FY2026 has been approved.
- Netcare continued to perform well in all ESG indices.

Board opinion

The Board is satisfied with the Group's implementation of the King IV principles and recommended practices as they relate to ethics, as well as the best practice risk mitigating approaches undertaken by management. In FY2022, a key focus will be to monitor implementation of ethics improvement initiatives.

Governance overview continued

Performance and value creation

Board responsibility

Our Board plays a pivotal role in creating and protecting value by approving strategy, setting policy, ensuring capital prudence, and overseeing the Group's governance frameworks and control environment. Governance, risk and operational discussions are founded in strategic consideration and interrogation. The Board applies its diverse and relevant mix of skills and knowledge to deliberations and constructively challenges and holds executive management to account. In delivering our strategy, the Board critically assesses acquisitions, potential mergers and capital expenditure for expansion. All governance committees assist the Board in its responsibility to ensure that our strategy and decision-making drive value creation. The Remuneration Committee plays a particular role by setting performance goals and ensuring that our remuneration policy supports value creation.

Key areas of focus for the Board in FY2021 were our digital transformation strategy, stakeholder engagement strategy, regulatory and policy changes, and a more granular review of our clinical initiatives.

FY2021 performance

- **Board:** reviewed the impact of the COVID-19 pandemic on the Group's strategy and approved updates where necessary, monitored various initiatives to mitigate the spread of the virus and engaged with certain stakeholders on the impact of COVID-19 on the business. It also reviewed a three-year view of global, South African and Netcare-specific scenarios.
- **Board:** continued to assess the Group's business model and strategy to deliver person-centred health and care that is digitally enabled and data driven, and supported management's objective to develop strategic partnerships to deliver on our strategy, including a partnership between Netcare and a market leader in IT solutions.
- **Board:** decided to apply for a secondary listing on A2X Markets, which was approved with trade commencing on 15 December 2021. The listing does not affect our share capital.
- **Risk Committee:** approved the Group's top business risks, oversaw the implementation of the digitisation strategy and our interventions to manage cybersecurity, information management and data security.
- **Consistency of Care Committee:** reviewed our strategic initiatives to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care and close efficiency gaps.
- **Consistency of Care Committee:** reviewed systems to enhance measurable improvements in quality of care outcomes.
- **Remuneration Committee:** commissioned a review of our short- and long-term incentive schemes, particularly given the difficulties in setting stretch yet realistic and achievable targets in an uncertain environment brought about by COVID-19. The committee also approved the annual salary increase criteria and incentive payments.
- **Remuneration Committee:** approved the King IV-aligned remuneration report, which can be found in the shareholder report.

Key outcomes

- An agile risk management process able to quickly identify and put controls in place to manage multiple risks relating to COVID-19.
- The 2030 environmental sustainability strategy was approved.
- Raised Africa's first sustainability-linked bond in partnership with Standard Bank.
- A new Single Incentive Plan was approved, which links financial and ESG performance to remuneration, for implementation in FY2022.

Board opinion

The Board is satisfied that the Group's business model and strategy are appropriate and resilient given Netcare's agility in managing COVID-19, and that it will generate a sustainable competitive advantage, realise balanced value for all our stakeholders, and contribute meaningfully to the wellbeing of our patients. It is also of the view that the strategic rationale for the Hospital division's EMR project, CareOn, remains a sound response to global healthcare mega trends. The key focus for FY2022, will be to oversee the Group's recovery plans and progress towards normalising business operations. Focus will also be placed on the implementation of key strategic projects delayed due to COVID-19, and the implementation of projects to support the environmental sustainability pillar.

Governance overview continued

Adequate and effective controls

Our unitary Board structure comprises directors with the appropriate independence, professional and sector knowledge and experience for the nature, complexity and strategic demands of the Group. The diversity of the Board enables us to leverage differences in skills, experience, background, race and gender in our strategic decision-making and ensures effective governance. The Nomination Committee manages director rotation to ensure that appropriate capabilities are represented and new experience and perspectives are included, while maintaining continuity and retaining valuable knowledge, skills and experience.

During FY2021, the Board met four times, with an additional four special meetings convened to consider updates relating to various strategic projects. All Board directors have an excellent attendance record.

An appropriate system of internal controls is maintained to safeguard and manage Netcare's assets, minimise losses arising from fraud and/or other illegal acts, and fairly present financial and operational information. Internal Audit fulfils an assurance and consulting function and is mandated to provide independent and objective assurance over this system of internal controls. Internal Audit's activities provide assurance to our stakeholders that Netcare operates in a responsible manner.

Board responsibility

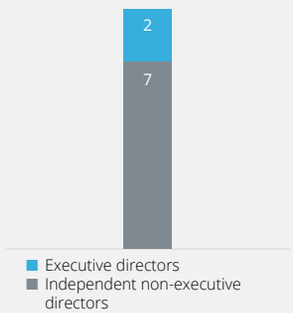
The Board is required to debate matters that are material to the business or stakeholder interests, and to ensure the integrity and transparency of information. Other aspects relating to effective controls include ensuring compliance to changing regulation, overseeing the governance of IT and information management, and setting performance goals. The Audit and Risk Committees play a critical role in supporting the Board in its oversight of controls and IT governance.

FY2021 performance

- **Board:** engaged the services of an external service provider to assess the Board's effectiveness and independence.
- **Nomination Committee:** reviewed the composition of the governance committees, updating membership and appointing new Chairs, where required.
- **Nomination Committee:** identified high-potential leadership talent for development and succession planning.
- **Nomination Committee:** reviewed the performance and the skillset of each Executive Committee member as well as the succession plans for each Executive Committee member.
- **Board:** conducted a full financial review of CareOn, re-examining the expected costs and benefits.
- **Board:** reviewed the results of our data integrity assessments and the initiatives to improve data quality.
- **Board:** considered and approved the Group's material matters for the integrated report and oversaw the fair presentation of the Group's annual financial statements and other shareholder information.
- **Board:** oversaw the roll out of the electronic governance tool to monitor compliance with the Companies Act, King IV and JSE Listings Requirements, and ensured that partnerships and strategic initiatives comply with applicable legislation.
- **Audit Committee reviewed:**
  - Critical accounting judgements, estimates and assumptions, mindful of the impact of COVID-19.
  - The valuation of goodwill, property, plant and equipment, loans and receivables and investments to identify potential impairments, mindful of the impact of COVID-19.
  - The assertion of going concern and quality of earnings.
  - Impairment of investments in PPPs.
  - CEO and CFO disclosure statement attestation.
- **Risk Committee:** reviewed our compliance with the Protection of Personal Information Act (POPIA).

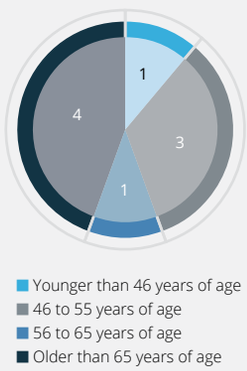
Board composition (at 30 September 2021)

Independence



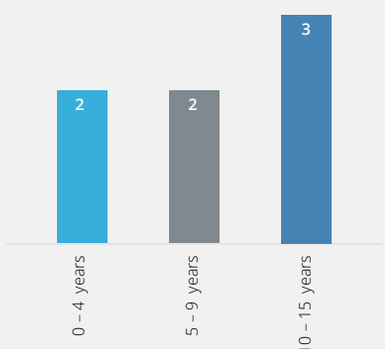
Independent non-executive directors are re-elected every three years. Board Chair, Mrs Thevendrie Brewer, is independent and free from any conflicts of interest.

Age
(Average age: 58)



We seek to balance experience and institutional memory with youthful energy and fresh insight. The Board continuity programme ensures succession planning and that skillsets are retained following the retirement of members, and that the Board functions effectively over time.

Tenure
(Average years of tenure of independent directors: 8)

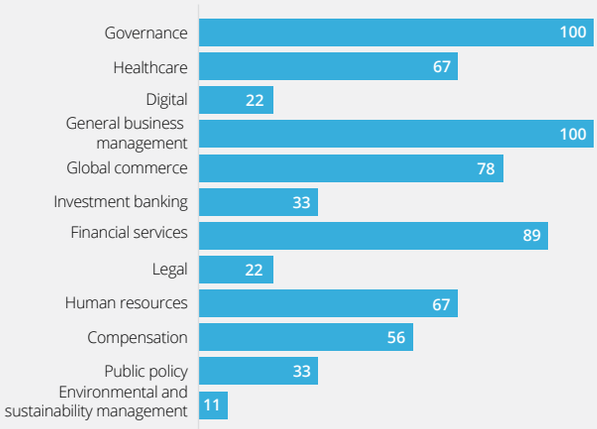


Richard Friedland: 24 years
Keith Gibson: 10 years

The Nomination Committee objectively and subjectively evaluates the continued independence of non-executive directors who have served for a period of nine years or longer, and considers factors that may impair their independence.

In the FY2021 independent assessment of the Board's effectiveness and independence, the results indicated a score well above average on the assessed dimensions.

Skill (% of directors with specified skill)



Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for specialised guidance. Our dependence on digital technologies and our strategic choice to provide innovatively funded healthcare products demand that we complement the Board's skills with greater expertise in these areas. The Board has appointed Dr Thabi Leoka and Dr Rozett Phillips as independent non-executive directors with effect from 1 January 2022. Future appointments to replace directors who will retire in the next 12 to 15 months, will consider the above criteria with due consideration given to our diversity policy.

Diversity

Black South African representation

44%

FY2020: 40% | **Target:** 50%

Women representation

44%

FY2020: 40% | **Target:** 35%

The Board appointment policy ensures a formal and transparent appointment process with a focus on gender and race diversity, as well as skill, experience, qualities and broader diversity aspects.

Governance overview continued

Board opinion

The Board is satisfied that:

- Board succession plans are adequate, including interim measures in the event of an unforeseen loss of expertise or COVID-19 infection.
- The Group's risk management systems and processes support its business model and strategy, and the appetite for risk is appropriate and risks are managed accordingly.
- The Group annual financial statements for FY2021 fairly present the Group's operational results and financial position.
- The integrated report provides a fair and balanced account of the Group's performance in relation to our material matters.
- The assurance results indicate an adequate and effective control environment and integrity of reporting for better stakeholder decision-making.
- IT governance is properly managed and aligned with business needs and strategy, and the disaster recovery programme will support the continuity of critical business processes.
- There is no current or pending legal action that will materially affect the Group's operations.
- The Group complies with the Companies Act, JSE Listings Requirements and other applicable legislation.
- The Group's conflicts of interest management process is robust.

For FY2022, the Board will implement the recommendations of the effectiveness and independence review, and appoint new directors, where required. It will continue to monitor the implementation of key strategic IT projects and ensure that potential cost and schedule overruns are avoided.

Key outcomes

- Two new Board members were appointed with effect from January 2022, both are black women.
- The external review found that the composition of the Board responds well to Netcare's current needs and combines the technical acumen, experience and skill needed to guide the implementation of our strategy.
- The Group's annual financial statements for FY2021 were unqualified.
- The Group is in a sound financial position with access to sufficient borrowing facilities to meet its funding requirements for the foreseeable future.
- No material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations were incurred during FY2021.
- No key governance or control failures were experienced in the period under review.

Legitimacy

Our stakeholder engagement strategy ensures a comprehensive and inclusive approach, with a key goal to prioritise effective, proactive and consistent engagement across all stakeholder groups. The strategy links stakeholder concerns and expectations to Netcare's top business issues, risks and strategic priorities. It considers the appropriate methods of engagement to meet differing stakeholder needs. Engagement methods vary and have been amplified by significantly enhanced digital communication channels. An independent review undertaken this year found that most of our engagement methods are robust.

Board responsibility

The Remuneration, Social and Ethics, and Consistency of Care Committees assist the Board in ensuring that we adopt an inclusive stakeholder engagement approach. Relationship owners within Netcare are held responsible for ensuring that their engagement with stakeholders is appropriate, sufficiently frequent and aligned to our strategic objectives.

FY2021 performance

- **Board:** monitored our engagement with regulators and government on matters relating to healthcare policy.
- **Board:** engaged directly with various stakeholders on matters of governance and remuneration.

Key outcomes

- The development of an enhanced stakeholder engagement strategy.

In FY2022, the Board will ensure that the principles, policies and protocols in the enhanced stakeholder engagement model are implemented.

Our context

COVID-19

We weathered a significant second wave of COVID-19 over the December 2020 to February 2021 period due to the novel Beta variant, followed by a third wave which started in May 2021, brought about by the highly transmissible Delta variant. As a result, Netcare operated under disaster management principles for most of FY2021. The short intervals between COVID-19 surges resulted in a stop-start pattern that challenged our capacity to operate effectively and impeded our strategic momentum. At the time of reporting, after the Omicron variant had been identified by South African scientists, a surge in the rate of infections indicated the start of the fourth wave.

Without ignoring or diminishing the enormity of the pain, suffering, exhaustion and loss for our employees, particularly nurses and paramedics, the healthcare profession is being recognised for the extraordinary role it has played, and continues to play, in society. This positive affirmation and acknowledgment allows for a positive reframing of the COVID-19 experience and affirms our purpose and strategic objectives.

The pandemic has confirmed the soundness of our strategic focus on digital enablement and data analytics. Our implementations to date were critical in the unpredictable operating environment brought about by COVID-19, not only in improving engagement among stakeholders and driving efficiencies, but also in utilising relevant data to inform new ideas.

Employee analysis
from 9 March 2020 to 30 November 2021

5 130 (28%)
employees tested positive for COVID-19

48% wave 1 | **22%** wave 2 | **19%** wave 3

597
employees hospitalised
for COVID-19

98.7%
employee
recovery rate

49
of our **colleagues** succumbed to the virus

14
of our **doctors** succumbed to the virus

Patient analysis

from 9 March 2020 to 30 November 2021

14%

of **patient days** were attributable to COVID-19 positive patients

COVID-19 admissions increased

220%

compared to FY2020

>126 000

COVID-19 patients treated, of which ~51 300 were **admitted** to our hospitals

~24%

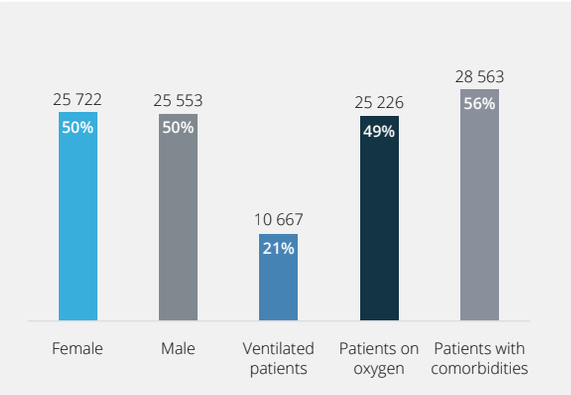
of COVID-19 patients admitted were treated in **high care** or **intensive care**

10 days

the average hospital **length of stay** for a positive COVID-19 patient

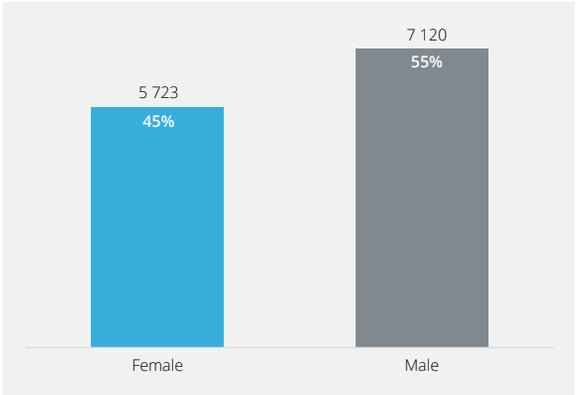
Netcare COVID-19 inpatients

Total: 51 275
Average age: 54



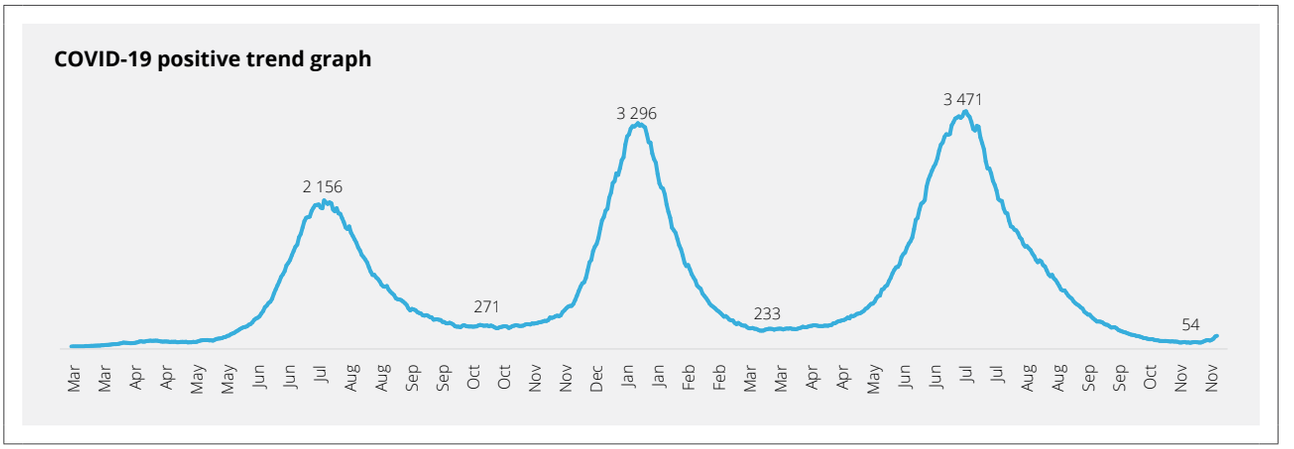
Netcare COVID-19 deaths

Total: 12 843
Average age: 63



Our context | COVID-19 continued

After the first wave, COVID-19 admissions settled at around 271 patients per day. In the second wave, SA experienced a rapid recovery with our admissions reducing to around 233 patients per day by 18 March 2021, lower than the 'maintenance' COVID-19 admissions after the first wave. For three weeks in November 2021, admissions were comparatively low at less than 100 patients per day. As can be seen from the graph below, each wave has peaked at higher levels.



Financial analysis

When comparing this year's financial performance to FY2019, the impact of COVID-19 is clearly visible. Across the healthcare sector, hospital admissions for non-COVID-19 patients have declined since the start of the pandemic in March 2020, with the decline in medical admissions being more pronounced than that of surgical admissions. We have had to absorb these lower levels of activity together with higher costs to retain staff, protect lives and ensure a safe hospital environment. The impact of a COVID-19 wave is felt both in the months leading up to and following a peak, affecting patient and doctor behaviour, demand for elective surgery, and ward and bed capacity.

With 77% of our beds located in Gauteng and KwaZulu-Natal, and both provinces experiencing high numbers of hospital admissions in the second and third waves, elective surgery and non-COVID-19 activity was severely impacted during surges. Elective surgery, except for medically necessary and time sensitive surgery, was suspended from December 2020 until February 2021 and again between June and August 2021.

The **decline in patients days** impacted EBITDA by

~R1.5 billion

R80 million

COVID-19 related capital expenditure

Total expenses of

R521 million

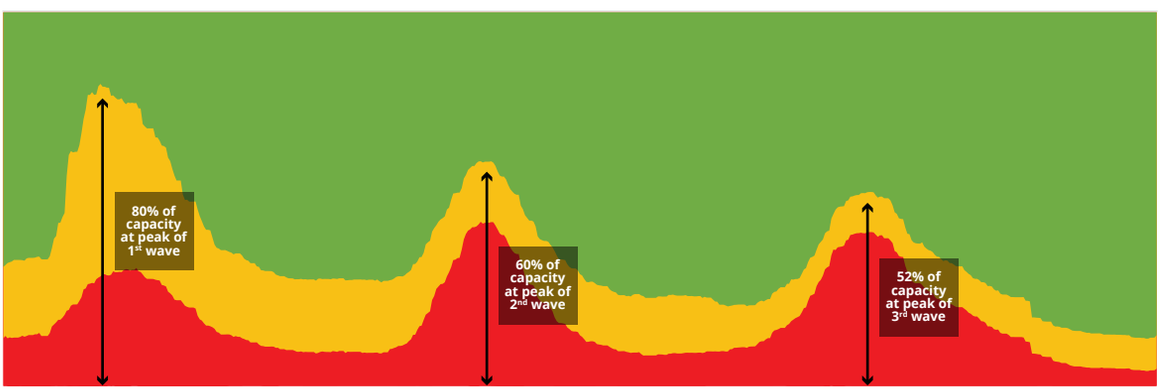
largely due to personal protective equipment (PPE) expenses

A stratified risk approach, based on international best practice, informs PPE use in our hospitals

Bed utilisation

Using the learnings from prior COVID-19 waves, we implemented more nuanced responses to localised demand in the third wave. This improved the balance in bed utilisation between red, yellow and green zones, to manage patients with severe COVID-19 symptoms and patients requiring care unrelated to COVID-19. The introduction of the rapid COVID-19 antigen tests at the start of the second wave meant we were able to better manage the allocation of beds for persons under investigation (PUIs), more quickly freeing up beds for COVID-19 patients. In August 2021, the number of beds in the green zone was around 5 900 – higher than the approximate 4 000 beds at the same point during the second wave (around the beginning of February 2021); a 32% improvement. More effective treatment regimens have also reduced the length of stay for COVID-19 patients. During times of unprecedented demand, a number of solutions were implemented to ensure that no patients were refused or denied treatment.

Netcare's agile approach to bed utilisation in the Hospital division (% of beds)



Red zone: COVID-19 positive patients
Yellow zone: Patients undergoing investigation for COVID-19
Green zone: COVID-19 free patients

The graph above demonstrates Netcare's agile approach to bed utilisation in the Hospital division: red beds (dedicated for COVID-19 positive patients), yellow beds (PUIs) and green beds (COVID-19 negative patients). At the peak of the first wave, 80% of our beds were dedicated to COVID-19 patients and in the peaks of the second and third waves, 60% and 52% of beds were dedicated to these patients respectively, improving our financial and operational resilience.

Netcare 911

Similarly, Netcare 911 applied its learnings from the first and second COVID-19 surges to efficiently manage higher dispatch volumes and longer hospital drop-off times in the third wave to ensure patient safety. Tight risk mitigation meant that Priority 3 patients (not as seriously ill) could be identified and treated onsite rather than being transported to a hospital. This enabled us to responsibly reduce the burden on hospitals and improved fleet availability.

While industrial operations remained largely unaffected, there was an increase in utilisation on capitation schemes by Netcare 911 and external service providers. This is due to long distance transfers, aeromedical transfers and greater advanced life support intervention related to COVID-19 cases.

Our context | COVID-19 continued

NETCARE akeso

Akeso Clinics

While the third wave negatively impacted Akeso Clinics' activity in the third quarter of the financial year, by September 2021 COVID-19 related stress, anxiety and trauma had begun to increase demand for mental health services.

NETCARE medicross

Primary Care

Medicross continued to support Netcare VirtualCare, a secure platform for virtual doctor consultations, contributing to patient visits increasing 1.5% compared to FY2020.

NATIONAL RENAL CARE

National Renal Care

The COVID-19 infection rate among chronic dialysis patients increased faster during the second and third waves than in the first wave, with increased demand for continuous renal replacement therapy, which is the recommended treatment for critical patients with COVID-19. However, the third wave saw a higher mortality among chronic patients. National Renal Care has also been impacted by increased costs to treat patients in a COVID-19 environment.

Vaccination analysis

(at 30 November 2021)

Vaccination remains the most effective way to contain the virus. We stand squarely behind efforts to vaccinate as many people as possible to overcome the pandemic and flatten the curves of any future waves. We have already witnessed the positive effects of vaccination during the third wave with a significant reduction in the number of staff infections, hospitalisation and deaths from COVID-19 compared to the previous two waves. We played a significant role in supporting the Sisonke J&J vaccine rollout programme for healthcare workers, with over 65 000 vaccines administered at Netcare sites during phase 1. We operate vaccination sites at Netcare Lakeview, Netcare Milpark and Netcare St Augustine's hospitals as well as at a site in Cape Town in partnership with Old Mutual. Netcare Occupational Health has developed a vaccination programme for its clients. In addition, Netcare 911 has provided assistance at multiple vaccination sites.

Recovery

During the first three COVID-19 waves, the rate of hospital admissions rose in step with the positivity rate of the number of people testing positive (community transmission). Significantly, all of COVID-19 patients admitted required some form of oxygen therapy. The high admission rate together with the high percentage of patients requiring ICU or high care was indicative of the severity of cases during these waves. At 8 December 2021, of the 337 COVID-19 positive patients in our care, around 10% required some form of oxygenation.

Early trends in the fourth wave indicate a far less severe form of COVID-19 and a probable decoupling of the rate of community transmission and the rate of hospital admissions. It is our view that should this trend continue, COVID-19 may be effectively managed at a primary care level, with only certain cases requiring admission to tertiary facilities.

For the period 15 November 2021 to 8 December 2021, 75% of the 800 COVID-19 positive patients treated in our hospitals were unvaccinated. Four deaths were ascribed to COVID-19, in patients ranging from 58 years to 91 years of age and all four had significant co-morbidities. Of these patients, three were not vaccinated. Most COVID-19 patients admitted in this period were younger than 50.

The timing, intensity and geographical spread of future waves is unknown. We see the possibility of another COVID-19 wave in FY2022. The Group's financial recovery will depend on the efficacy of the vaccine against new variants, and the extent of vaccine uptake in SA. Costs related to COVID-19 will remain into FY2022 but at lower levels.

It is therefore unlikely that we will return to pre-COVID levels of activity and profitability in FY2022, and we expect recovery to FY2019 levels in FY2023 for most of our service platforms. However, Netcare will still be able to operate profitably and generate sufficient cash flows to allow for investment in our critical strategic projects, which will realise higher rates of growth over the medium term.

Our context continued

Operating environment

Our strategic pillars

- Consistency of care
- Disruptive innovation
- Transformation of our society
- Organic growth
- Integration
- Investment
- Environmental sustainability

A challenging economic environment and its impact on medical scheme membership

The International Monetary Fund's (IMF) July 2021 World Economic Outlook indicates a divergence of economic prospects across the globe. SA gross domestic product (GDP) outlook is lacklustre with growing unemployment. In SA, accelerated structural reform is needed to stimulate economic growth.

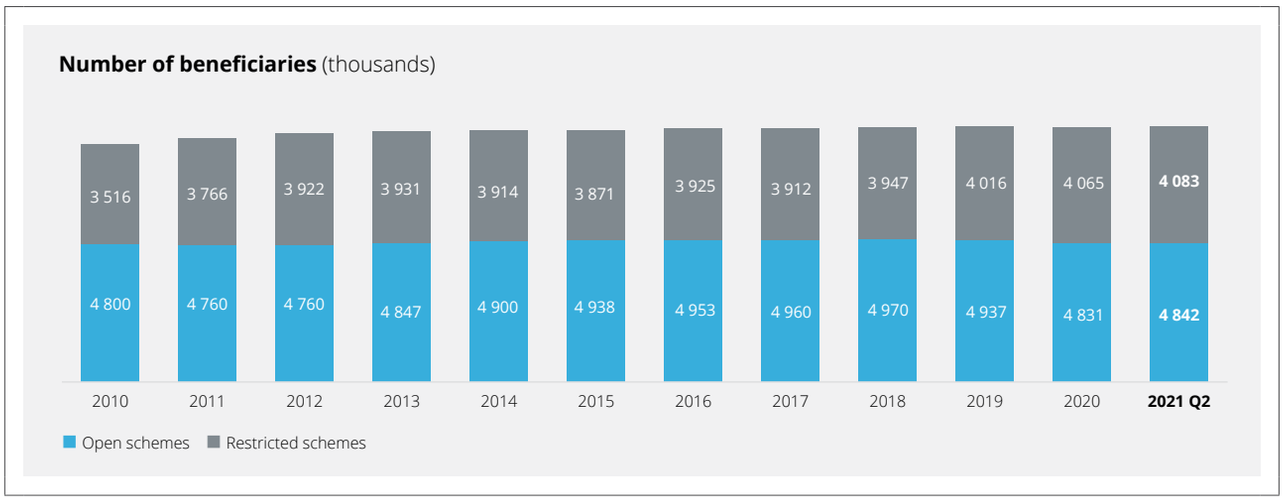
Key takeaways

- **IMF (October 2021):** forecasts annual growth for SA at 5.0% in 2021 and 2.2% in 2022.
- **Statistics South Africa (October 2021):** headline inflation has been above the midpoint (4.5%) of the SARB's monetary policy target range for five consecutive months. Unemployment is estimated at 34.9% in the third quarter of 2021, and expanded unemployment, which includes discouraged job seekers, increased to 46.6%.
- Record high fuel prices (which have a ripple effect through value chains) and higher electricity prices continue to impact struggling households and businesses.
- The July riots in Gauteng and KwaZulu-Natal claimed more than 330 lives, resulted in the looting of and damage to many businesses and cost SA around R50 billion[1] in lost output, setting back the tentative recovery made at the beginning of 2021.
- **The Council for Medical Schemes (June 2021 quarterly report):** notwithstanding increased unemployment, medical scheme membership is proving resilient with beneficiary growth of 0.3% to 8.93 million beneficiaries for the six months to June 2021.

1. Estimate provided by the South African Property Owners Association.

Additional financial pressures for the private healthcare sector

- Increased competition.
- Lower tariff increases relative to rising cost inflation.
- Regulatory challenges and uncertainty due to the NHI Bill.
- Ongoing shortage of specialists and nurses exacerbated by COVID-19.



Source: The CMS Industry Report (published in October 2021).

Top business risks	Our response	Strategic pillars
• Economic environment and demand for private healthcare. • COVID-19 pandemic. • Funder regime. • Delivering consistently outstanding person-centred health and care. • Implementation of the digital and data strategies. • Sector regulations. • Competitor activity. • Availability and quality of skills.	• Provide affordable products for the uninsured but employed market. • Digitise the patient journey and create virtual patient-centred care delivery models to enhance patient experience and perception of care. • Increase market share in funder hospital networks. • Drive continuous improvement in clinical quality outcomes. • Optimise capacity utilisation. • Focus on cost efficiencies to contain private healthcare inflation. • Build on relationships with the public healthcare sector and policymakers. • Lobby policymakers to facilitate an increased role for private participation in the education of healthcare workers.	

Our context | Operating environment continued

Burden of disease and its impact on healthcare affordability

Aging populations with higher disease burdens place pressure on health systems, which in SA are already over-burdened. Increasing burden of disease has negative implications for healthcare economics and resources, driving up healthcare costs. This leads to healthcare becoming more needed but less affordable both globally and locally.

Key takeaways

- **United Nations Department of Economic and Social Affairs (2015):** SA has the highest percentage of older people in Africa at 8.7%, which is likely to increase to 17.4% by 2050 as a result of decreasing fertility rates and increasing longevity.
- **World Health Organization (fact sheet published September 2021):** cancer is a leading cause of death worldwide, accounting for nearly 10 million deaths in 2020. Approximately 70% of deaths from cancer occur in low- and middle-income countries. COVID-19 has impacted health-seeking behaviour with marked declines in cancer screening, delayed diagnosis, missed follow-up appointments and delayed referrals, which could spark a cancer crisis in years to come.
- **Heart and Stroke Foundation South Africa (Stroke 2017-2020):** approximately 240 people suffer a stroke every day in SA and around 70 of these lives are lost. Of those who survive, some will recover fully but many are left with lasting disabilities. The burden of cardiovascular disease is expected to increase in developing countries.
- **International Diabetes Federation:** 463 million people have diabetes in the world and more than 19 million of these live in Africa. By 2045, this number is expected to be around 47 million in Africa. In SA, almost 13% of the adult population have diabetes.
- **Mental health:** ranked high on SA's burden of disease table, mental health admissions over the past decade have grown faster than admissions in other service segments, and are expected to increase further due to the prevalence of stress, anxiety and trauma brought about by COVID-19.

Top business risks	Our response	Strategic pillars
• Economic environment and demand for private healthcare. • Funder regime. • Delivering consistently outstanding person-centred health and care. • Availability and quality of skills.	• Drive continuous improvement in clinical quality outcomes. • Provide affordable products for the employed but uninsured market. • Develop new products for key service lines such as cancer care and mental health and integrate these offerings across service platforms. • Focus on screening programmes to aid early detection and treatment of cancer and chronic disease. • Focus on cost efficiencies to contain private healthcare inflation. • Lobby policymakers to facilitate an increased role for private participation in the education of healthcare workers.	

Digitisation and its impact on healthcare delivery

The concept of participatory health and care encourages people to participate and take co-responsibility for their health and care, thereby improving the quality of care and compliance with treatment. To realise these objectives, the digitisation of health records is a critical enabler, providing patients with easy, relevant and up-to-date information on their health and wellbeing. In addition, the rich data that digitisation provides will inform and influence better outcomes and treatment protocols. In KPMG's 2021 Healthcare CEO Future Pulse, 200 healthcare CEOs from Australia, Canada, China, Germany, the Netherlands, Saudi Arabia, the United Kingdom and the United States were surveyed on the trends impacting healthcare. The results are summarised below.

Key takeaways

- CEOs expect and welcome reform, with 80% believing that healthcare needs disruption and change, and 79% expecting all aspects of healthcare delivery models to be transformed in the next three years.
- COVID-19 is expected to accelerate this transformation with technology playing a vitally important role.
- The rising importance of community-based non-hospital care is welcomed by most CEOs and will require meaningful partnerships outside of the healthcare sector.
- To be a healthcare leader in the future will require new skills to navigate the digital future, diverse workforces and new ways of defining success, with key performance indicators that also include ESG factors.
- To be sustainable in the future, healthcare providers will need to engage, empower and incentivise their patients, teams and communities.

Top business risks	Our response	Strategic pillars
• Delivering consistently outstanding person-centred health and care. • Implementation of the digital and data strategies. • Cybercrime and cybersecurity. • Competitor activity. • Availability and quality of skills.	• Deliver the Netcare strategy of person-centred health and care that is digitally enabled and data driven. • Continue to support employees and doctors to manage the change to digital technologies.	

Our context continued

Stakeholder expectations

Material matters

Deliver outstanding person-centred health and care

Recognise, protect and invest in our employees and healthcare practitioners

Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns

Recover, defend and grow long-term profitability

Continue to develop visionary and effective leadership

Our stakeholder engagement focuses on the stakeholder groups most likely to have an impact on our ability to deliver on our strategic priorities.

Relationship owners within Netcare are responsible for ensuring that their engagement with stakeholders is relevant, meaningful and sufficiently frequent so that we are able to understand their expectations and concerns. This enables us to address issues facing Netcare in an inclusive manner and align stakeholder needs with our strategic priorities. Our digital strategy is already starting to redefine how we engage with our patients, healthcare practitioners and funders, with improved engagement expected when all EMR projects across our service platforms are completed.

Shareholder report.

Patients

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 their journey to health. We are dedicated to ongoing improvement in this care dimension.

Material matters

Covers

Medically insured, self-pay, government-funded and foreign patients.

Topics of discussion, and their concerns and expectations

- Seamless and continuous access to high-quality and safe healthcare, uninterrupted by resource constraints and service disruption.
- An excellent patient experience and consistent quality of care delivered by competent and professional nurses who provide the best and safest care.
- Access to world-class doctors and services across all our operations.
- Fully funded and/or affordable healthcare services.
- Data privacy and protection, ensuring that their highly sensitive personal data is secure.

Where to find our responses

Our patients, including initiatives to improve patient engagement: PG 112.
Doctor partnerships: PG 121.
Our people: PG 138.
Cybersecurity: PG 151.
New business development: PG 152.
Environmental sustainability: PG 160.

Quality report (for detailed disclosure).
Privacy protection policy.

Our people

We place considerable importance on employee engagement and development to empower our people and encourage innovation, critical thinking, proactiveness, continuous development and lifelong learning.

Material matters

Covers

Nurses, paramedics, pharmacists, IT specialists, management teams, the teams that facilitate our operational management systems, contract staff, and the labour unions that represent our employees.

Topics of discussion, and their concerns and expectations

- Psychosocial support during and post COVID-19 surges.
- A safe workplace and onsite health and safety procedures.
- Protection from COVID-19 infection, including access to vaccination.
- Appropriate remuneration, reward and recognition.
- Engagement on career advancement.
- Platforms to engage with the leadership team.
- An inclusive workplace that is free from racism, sexism and all forms of discrimination, and provides equal opportunities for growth and development.
- Organisational diversity and transformation in alignment with employment equity plans.
- Working for a well-governed, ethical and socially responsible organisation.
- Trusted and supportive leadership and management.
- Labour unions: job preservation and fair labour practices.
- Received positive feedback on the consumer-friendly terminology used in our quality of care reporting.

Where to find our responses

Occupational health and safety: PG 118.
Our people: PG 138 (detailed disclosure in the ESG report).
Society, including transformation: PG 128 (detailed disclosure in the ESG report).
Ethics survey results: PG 32.

Our context | Stakeholder expectations continued

Healthcare practitioners

Engaging with our healthcare practitioners is critical. As this stakeholder group is key to our organic growth, it is imperative that we understand and meet their needs to improve our value proposition to them.

Material matters

Covers

Specialists across all clinical disciplines, GPs, dentists, psychologists, radiologists, pathologists and therapists.

Topics of discussion, and their concerns and expectations

- Protecting the sustainability of the private healthcare sector.
- Netcare's inclusion in restricted provider networks.
- Access to cutting-edge medical equipment and advanced technology and treatment protocols.
- Clinical quality leadership.
- Quality and properly maintained facilities and medical equipment.
- Availability of beds.
- Professional development and training.
- Uninterrupted utilities enabling the best and safest patient care.

Where to find our responses

Board Chair's review: PG 16.
Doctor partnerships: PG 121.
Funders: PG 124.
Society: PG 128 (detailed disclosure in the ESG report).
Estate and medical equipment: PG 156.
Environmental sustainability: PG 160 (detailed disclosure in the ESG report).

Quality report (for detailed disclosure).

Private medical funders

Engagement with funders ensures we are able to present competitive proposals to secure our participation in identified network opportunities, which in turn enables us to preserve patient volumes and retain doctors.

Material matters

Covers

National and international private medical funders, together with the Compensation Fund for Occupational Injuries and Diseases.

Topics of discussion, and their concerns and expectations

- Quality, cost-effective care provided to members.
- Participation in scheme options with restricted hospital networks.
- Ongoing engagement on quality and efficiency initiatives.
- Measurable clinical and patient experience outcomes.
- A balanced service offering to satisfy member needs.

Where to find our responses

Our patients: PG 112.
Funders: PG 124.

Quality report (for detailed disclosure).

Suppliers

Our suppliers are a critical underpin of the quality of care we provide – we engage with them to understand and mitigate against potential supply chain risks, ensure that product quality is of the highest standard and we can procure products that meet the needs of our clinical teams.

Material matters

Covers

Companies that provide medicines, equipment and consumables, IT systems, digital products and services and outsourced services, including consultants and construction companies.

Topics of discussion, and their concerns and expectations

- Support for enterprise and supplier development.
- Preferential procurement with B-BBEE compliant and black suppliers.
- Local procurement.
- Netcare's procurement policies.
- Suppliers' social and environmental impacts.

Where to find our responses

Suppliers: PG 126.
Transformation: PG 130 (detailed disclosure in the ESG report).

Regulators, government and associations

Engaging with these stakeholders enables us to proactively inform new healthcare regulations, ensure compliance with existing healthcare regulations, deliver new products and maintain our licence to operate. Part of our strategy is to play a key role in improving access to healthcare for more South Africans.

Material matters

Covers

Authorities that regulate healthcare providers and funders, and the sector and business associations of which we are members.

Topics of discussion, and their concerns and expectations

- Increased pressure on the public health system.
- The shortage of healthcare practitioners and nurses.
- Cost of and access to private healthcare.
- Universal healthcare for SA.
- Addressing the public risk of COVID-19 at national and provincial levels.
- Socioeconomic reconstruction, recovery objectives and youth employment.
- Performance against employment equity targets.
- Compliance, especially in terms of COVID-19, protection of personal information and environmental legislation.

Where to find our responses

COVID-19: PG 40.
Occupational health and safety: PG 118.
Society, including transformation: PG 128 (detailed disclosure in the ESG report).
Cybersecurity: PG 151.
New business development: PG 152.

Shareholder report.
Privacy protection policy.

Our context | Stakeholder expectations continued

Investors

Transparent engagement with investors earns their trust and enables us to gain their support for our strategy while understanding their expectations for value creation. Balancing our objectives with their expectations, strengthens our access to capital.

Material matters

Covers

Shareholders and the investment community.

Topics of discussion, and their concerns and expectations

- Financial recovery to pre-pandemic levels.
- Growth in medical scheme membership and sustainability.
- Patient day growth.
- Investment in new service lines.
- Margin trajectory.
- Appropriate levels of capital investment.
- Capital allocation and sustainable dividend payments.
- Ethical leadership and depth of expertise.
- Costs related to COVID-19.
- Strong governance underpinning sustainable value creation.
- ESG impact on financial performance and ESG ratings.
- How ESG performance links to remuneration.
- The public reporting of our quality of care outcomes has been welcomed.

Where to find our responses

Operating environment: PG 46.
Governance overview: PG 30.
ESG rating performance: PG 98.
Remuneration overview: PG 100.
New business development: PG 152.
Financial capital: PG 170.

Shareholder report.
ESG report.

Society

We engage with society to understand how we impact communities, how we can contribute to addressing critical societal concerns and to ensure that our social and environmental programmes provide meaningful positive outcomes for society.

Material matters

Covers

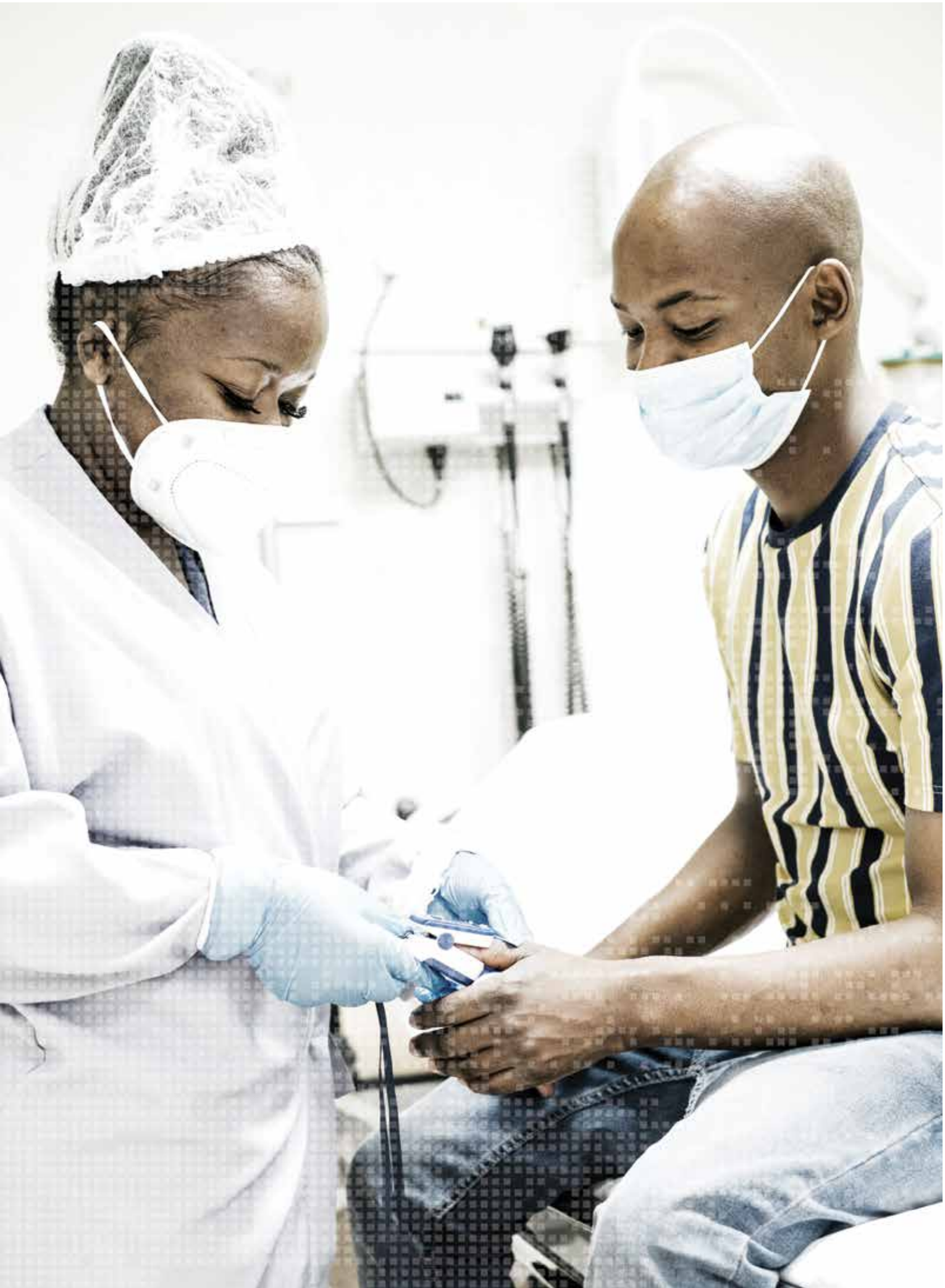
The aggregated interests of current and future generations (media and academia being proxy for these interests), communities, sponsorship partners and non-profit organisations.

Topics of discussion, and their concerns and expectations

- Affordability of and access to quality healthcare.
- Healthcare support for communities.
- The impact of specialised skills shortage in SA on healthcare quality.
- Socioeconomic support for communities, particularly skills development and job creation.
- Our role in delivering vaccinations to South Africans.
- Support for survivors of sexual assault.
- The impact of water and electricity disruptions on the quality of care.
- Minimising negative environmental impacts.

Where to find our responses

Society: PG 128 (detailed disclosure in the ESG report).
Environmental sustainability: PG 160 (detailed disclosure in the ESG report).



Our material matters

Our material matters are the issues that influence the conclusions stakeholders may draw about Netcare's ability to create, preserve or erode value for them in the short, medium and long term.

Our strategic pillars

- Consistency of care
- Disruptive innovation
- Transformation of our society
- Organic growth
- Integration
- Investment
- Environmental sustainability

Determination process

Inputs

- Board reports and strategy documents.
- Transcripts of interviews with key members of the Netcare team, and the Board Chair.
- Input from relationship owners on key stakeholder expectations.
- Sector trends and scenario planning.
- Risk reports.

These documents were selected as they provide information that executive management and Board committees had chosen for elevation to the Board. They were therefore likely to include matters deemed most material to the governance and operation of the business in the context of economic, social and environmental realities.

Classification

Due to the role played by Netcare in managing the ongoing COVID-19 pandemic and its compounding impacts, we have split the matters into immediate and ongoing priorities to reflect the impact of the pandemic on this year's matters.

Scope and review

The proposed material matters were submitted to key members of the Executive Committee for review to ensure adequate coverage.

Approval

The Board reviewed, deliberated and approved the material matters for the 2021 reporting cycle.

1 Deliver outstanding person-centred health and care

Immediate priorities

- Ensure the highest standards of safety across our facilities.
- Provide the best and safest care for patients with COVID-19 by allocating flexible, demand-driven capacity at each site and ensuring consistent best practice aligned with COVID-19 guidelines, tailored to the South African context.
- Implement innovative digital, data-led solutions to support patient health and wellness during the pandemic, including facilitating remote communication between patients and their loved ones when visitation is restricted, and making allowance for visitation in compassionate or end-of-life situations.
- Remain adaptive, focusing on long-term solutions while maintaining a fast response to the pandemic and associated disruptions.
- Facilitate COVID-19 vaccine access, for our employees and others, to aid in preventing further COVID-19 surges in SA.
- Regain momentum in rolling out strategic and digital initiatives interrupted by the pandemic to better meet patients' needs and allow Netcare to become the architect of our own future.

Ongoing priorities

- Digitise and re-engineer processes to drive integrated and efficient person-centred health and care.
- Achieve strategic differentiation through consistent and measurably better quality of care.
- Publish clinical outcomes to benchmark ourselves against local and global peers.
- Improve data utilisation and integration to enhance patient experiences, care and clinical outcomes.
- Improve patient experience across all stages of our care pathways by enhancing patient centricity and engagement.
- Progress environmental sustainability objectives to ensure uninterrupted delivery of quality patient care despite unstable national utilities.

Where to find more information:

Our strategy: PG 08.
Social and relationship capital: PG 112.
Human and intellectual capital: PG 138.
Environmental sustainability: PG 160.

Quality report.
ESG report.

Link to strategic pillars

Our material matters continued

2 Recognise, protect and invest in our employees and healthcare practitioners

Immediate priorities

- Protect our employees and healthcare practitioners from infection and care for those who are exposed or ill.
- Acknowledge the heavy psychosocial toll the pandemic has had on our frontline, managerial teams and healthcare practitioners and provide appropriate support to ensure targeted operational and psychosocial support.
- Urgently respond to the nursing skills shortage in SA, the effects of which have been intensified by the enormous pressure exerted on our workforce by COVID-19.
- Identify and develop leadership talent to build a strong succession pipeline for key management and leadership positions.
- Enhance our doctor engagement framework.

Where to find more information:

Our strategy: PG 08.
Chief Executive Officer's review: PG 22.
Our people: PG 138.
Doctor partnerships: PG 121.

Quality report.
ESG report.

Ongoing priorities

- Retain, attract and develop highly skilled and specialised employees and doctors to provide the highest levels of care.
- Recognise and communicate the value our people and partners bring to Netcare.
- Invest in employee engagement, effectiveness, wellbeing and resilience to support the shift towards person-centred health and care.
- Ensure that our employees and healthcare practitioners understand the value of our digital initiatives and are well-equipped to meet the demands and achieve the benefits associated with increasing digitisation.
- Foster diversity and inclusivity across all levels of the organisation.
- Maintain a good working relationship with organised labour.
- Enhance, differentiate and communicate our value proposition to doctors.

Link to strategic pillars

3

Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns

Immediate priorities

- Work with government and regulators to enhance cooperation and facilitate broader access to care.
- Address the national youth unemployment crisis through focused internships, learnerships and workplace-based experiential learning programmes that support employability.
- Manage the impact of social unrest on our suppliers and supply chain.
- Improve our skills development spend and the negative impact on our B-BBEE scorecard of the lower intake of nursing students at Netcare Education campuses, COVID-19-related programme disruptions and amendments to the Department of Trade, Industry and Competition's B-BBEE Codes of Good Practice (dtic Codes).
- Maintain our focus on supply chain diversification and local enterprise development to support local economies and mitigate the effects of disrupted global supply chains.
- Broaden participation in our economy, particularly of black and black women-owned micro enterprises.

Ongoing priorities

- Manage regulatory change and uncertainty and participate in evidence-based and multi-lateral advocacy for stakeholder interests.
- Innovate to deliver more affordable products and services to broaden access to quality healthcare to more South Africans.
- Deepen the value of our service to society by making defensible decisions to balance financial and social returns over time.
- Prioritise good corporate citizenship, actively participate in SA's economic recovery and create inclusive growth opportunities.
- Strengthen private-public relationships through positive engagements that build trust and underpin more effective collaboration.

Where to find more information:

Our strategy: PG 08.
Board Chair's review: PG 16.
Chief Executive Officer's review: PG 22.
Society: PG 128.
Our people: PG 138.

ESG report.

Link to strategic pillars

Our material matters continued

4 Recover, defend and grow long-term profitability

Immediate priorities

- Recover from the impact of COVID-19 to previous levels of activity and profitability.
- Continue to implement learnings gained from managing prior COVID-19 waves to ensure we retain our ability to quickly adapt to situational demands.
- Ensure substantial progress on key strategic initiatives to rebuild momentum and grow.
- Leverage digitisation to keep pace with the demand for digital and remote products and services (including telehealth) intensified by the pandemic.
- Manage the impact of the termination of our PPPs.
- Expand access to healthcare through our NetcarePlus offering to the employed but uninsured market.

Where to find more information:

Our strategy: PG 08.
Doctor partnerships: PG 121.
Funders: PG 124.
Estate and medical equipment: PG 156.
Environmental sustainability: PG 160.
Financial capital: PG 170.

Quality report.
ESG report.

Ongoing priorities

- Anticipate and prepare for the risks and opportunities associated with a protracted and uneven global economic recovery, and high unemployment, anaemic GDP growth and insufficient implementation of structural reforms in SA.
- Retain sufficient liquidity and access to funding.
- Maintain our strong balance sheet.
- Ensure efficient capital management, disciplined cost management and optimal asset utilisation.
- Integrate high-quality data and analytics to allow predictive and proactive management of operational and strategic priorities.
- Leverage data driven and digitally enabled service offerings to extend our service range and capture new market segments.
- Balance investment in asset heavy and asset light revenue streams (driven by digitisation) to meet the needs and expectations of our stakeholders.
- Ensure that short-term market demands are not prioritised over long-term sustainable profitability.
- Strengthen relationships with doctors and funders to, respectively, drive efficiencies, and support volumes and fair reimbursement.
- Implement the updated environmental sustainability strategy to maintain our leadership position, achieve sustainable efficiencies and contribute to global efforts to reduce carbon emissions.
- Align our ESG measurement and disclosure to the United Nations (UN) Sustainable Development Goals (SDGs) and credible global frameworks to facilitate comparability with other entities.

Link to strategic pillars

5 Continue to develop visionary and effective leadership

Immediate priorities

- Drive compassionate, empathetic and ethical leadership to build resilience, maintain our high-performance culture and support our recovery.
- Ensure continued organisational agility and retain effective governance procedures, including those implemented during the pandemic.
- Ensure a careful balance of remuneration principles to ensure employees and executives are not unduly prejudiced by COVID-19 impacted financial performance.

Where to find more information:

Our strategy: PG 08.
Board Chair's review: PG 16.
Governance overview: PG 30.
Remuneration overview: PG 100.
Our people: PG 138.
Financial capital: PG 170.

Shareholder report.

Ongoing priorities

- Ensure Board and executive responsiveness to stakeholders.
- Maintain the open and vigorous dynamic between the executive team and the Board.
- Continue to increase diversity at leadership level while retaining institutional memory.
- Ensure adequate representation of and succession planning for strategically relevant skillsets such as digital and actuarial skills.

Link to strategic pillars

Our risks and opportunities

The Board is ultimately responsible for the management of risk. It oversees the level of risk that the Group is willing to accept in pursuing its strategy and creating sustainable value for stakeholders, including their economic, social, environmental and governance expectations.

Our risk management framework – embedded in our business activities and decision-making processes at all levels of the Group – ensures that the actions we take to achieve our strategic objectives fall within our appetite for risk, which varies depending on the specific risk. The framework defines how we identify, understand and mitigate risks, and realise their related opportunities.

Five levels of assurance

Level 1 assurance

Assurance provided to the Board by governance committees

- **Risk Committee**
- **Audit Committee**
- **Social and Ethics Committee**
- **Consistency of Care Committee**

Level 2 assurance

Non-independent assurance

Executive management, including elements of strategy implementation, performance measurement and continuous monitoring mechanisms.

Management
All major service platforms, business units and operational and administrative business areas complete quarterly statements of assurance and conduct at least three management self-assessments each year

Level 3 assurance

Non-independent assurance

Specialist functions independent from management, which facilitate and oversee risk management and compliance.

- **Risk Management function**
- **Quality assurance reviews**
  All Netcare facilities and services are reviewed against comprehensive clinical quality and risk management criteria
- **Data Council**
  Ensures data integrity and continuous data monitoring

Level 4 assurance

Independent assurance

Independent internal assurance provider.

- **Internal Audit**

Level 5 assurance

Independent assurance

Independent external assurance provider.

British Standards Institution
Conducts annual surveillance audits to ensure Netcare remains compliant with ISO 9001:2015 certification standards

Note: not all assurance providers are covered here. However, more detail on internal and independent assurance is provided per top business risk starting on page 65.

The Combined Assurance Committee coordinates the efforts of all assurance providers to avoid duplication and optimise value. It assesses the skills and experience of the assurance providers and the nature and extent of the assurance work provided.

Shareholder report.

Identifying our top business risks

Our systems and processes for managing risk consider the following:

- Changes in the external and internal operating context.
- Organisational resilience.
- Nature and potential impact of risks and the likelihood that they may materialise.
- Extent and categories of risks regarded as acceptable.
- Ability to reduce the incidence and impact on the business if risks materialise.
- Effectiveness of risk response plans.
- Cost of risk response plans and processes relative to the exposure and benefits obtained.
- Expectations and concerns of key stakeholders.

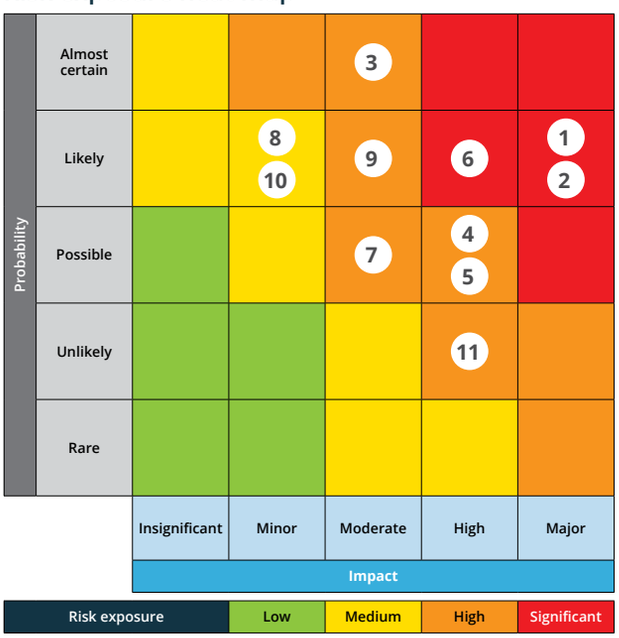
The Risk Management function engages with operational and executive management across the Group to identify key risks and the processes and plans to manage them. Risks are evaluated based on their causes, sources, impacts, likelihood and materiality as well as their potential exposure (low, medium, high and significant) and the resultant impact on our ability to achieve our strategic priorities. We also consider the attention required from the Board, its committees and executive teams to manage a risk.

Our top business risks have a medium to significant risk exposure based on:

- The challenges and uncertainties facing the Group, and their impact on the successful delivery of our strategy and our ability to create a sustainable competitive advantage.
- The severity of the potential impact on our most important intangible assets, which impact our reputation – the skills and commitment of our management and employees, the competitive strength of our brands and stakeholder perceptions.

Top business risks are managed in accordance with our appetite for each risk and in tandem with our strategy, not only to mitigate impact but also to optimise competitive advantage. The Risk Committee reviews and approves our top business risks, which are also presented to the Audit Committee. These inter-related risks include matters over which we exert limited influence.

Risk exposure heat map



Our operating environment: PG 46.

Overview of our top business risks

	Top business risk	2020 rating	Residual risk exposure		PG
			Change	Overall	
1	Economic environment and demand for private healthcare	1	→	■	65
2	COVID-19 pandemic	2	↑	▲	66
3	Funder regime	3	↑	■	67
4	Delivering consistently outstanding person-centred health and care	4	→	▲	67
5	Implementation of the digital and data strategies	5	→	▲	68
6	Cybercrime and cybersecurity	6	↑	▲	68
7	Sector regulations	7	→	■	69
8	Competitor activity	8	→	■	69
9	Availability and quality of skills	9	↑	■	70
10	Availability of electricity supply	10	→	■	71
11	Water security	11	→	■	71

Change

→ Risk exposure remained constant compared to FY2020 reporting.

↑ Risk exposure escalated since FY2020 reporting.

Overall risk exposure

■ Not fully mitigated as mitigation measures are not entirely within our control.

▲ Mitigation measures are largely within our control, and are being explored or implemented to minimise the risk exposure.

Note: appropriately maintained plant and equipment is no longer considered a business risk following the successful implementation of the asset management improvement project.

Our risks and opportunities continued

In addition to our top business risks, two key business risks were also considered during the year, namely fire safety, particularly given the water security concerns and failing water infrastructure in SA (see page 162), and civil unrest fuelled by socio-political factors as well as inequality and high unemployment (see page 113). Our tested major incident plan makes provision for both risks and sets out the activities and procedures to be followed in the event of a major disruption.

Board opinion

The Board is satisfied that it is appropriately informed on the top business risks facing the Group, and that our risk mitigation strategy and existing insurance cover are adequate and appropriate in relation to our identified risk exposures. It has considered the effectiveness of the systems and processes of risk management and found them to be sound.

The Board is confident that:

- Our risk management systems and processes support our strategy and business model.
- Our appetite for risk is appropriate and risks are managed accordingly.
- Our risk-aware culture enables relevant, informed and consistent decision-making relating to risk.
- In the event of a disastrous incident, the documented and tested major incident plan, pandemic preparedness plan and disaster recovery programme support the continuity of critical business processes.

Material matters

- Deliver outstanding person-centred health and care.
- Recognise, protect and invest in our employees, and healthcare practitioners.
- Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns.
- Recover, defend and grow long-term profitability.
- Continue to develop visionary and effective leadership.

Our strategic pillars

- Consistency of care
- Disruptive innovation
- Transformation of our society
- Organic growth
- Integration
- Investment
- Environmental sustainability

Capital icons

- Social and relationship capital
- Human and intellectual capital
- Manufactured capital
- Natural capital
- Financial capital

1 Economic environment and demand for private health care

Description

COVID-19 and the related response measures have exposed the interconnectedness of healthcare systems and societies and economies, and the negative impacts when healthcare systems become stretched. Weak economic growth in SA, heightened unemployment, particularly among the youth, and reduced affordability across income segments could place traditional medical scheme membership at risk; however, this may not be an immediate impact as members might fear opting out during the pandemic. In addition, the COVID-19 crisis has deepened inequalities in our society, and together with other socio-political factors in SA, this has increased the risk of social unrest, which could further hamper economic recovery. Declining affordability presents the following risks:

- Lower patient day growth rates from declining medical scheme membership.
- Members converting to cheaper restricted provider network options with limited choice or hospital plans, impacting our margins.
- Declines in out-of-pocket spend on co-payment and ancillary healthcare services.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Grow high-demand service lines.
- Launch innovative funding solutions.
- Deliver our strategy, which is designed to create a sustainable competitive advantage that protects and grows market share (digitisation and new products that reach new markets and promote inclusivity, reducing our reliance on the traditional medical aid market).
- Strict working capital discipline, and cost and debt management.
- Doctor recruitment and retention.

Our response

- Our strategy: PG 08.
- Doctor partnerships: PG 121.
- Digital transformation and data: PG 146.
- New business development: PG 152.

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

- Executive Committee.
- Finance and Investment Committee.
- Working Capital Committee.
- Risk Management team.
- Treasury team.
- External consultants.

Independent assurance

- Financial Sector Conduct Authority.

Our risks and opportunities continued

2 COVID-19 pandemic

Description

The COVID-19 pandemic continued to dominate the global landscape in FY2021 with new variants emerging, including the Omicron variant towards the end of 2021. At 30 November 2021, over 262 million cases had been recorded globally (SA: close to 3 million infections), resulting in more than 5.2 million deaths (SA: more than 89 000 deaths)[1]. In SA, deaths due to the pandemic may be much more severe, with between 85% and 95% of the more than 260 000 excess deaths recorded between May 2020 and September 2021 considered to be related to COVID-19[2].

More than 7.96 billion doses of vaccine had been administered worldwide at 30 November 2021; however, the distribution has been uneven with higher income countries getting vaccinated more than 20 times faster than poorer countries. At the same date, 25 million doses had been administered in SA with around 14.4 million people being fully vaccinated (around 24.6% of the population)[1]. High levels of global immunity remain a long way off.

COVID-19 gives rise to multiple risks in our environment, namely the spread of infection through our facilities, doctor and nursing shortages brought about by the need to self-isolate, psychological distress and mental fatigue, healthcare worker mortality and the availability of oxygen and medical supplies. We monitor key metrics daily for early signals of a resurgence. Our tested COVID-19 pandemic preparedness plan and clinical governance framework will ensure that the operational and clinical risks associated with COVID-19 continue to be appropriately identified and managed in any coming surges.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Deliver consistently excellent, person-centred health and care.
- Work with the government and all other stakeholders to assist in containing and treating COVID-19.
- Continually improve our clinical governance and health and safety capacity.

Our response

- COVID-19: PG 40.
- Our patients: PG 112.

Governance and assurance

Board oversight

Risk and Consistency of Care Committees.

Non-independent assurance

- Executive Committee.
- Netcare National COVID-19 Operational Strategy Meeting (Gold Command).
- National Joint Operations Committee.
- COVID-19 Clinical Committees and Surgical and Ethical Sub-committees at facility level.
- Central COVID-19 clinical team.
- COVID-19 Clinical Liaison Officers, infectious diseases specialists and epidemiologists.
- Risk Management team.

Independent assurance

- National Institute for Communicable Diseases.
- National and Provincial Departments of Health.
- Department of Employment and Labour.

1. *Source: Johns Hopkins University & Medicine.*
2. *Source: South African Medical Research Council and University of Cape Town.*

3 Funder regime

Description

Funders are contending with the financial impact of COVID-19 and a weak economy on members, as well as the ongoing rise in adverse risk in scheme risk pools as younger and healthier scheme members opt out and the elderly and unhealthy take up cover, resulting in increasing utilisation and healthcare costs. To contain the increases in membership fees, funders implement restricted provider networks[1], stringent hospital admission protocols, targeted interventions to manage utilisation, collective negotiations to drive lower tariff increases and criteria around quality outcomes. This places increasing pressure on our margins; threatens patient volumes, market share and doctor retention if we have limited or no participation in restricted hospital networks; and may result in increasing participation in discounted restricted network options without the commensurate volume uplift.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Digitise Netcare to enhance engagement with funders on quality of care, patient safety and other data, and to improve efficiencies.
- Develop new products and strategic partnerships to reach new markets and promote inclusivity, reducing our reliance on the traditional medical aid market.

Our response

- Funders: PG 124.
- Digital transformation and data: PG 146.
- New business development: PG 152.

Governance and assurance

Board oversight

- Audit, Risk and Consistency of Care Committees.

Non-independent assurance

- Executive Committee.
- Tariff Committee.
- Risk Management team.
- Funder relations team.
- Consistency of Care team.
- Clinical Data Council.
- External consultants.

Independent assurance

- Internal Audit.
- External auditors.

1. *Restricted provider networks include designated service provider arrangements where the scheme defaults all its members for the scheme or a benefit option to a restricted network of providers and efficiency discount options, which provide members of a scheme with the choice to buy-down to a restricted network of providers in exchange for lower premiums.*

4 Delivering consistently outstanding person-centred health and care

Description

Delivering care that consistently achieves the best outcomes, and meets patients' expectations underpins our competitiveness in a fast-changing healthcare sector. Our reputation, employee morale and long-term sustainability will be adversely impacted if the care we provide is perceived negatively. COVID-19 presents new challenges to providing the highest standards of care. COVID-19, the risk of further pandemics and the overuse of antibiotics can negatively impact clinical outcomes and result in higher morbidity and mortality rates in hospitals and communities. We manage this risk by adhering to strong clinical governance and occupational health and safety (OHS) controls across all our service platforms to ensure we maintain our capacity to treat and care for those who need it most.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Leverage digitisation, accurate data and best practice care interventions to enhance patient safety, experience and perception of care, and inform our clinical improvement interventions.
- Support the wellbeing of our healthcare workers, providing them with the skills and resources needed to provide the best care even when there are large numbers of people who are very ill.

Our response

- Our patients: PG 112.
- Our people: PG 138.
- Digital transformation and data: PG 146.

Governance and assurance

Board oversight

Risk and Consistency of Care Committees.

Non-independent assurance

- Executive Committee.
- Clinical Practice Committee.
- Clinical Data Council.
- Risk Management team.
- Internal quality team and associated governance structures.

Independent assurance

- Internal Audit.
- British Standards Institution.
- Provincial Departments of Health.
- Office of Health Standards Compliance.
- Department of Employment and Labour.
- Medical schemes.
- Professional clinical associations.

Our risks and opportunities continued

5 Implementation of the digital and data strategies

Description
Digitally transforming the Group's ecosystem of products and services is a large scale undertaking, necessary to secure our competitive advantage in a rapidly changing healthcare environment. The key risks to our successful transformation are doctor adoption and disruption to stakeholders and our business operations. COVID-19 also poses a risk to the digital strategy should further outbreaks lead to surge periods that impact the roll out. Projects of this size require disciplined capital investment, robust governance practices and new skillsets, among others.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation
- Sustainable competitive differentiation.
- Enhanced clinical outcomes and patient safety, accurate and relevant clinical data, improved patient experience, strengthened relationships with doctors and funders, and integrated services.
- Predictive analytic capability from accurate financial, clinical and patient data that supports anticipatory and proactive decision-making.
- As a result of COVID-19, people are now more willing to embrace virtual healthcare services.

Our response
- Digital transformation and data: PG 146.

Governance and assurance
Board oversight
Audit and Risk Committees.

Non-independent assurance
- Executive Committee.
- Finance and Investment Committee.
- CareOn Digitisation Project Steering Committee.
- IT Steering Committee.
- Data Council.
- Risk Management team.
- External consultants.

Independent assurance
- Internal Audit.

6 Cybercrime and cybersecurity

Description
COVID-19 has amplified the cybercrime threat with breaches becoming more complex and escalating magnitudes of related brand, reputation and financial impact. Other risks include our increasing reliance on third-party service providers to support our digital transformation and data enablement, and a greater legal and regulatory exposure associated with new privacy laws. Failure to secure our systems and data could result in business disruption, litigation, penalties and fines for non-compliance, and reputational damage. To effectively manage this risk requires extreme vigilance and a proactive approach.

Capitals at risk

Strategic pillars

Material matters

Mitigation
- Maintain our approach to continually improve our cybersecurity framework.

Our response
- Digital transformation and data: PG 146.

Governance and assurance
Board oversight
- Audit and Risk Committees.

Non-independent assurance
- Executive Committee.
- IT Steering Committee.
- Compliance Committee.
- Information Security Management Committee.
- Protection of Personal Information Act Steering Committee.
- Risk Management team.
- IT Governance Risk and Compliance team.
- Automated access management system.
- Privileged account management system.

Independent assurance
- Internal Audit.
- External consultants.

7 Sector regulations

Description

Focus on universal health coverage has resumed and public hearings on the NHI Bill are underway. More broadly, declining disposable income will mean that some medical scheme members will not be able to afford contributions and additional taxes to fund NHI, potentially leading to a decline in the covered population, and placing a greater burden on the public healthcare system. New regulations relating to certificates of need for health establishments and health agencies are also expected. Changes to the health system create uncertainty and may impact how we operate.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Using private sector capacity to alleviate public sector backlogs under the NHI, increasing volumes albeit at potentially lower national tariffs.
- Collaboration with regulators and government to provide constructive input on health policy formulation, emerging legislation and the realisation of a sustainable NHI.

Our response

- Society: PG 128.

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

- Executive Committee.
- Compliance Committee.
- Risk Management function.
- External consultants and legal counsel.
- Hospital Association of South Africa.
- Business Unity South Africa.
- Public Private Growth Initiative.
- National Economic Development and Labour Council.
- National Department of Health.

Independent assurance

- No independent assurance required.

8 Competitor activity

Description

Competition relating to private healthcare product development and service delivery across all our service platforms continues to intensify, impacting our ability to attract specialists and specialised nurses. If not managed and mitigated this risk may result in decreased hospital occupancy and market share. Strategic engagement with doctors and funders is needed to effectively manage this risk, as is investing to maintain the quality of our facilities and developing new products and services to promote inclusivity.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Attract and retain specialists by providing them with access to quality nursing services and healthcare infrastructure, and increasing our participation in hospital networks.
- Digitise to strengthen doctor, funder and patient relationships through enhanced clinical outcomes, more accurate and relevant clinical data and improved patient experience.
- Develop new products and strategic partnerships to reach new under-served markets.

Our response

- Doctor partnerships: PG 121.
- Funders: PG 124.
- Our people: PG 138.
- Digital transformation and data: PG 146.
- New business development: PG 152.
- Estate and medical equipment: PG 156.

Governance and assurance

Board oversight

- Risk Committee.

Non-independent assurance

- Executive Committee.
- Finance and Investment Committee.
- Risk Management.

Independent assurance

- No independent assurance required.

Our risks and opportunities continued

9 Availability and quality of skills

Description

COVID-19 has highlighted the magnitude of SA's nursing shortage, triggering fierce competition for nursing professionals in both the public and private sectors. Additional pressures include SA's limited capacity to train doctors, an aging specialist population, the escalating cost of professional liability insurance for specialists, increasing rates of emigration among the skilled population and uncertainty around the implementation of NHI. During FY2021, around 25% of the 45 specialists who left our acute hospital network emigrated.

Securing required skills is critical to our ability to provide consistently optimal care, deliver on our strategic objectives as well as doctor proposition, develop our succession pipeline, deliver our transformation initiatives, and expand into new service lines which are aimed at increasing access to healthcare.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Digitise to attract and retain specialists, reduce medico-legal risk and reduce the administrative burden on nurses, enabling them to spend more time providing care.
- Provide employees with an attractive working environment that is caring, inclusive and ethical, and rewards outstanding contributions to the business and the delivery of person-centred health and care.
- Develop our people and ensure their wellbeing.
- Collaborate with government to find solutions that enhance healthcare skills in SA.

Our response

- Doctor partnerships: PG 121.
- Our people: PG 138.
- Digital transformation and data: PG 146.

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

- Executive Committee.
- Operational Transformation Committee.
- Clinical Practice Committee.
- Physician Advisory and Digital Advisory Boards.
- Risk Management team.
- External consultants and legal counsel.
- Hospital Association of South Africa.
- Department of Higher Education and Training.
- Universities.
- Health and Welfare Sector Education and Training Authority.
- Public Private Growth Initiative.
- National Economic Development and Labour Council.

Independent assurance

- South African Nursing Council.

10 Availability of electricity supply

Description

Eskom, SA's power utility, is unable to meet electricity demand from its old and poorly maintained plants, and has recently warned that load shedding will remain for another five years as SA faces an electricity supply shortfall of 4 000 megawatts (MW). Resolving SA's energy challenges is urgent and fundamental to investor confidence and economic recovery. Welcome steps taken by government this year include the appointment of eight bidders to supply 2 000MW of emergency power to address the gap in capacity (although the award is being challenged and is likely to be delayed), a request for proposals for the procurement of 2 600MW of renewable energy (solar and wind) and an increased threshold to 100MW for companies to produce their own electricity without a licence.

Electricity is needed to provide care to patients 24 hours a day, 365 days a year. An unstable power grid can result in disruption to normal business operations, sub-optimal quality patient care and increased operating costs to maintain care levels. Our environmental sustainability strategy responds to these risks.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Implement solutions (emergency generation capacity and alternative energy sources) to secure the supply of electricity, ensuring our ability to operate and deliver high-quality care during electricity outages.

Our response

- Environmental sustainability: PG 160.

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

- Executive Committee.
- Sustainability Committee.
- Risk Management team.
- External consultants.

Independent assurance

- No independent assurance required.

11 Water security

Description

SA is ranked as the 30th driest country in the world. In addition to being a water-stressed country, SA has an uneven rainfall distribution and evaporation rates that often exceed precipitation. Drought conditions continue in certain districts of Limpopo and the Eastern Cape. There are also short-term concerns relating to an aging and fragile municipal water infrastructure and long-term concerns relating to the design of SA's water system and the impact of climate change on the country's rainfall and water supply.

We depend on a secure and stable water supply to provide care to patients 24 hours a day, 365 days a year. Without a consistent water supply, our normal business operations can be disrupted, patients could receive sub-optimal quality care and SA would be faced with severe public health threats, resulting in an increased need for healthcare. Our environmental sustainability strategy responds to these risks.

Capitals at risk

Strategic pillars

Material matters

Opportunities and mitigation

- Implement solutions to secure the supply of water, ensuring our ability to operate and deliver high-quality care during shortages.

Our response

- Environmental sustainability: PG 160.

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

- Executive Committee.
- Sustainability Committee.
- Risk Management team.

Independent assurance

- No independent assurance required.

Our strategic objectives

Our strategy to deliver a differentiated service offering of person-centred health and care fundamentally redesigns our approach to healthcare, in particular influencing the behaviours that underpin our service delivery and leveraging digitisation and data to improve patients' experience and their navigation through our ecosystem of services.

The CARE4YOU project (see page 142) will be a critical barometer of the behavioural change we seek to achieve, and the roll out of EMRs across our service platforms (see page 148) will empower our patients to partner with us on their health and care journeys. Below we assess our progress towards our intended strategic outcomes.

Our strategy: PG 08.

Key takeaways for FY2021

The interim targets we set towards our three-year strategic objectives were based on our initial expectation that FY2021 would be a year of recovery. However, the two waves of COVID-19 in FY2021 delayed many of our strategic projects.	FY2022 will be a critical year to ensure we regain momentum and make substantial progress on completing these projects.	By the end of FY2022, most of the major projects required to operationalise our strategy will be completed or substantially on track for their scheduled completion dates in FY2023.

Chief Executive Officer's review: PG 22.

Key strategic projects for FY2022

1	2	3
Person-centred health and care...	**...that is digitally enabled...**	**...and data driven**
• Care4YOU in the Hospital division. • New patient feedback measuring tool in all hospitals. • Digital enhancements to improve communication with patients' loved ones. • Improved engagement with doctors to meaningfully involve them in person-centred health and care.	• Implementation of EMRs in the hospital network, Akeso Clinics, National Renal Care and Medicross. • An interactive, transactional website for patients and the broader public. • Availability of discharge summary, prescriptions and care notes for patients in digitised hospitals and Akeso Clinics facilities, and care summary from Netcare 911.	• Ensure the quality and integrity of data. • Improve and re-engineer internal operational processes in digitised hospitals.

Our material matters

Deliver outstanding person-centred health and care	
Recognise, protect and invest in our employees and healthcare practitioners	
Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns	
Recover, defend and grow long-term profitability	
Continue to develop visionary and effective leadership	

Capitals impacted

- Social and relationship capital
- Human and intellectual capital
- Manufactured capital
- Natural capital
- Financial capital

Our strategic pillars

Consistency of care

19.0% of Exco scorecard

Key performance indicators for FY2021

- Patient reported experience measures
- Coding quality
- Compliance with surgical and drug formulary

Objectives

01 Improve patient satisfaction and perception of care delivered.
02 Drive cost efficiency and quality of care outcomes using the personalised clinical information (PCI) tool to engage with doctors.
03 Improve and strengthen the regulatory framework governing clinical practice.

Capitals impacted

Material matters

Integrated report
Our patients: PG 112
Doctor partnerships: PG 121
Funders: PG 124

Quality report.
ESG report.

Disruptive innovation

18.5% of Exco scorecard

Key performance indicators for FY2021

- The status of the EMR projects across service platforms

Objectives

01 Digitise the entire Netcare healthcare platform and provide science-based treatment guidelines.
02 To rapidly execute on business cases as a proof of concept.

Capitals impacted

Material matters

Integrated report
Digital transformation and data: PG 146

Quality report.

Our strategic objectives continued

Transformation of our society

16.0% of Exco scorecard

Key performance indicators for FY2021

- B-BBEE rating
- Black ownership
- Employment equity profile
- Preferential procurement spend
- Enterprise and supplier development (ESD) spend
- Corporate social investment (CSI) spend

Objectives

01 Improve our B-BBEE score.
02 Improve our employment diversity profile.
03 Drive skills development and employment creation.
04 Drive supply chain diversification.

Capitals impacted

Material matters

Integrated report
Society: PG 128
Our people: PG 138

ESG report.

Organic growth

12.5% of Exco scorecard

Key performance indicators for FY2021

- Hospital occupancy
- Patient days
- Recruitment of new doctors

Objectives

01 Increase market share.
02 Develop new markets and products.

Capitals impacted

Material matters

Integrated report
Doctor partnerships: PG 121
Digital transformation and data: PG 146
New business development: PG 152

Integration

8.0% of Exco scorecard

Key performance indicators for FY2021

- Doctor participation in Netcare **appoint**med™

Objectives

01 Use the digitisation of our service platforms to drive synergies and integration.
02 Develop a suite of products, services and platforms to engage with patients across their entire health and wellness journey.
03 Implement a comprehensive Group-wide marketing, communication and stakeholder engagement strategy.
04 Develop a customer engagement model across the Netcare ecosystem.

Capitals impacted

Material matters

Integrated report
Digital transformation and data: PG 146

Investment

23.0% of Exco scorecard

Key performance indicators for FY2021

- EBITDA margin
- ROIC
- Net debt to EBITDA
- EBITDA to net interest
- Cash conversion
- Adjusted HEPS

Objectives

01 Reduce capital expenditure on bricks and mortar and focus on systems and IT.
02 Ensure the most efficient capital structure and enhance shareholder returns.
03 Ensure clear targets for gearing and ROIC.

Capitals impacted

Material matters

Integrated report
Estate and medical equipment: PG 156
Financial capital: PG 170

Full annual financial statements.

Environmental sustainability

3.0% of Exco scorecard

Key performance indicators for FY2021

- Energy consumption per bed
- Scope 1 and Scope 2 emissions (combined)
- Scope 2 emissions
- Water consumption per bed
- Waste to landfill

Objective

01 Maintain global and local leadership in environmental sustainability in healthcare.

Capitals impacted

Material matters

Integrated report
Environmental sustainability: PG 160

ESG report.

Our strategic objectives continued

FY2021 performance overview

Consistency of care

● Impacted by COVID-19 ■ Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	**Perception of care**		
	• ● Developed and implemented a new externally validated patient feedback survey across all Netcare hospitals. Full roll out occurred after year-end, delayed due to COVID-19.	■	114
	• Rolled out the patient gratitude card programme in nine hospitals, giving patients the opportunity to express their thanks to those who have cared for them.	■	142
	• Rolled out CARE4YOU to nine hospitals accompanied with compassionomics workshops at year-end, with a further five roll outs soon thereafter.	■	142
	• Launched the Netcare Family Connect Line to facilitate engagement between COVID-19 patients and their next of kin.	■	114
	• Critically reviewed our doctor engagement to inform the design of a clinician engagement strategy and framework.		122
	Quality of care and efficiency		
	• Published 27 new quality of care indicators (total number of indicators published is now 85).		116
	• Engaged with doctors on the cost effectiveness of their care based on PCI reports.		122
	• Continued to present our quality of care outcomes and efficiency initiatives to funders.		116
	Safety, health, environmental sustainability and quality		118
	• Implemented a comprehensive, digitally enabled and data driven OHS programme.	■	
	• Digitised the management and governance of healthcare risk waste (HCRW).	■	
	• Achieved ISO 9001:2015 certification for the third consecutive year (excluding Akeso Clinics).	■	
	• Standardised the processes and policies of a quality management system for Akeso Clinics and digitised the internal quality review tools.	■	
	Clinical governance		120
	• Continued to standardise our clinical governance framework and clinical contractual agreements across our service platforms.		
	• Introduced an independent panel of clinicians to inform the review of clinical cases.		
	Research		120
	• Developed a clinical research collaborative to publish peer-reviewed articles and research studies on COVID-19 clinical outcomes.		
Looking forward to FY2022	• ● Roll out the CARE4YOU programme and associated compassionomics workshops across all Netcare hospitals.		
	• Complete the roll out of the gratitude card programme.		
	• Digitise the healthcare practitioner credentialing process.		
	• Extend the ISO 9001:2015 certification scope to include Akeso Clinics.		

● Positive outcome ◉ Neutral outcome/target partially met ● Negative outcome/target not met

Key performance indicators		2021 target	2021	2020	2019		
Patient reported experience measures							
Hospital division (higher score is better)	Nurses always treat you with courtesy and respect		**79.1%**	77.2%	77.3%	●	
	Nurses always listen carefully		**70.2%**	68.4%	68.5%	●	
	Nurses always explain in a way you understand		**69.7%**	67.4%	67.3%	●	
	Doctors always treat you with courtesy and respect		**91.5%**	90.6%	90.3%	●	
	Doctors always listen carefully		**86.9%**	86.7%	86.3%	●	
	Doctors always explain in a way you understand		**86.8%**	84.6%	84.2%	●	
Akeso Clinics (higher score is better)	Nurses always treat you with courtesy and respect		**79.9%**	81.1%	84.4%	●	
	Nurses always listen carefully		**77.5%**	78.8%	81.5%	●	
	Nurses always explain in a way you understand		**79.2%**	81.0%	83.5%	●	
	Doctors always treat you with courtesy and respect		**93.8%**	94.2%	94.3%	●	
	Doctors always listen carefully		**92.8%**	92.7%	93.2%	●	
	Doctors always explain in a way you understand		**92.1%**	92.1%	92.6%	◉	
	Therapists always treat you with courtesy and respect		**87.6%**	87.3%	–	●	
Compliance							
Group	Coding quality – proportion of cases with non-specific ICD10[1] coding	<12%	**9.9%**	–	–	●	■
	Compliance with general surgical and drug formulary	>85%	**88.8%**	86.9%	85.5%	●	■
	Compliance with specialised surgical formulary	>73%	**71.6%**	77.0%	74.0%	●	■

1. International Statistical Classification of Diseases (ICD10). The electronic health code index was launched this year.
Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.

Our strategic objectives continued

Disruptive innovation

● Impacted by COVID-19 ■ Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	**Electronic medical records** • **Hospital division (CareOn):** one hospital fully digitised by year-end, with a further six hospitals fully digitised by November 2021. • **Cancer Care:** completed the centralisation of the radiotherapy planning system. • **Akeso Clinics (CareOn Akeso):** launched CareOn Akeso at nine sites. • **Netcare 911:** developed a proof of concept for a solution that transmits information in real time from emergency vehicles to Emergency departments before a patient's arrival. • **Primary Care:** completed the development of an EMR solution for Netcare Occupational Health. • **National Renal Care (nephrOn):** nephrOn implemented in 62 (out of 69) sites at October 2021 in line with our project plan.	■ ■ ■ ■ ■ ■	148
	Data analytics enablement • Assigned data ownership and data stewardship accountability to manage data quality. • Successfully delivered the first release of the Clinical Outcomes Index (COI). • Developed various business-specific use cases including an outbreak detection solution, a tool to prioritise debt collections cases and an intelligent tool for optimising the placement of Netcare 911 emergency vehicles.	■	150
Looking forward to FY2022	**Electronic medical records** • **Hospital division:** roll out CareOn to a total of 20 hospitals by September 2022. • **Cancer Care:** integrate the radiotherapy planning system with SAP. • **Akeso Clinics:** complete the roll out of Akeso CareOn to all remaining clinics. • **Primary Care:** complete EMR roll out at 80% of GP sites and 40% of dental sites. • **National Renal Care:** complete the roll out of nephrOn to all remaining sites. **Data analytics enablement** • Deliver the second release of the COI. • Launch the outbreak detection solution. • Demonstrate an improvement in the data quality of critical data elements across 11 data domains. • Develop and implement a new reporting suite for the new patient feedback survey. **Other digital projects** • Launch the One Netcare website that will consolidate current service platform websites to provide a seamless experience for users and patients. • Complete the Wi-Fi upgrade project.		

Transformation of our society

🔴 Impacted by COVID-19 🟦 Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	• Achieved a B-BBEE ownership score of 21.24 (target: 19.64). • Approved a new five-year employment equity plan to FY2026. • Piloted a diversity and inclusion programme at one Akeso Clinics facility and eight hospitals. • Achieved a skills development B-BBEE score of 9.68 (target: 8.00) • 1 167 learners enrolled in a Netcare Youth Employment Service (YES) programme to date, against an initial target of 1 000. • Launched the Netcare Ulusha YES Hub in Alexandra, offering business development, access to market and critical skills training opportunities. • The My Walk Made with Soul school shoe project has produced over 63 000 pairs of shoes since its inception in 2018 (target: 100 000 pairs of shoes). • Started developing a structured ESD support programme.	🟦 🟦 🟦 🟦	130
Looking forward to FY2022	• Roll out the diversity and inclusion programme at 13 sites. • Continue to collaborate and engage on advancing the implementation of NHI. • Continue to collaborate on the Presidential Jobs Summit Initiative to produce at least 50 000 nurses for the national healthcare system.		

🟢 Positive outcome 🟡 Neutral outcome/target partially met 🔴 Negative outcome/target not met

Key performance indicators	2021 target[1]	**2021**	2020	2019		
B-BBEE rating	Level 4	**Level 4**	Level 4	Level 4	🟡	🟦
B-BBEE score	82.25	**88.09**	81.49	84.48	🟢	🟦
Procurement spend with >51% black-owned suppliers[2]	36%	**48.6%**	34.1%	40.0%	🟢	🟦
Procurement spend with >30% black women-owned[2]	23%	**28.2%**	21.6%	21.0%	🟢	🟦
Procurement spend with qualifying small enterprises[2]	8%	**8.0%**	7.6%	7.5%	🟢	
Procurement spend with emerging micro enterprises[2]	7%	**3.1%**	5.6%	7.8%	🔴	
Supplier development spend as a percentage of net profit after tax (NPAT)	2% of NPAT	**3.7%**	5.9%	1.2%	🟢	🟦
Enterprise development spend as a percentage of NPAT	1% of NPAT	**1.0%**	2.7%	1.2%	🟢	🟦
Investment in CSI as a percentage of NPAT	1% of NPAT	**2.3%**	1.8%	1.1%	🟢	🟦

1. Internal targets.
2. Calculated as a percentage of measurable spend.
Empowerdex: assured the Group's contributor rating according to the revised dtic Codes. This includes the employment equity information on the next page.
Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.

Our strategic objectives continued

Transformation of our society continued

Positive outcome | Neutral outcome/target partially met | Negative outcome/target not met

Employment equity
(% of the workforce)

		2017	2018	2019	2020	**2021**	Target 2021		
Senior management	Black[1]	28.0	29.2	41.4	41.9	**43.3**	45.5	◉	■
	Black women	12.0	16.7	24.1	25.8	**23.3**	27.3	●	■
Middle management	Black	36.1	39.9	45.2	48.9	**52.9**	51.6	●	■
	Black women	20.7	21.7	25.1	27.6	**30.6**	29.0	●	■
Junior management and skilled workers	Black	64.9	68.0	71.2	71.9	**72.8**	73.1	◉	■
	Black women	56.2	58.9	61.9	61.8	**62.3**	62.6	◉	■
People with disabilities	Overall	3.0	3.2	3.6	3.9	**4.2**	4.1	●	■
	Black	1.7	1.9	2.3	2.6	**2.8**	3.1	●	■
	Black women	1.1	1.3	1.6	1.8	**1.9**	2.5	●	■

Note: excludes National Renal Care.
Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.
1. Black covers African, Coloured and Indian employees.

ESG report.

Organic growth

● Impacted by COVID-19 ■ Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	**Increase market share** • Ongoing development of alternative reimbursement model across several service lines. • Secured additional hospital inclusion on designated service provider networks.	■ ■	124
	New business development • Launched a cell captive with Hollard. • Launched additional NetcarePlus prepaid vouchers for select procedures and dentistry as well as trauma and accident cover and gap cover.	■	152
	Vaccination • Vaccinated around 85% of permanent Netcare employees.		
Looking forward to FY2022	**New business development** • Continue to resource NetcarePlus to build and sustain its viability, and drive our marketing strategy to raise brand awareness.		

● Positive outcome ◉ Neutral outcome/target partially met ● Negative outcome/target not met

Key performance indicators	2021 target	**2021**	2020	2019		
Full week acute hospital occupancy		**55.9%**	52.5%	66.0%	●	
Week day acute hospital occupancy		**59.2%**	56.2%	71.6%	●	
Total patient days		**6.8%** ▲	19.8% ▼	3.7% ▲	●	■
– Netcare hospitals patient days		**6.2%** ▲	19.6% ▼	1.4% ▼	●	
– Akeso Clinics patient days		**12.7%** ▲	21.2% ▼	17.9% ▲	●	
Primary Care visits		**1.5%** ▲	16.8% ▼	4.0% ▼	●	
Number of doctors recruited (Netcare and Akeso Clinics)	60	**71**	113	138	●	■

Our strategic objectives continued

Integration

● Impacted by COVID-19 ■ Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	• Achieved 60% doctor participation in Netcare **appoint**med™. • Commenced the development of the CEM platform, integrating three primary sources of data. The project is around 50% complete. • Developed a comprehensive Group-wide marketing strategy	■ ■ ■	148
Looking forward to FY2022	• Load patient discharge summaries onto the MyNetcare online platform from CareOn, Netcare 911, Emergency departments and Akeso Clinics, and streamline the user registration process.		

Investment

● Impacted by COVID-19 ■ Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	• Completed the build of Akeso Richards Bay Clinic. • Inventory: managed stock days to 35 days (target: 40 days or below).	■ ■	156
Looking forward to FY2022	• ● Open the Netcare Alberton Hospital in April. • Open Akeso Richards Bay Clinic in January.		

● Positive outcome ◉ Neutral outcome/target partially met ● Negative outcome/target not met

Key performance indicators	2021 target	**2021**	2020	2019[1]		
EBITDA[1] margin (Hospital and Emergency services)		**15.0%**	13.5%	20.4%	●	■
ROIC	9.8	**7.9%**	5.6%	20.1%	●	■
Net debt to EBITDA	1.4	**1.7 times**	2.5 times	1.2 times	●	■
EBITDA to net interest	4.6	**4.1 times**	2.9 times	9.1 times	◉	
Cash conversion	117	**118.8%**	58.3%	111.4%	●	
Adjusted HEPS		**67.4 cents**	32.5 cents	171.2 cents	●	■

1. Pre-IFRS 16.
Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.

Environmental sustainability

● Impacted by COVID-19 ■ Linked to remuneration

Progress of our strategic initiatives in FY2021			PG
Achieved	• The new 2030 environmental sustainability strategy approved by the Board. • Installed four solar PV systems. • Developing an implementation strategy for zero waste to landfill. • Piloted a number of solutions to reduce our waste to landfill.	■	160
Looking forward to FY2022	• Roll out fresh air pre-treatment cooling units across all facilities. • Roll out zero waste to landfill strategies across all facilities. • Roll out greywater recycling initiatives to more facilities. • Update all autoclaves in the Hospital division to more water efficient technology. • Implement more water efficient reverse osmosis technology in all National Renal Care units.		

● Positive outcome ◉ Neutral outcome/target partially met ● Negative outcome/target not met

Key performance indicators

	Target	**2021**	Variance	2013 baseline	
Energy	30% reduction by FY2023	**20 579 kWh/bed[1]**	(28%)	28 442 kWh/bed	●
Scope 1 and Scope 2 emissions	Reduce by 84% by FY2030	**247 034 tCO_2e[2]**	(8%)	269 804 tCO_2e[1]	●
Scope 2 emissions	Zero Scope 2 emissions by FY2030	**209 172 tCO_2e**	(10%)	231 467 tCO_2e	●
Water	20% reduction by FY2030	**458 litres[3]**	(14%)	532 litres	●
Waste to landfill	Zero waste to landfill by FY2030	**9 277 tonnes**	(15%)	10 970 tonnes	●

1. Kilowatt hours per bed.
2. Tonnes of carbon dioxide equivalent (tCO_2e).
3. Litres per bed per day
Global Carbon Exchange SA Proprietary Limited provided limited assurance on carbon emissions and energy and water usage.

Link to remuneration

The Executive Committee scorecard informs short-term incentives. It gives higher weightings to projects that will have the greatest impact in driving the Group's strategy and on its financial and non-financial performance. By their nature, these projects tend to be the most complex and difficult to deliver and therefore require the greatest resources, focus and effort. The tables above indicate performance linked to the Executive Committee balanced scorecard as well as individual or service department scorecard for major projects. From FY2022, the Executive Committee scorecard will be replaced with a Group scorecard.

Key strategic trade-offs

Capitals impacted

Social and relationship capital		Natural capital	
Human and intellectual capital		Financial capital	
Manufactured capital			

Positive outcome	
Neutral outcome	
Negative outcome	

Netcare's transformational strategy will enable our longer-term ability to compete, innovate and grow value, by achieving the inter-related objectives of the ***Quadruple Aim*** for healthcare system improvement (see page 12).

As we implement our strategy against a backdrop of a global pandemic, of constrained revenues and cost pressure, scarce healthcare and digital skills, and regulatory uncertainty, we owe it to our stakeholders to make balanced and defensible decisions in how we secure and allocate our resources to immediate and longer-term strategic priorities.

These decisions involve strategic trade-offs, which may align to the expectations of some of our stakeholders but compete with the expectations of others. Where expectations conflict, Netcare balances these, over time, to deliver positive value outcomes to all our stakeholders – to provide differentiated benefits to our patients, people and partners in the healthcare sector, to grow enterprise value for our shareholders, and to reconcile this with our commitment to be a force for good for the benefit of current and future South Africans.

Besides the trade-offs made in the ordinary course of managing a healthcare business (disclosed last year), we face two major trade-offs at this time in Netcare's strategic renewal. We must balance the recovery of financial capital, eroded over the course of the pandemic, against protecting our human capital and maximising the intellectual capital benefits of digitising and re-engineering our processes (both of which incur higher levels of operational expenditure) and, secondly, with committing significant financial capital (capital expenditure) to our strategy, which will create value across all the capitals in the medium term – driving market share gains and profitability, strengthening our stakeholder relationships, and enhancing our reputation as a trusted, digitally enabled and data driven provider of person-centred health and care.

Quadruple Aim

1. Source: Bodenheimer, T., & Sinsky, C. (2014). From Triple to Quadruple Aim: Care of the Patient Requires Care of the Provider. The Annals of Family Medicine, 12(6), 573–576.

Key strategic trade-offs in FY2021

1 Protecting our patients, people, partners and society balanced against managing operating costs

As the pandemic continues, we are committed to providing the best and safest care for patients with COVID-19 by allocating flexible, demand-driven capacity at each facility and ensuring consistent best practice aligned with COVID-19 guidelines, tailored to the South African context. Most importantly, we are doing everything possible to protect our employees and healthcare practitioners from infection and to care for those who are exposed or ill. This includes ensuring a safe workplace and onsite health and safety procedures, as well as providing suitable quarantine facilities to our employees at our expense.

Initiatives implemented to protect our stakeholders include:
- Facilitating vaccine access for our employees and South African residents, to aid in preventing further COVID-19 surges in SA and reduce the burden on the country's healthcare capacity.
- Providing appropriate support, including targeted operational and psychosocial support, to help our frontline and managerial teams and healthcare practitioners manage the heavy psychosocial toll brought about by the pandemic.
- Launched #WeCare, which directs our focus on caring for the wellbeing of our clinical and non-clinical employees.

A heightened focus on OHS will continue to incur additional costs (although notably lower than FY2021) to ensure the care and safety of our patients, people and partners. These costs are unavoidable as we must continue to protect our stakeholders and society from pandemic threat – not only to limit loss of life and suffering, but also to guard the human skill and economic productivity that Netcare and SA cannot afford to lose.

Operating costs of R521 million were incurred to protect our patients, nurses, doctors, contractors and employees from COVID-19, mostly spent on PPE in line with clinical guidelines and international best practice, as well as screening, training and sanitising. We also spent R80 million on capital expenditure related to the pandemic. Other costs include managing the significantly higher volume of HCRW due to COVID-19.

Adding to the cost burden on the Group, during the July 2021 riots we had to operationalise our major incident plan to ensure uninterrupted care to patients in KwaZulu-Natal.

Besides carefully managing the costs related to COVID-19, we continue to implement strategies (like our digital strategy) that will drive new levels of operating efficiency, while delivering multi-capital benefits to our stakeholders. This includes ensuring that our services remain uninterrupted by the impact of water and electricity disruptions on the quality of care and to shield the Group from the rising cost of national utilities, which are core benefits of our environmental sustainability strategy; as an integrated approach to addressing climate change-related risks, regulatory changes and the scarcity and expense of resources. The benefits of our 2023 environmental sustainability strategy will continue to grow over the next 10 years and beyond.

Key trade-off decision in FY2021

Notwithstanding this context of rising costs, we had to make the difficult decision to suspend elective surgeries across our network during COVID-19 surges in infection, foregoing the related revenue and depressing our profitability further.

Historically, elective cases represented approximately 28% of our total admissions. Elective surgical cases declined rapidly in April 2020 during lockdown level 5, and again in July 2020 and January 2021 during the surge of the first two COVID-19 waves.

Our hospitals in KwaZulu-Natal and Gauteng were impacted most during the first two waves, with Gauteng absorbing the brunt of the third wave. It was necessary to suspend elective surgery in December 2020, and again in June 2021, only allowing for medically necessary and time-sensitive surgeries. After each surge, suspension was lifted, with the return of non-COVID-19 patient admissions continuing to improve.

Going forward, besides our acute focus on disciplined cost management, we continue to implement learnings gained from managing prior COVID-19 waves to ensure we retain our ability to quickly adapt to situational demands. 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, which should limit the risk of further suspension of elective surgeries.

Key strategic trade-offs continued

FY2021 outcomes

Provided continuous access to high-quality and safe healthcare to our patients despite COVID-19 risks and utility constraints.	●
Provided hospital treatment or suitable quarantine accommodation for employees at our expense.	●
Around 85% of the workforce has been vaccinated.	●
Introduced numerous #WeCare initiatives to support employees and healthcare practitioners.	●
Achieved lower water and energy usage and waste to landfill.	●
Estimated impact of the decline in patient days on EBITDA of approximately R1.5 billion.	●
EBITDA and EBITDA margins showed a steady sequential improvement from the second half of FY2021 but remain lower than before COVID-19.	◉
The environmental sustainability strategy achieved compound savings of around R821 million, greater than originally predicted.	●

2 Investing for long-term competitiveness and stakeholder benefit balanced against short-term recovery in profitability

In the long term, our digital transformation will provide a world-class healthcare environment that empowers our patients to participate in their health and care, with immeasurable long-term benefits for society. It will reshape the way we engage with all our stakeholders and achieve measurably better quality outcomes, experiences, convenience and efficiencies. Our digitisation programme will enable Netcare to leverage data driven and digitally enabled service offerings to extend our service range and capture new market segments. It will allow us to integrate high-quality data and analytics to allow predictive and proactive management of operational and strategic priorities.

To achieve these benefits, we are:
- Investing in state-of-the-art healthcare and enterprise systems that are accessible, available and resilient to cybersecurity threats.
- Delivering training and change management initiatives that support the implementation and adoption of our new way of doing things.
- Driving innovation, which includes medical technology and telehealth advances.

While securing the professional and personal resilience and future relevance of our workforce is a significant cost, it generates returns across all stocks of capital in the long term, and strengthens our employee value proposition in a highly competitive and shrinking market for scarce healthcare and digital skills.

Cornerstone to our digital strategy is to balance investment in asset heavy (bricks and mortar facilities) and asset light revenue streams (driven by digitisation), to meet the needs and expectations of our stakeholders. Innovation also extends to new product development that expands access to care and simplifies healthcare purchasing.

However, for the human and intellectual, social and relationship and ultimately the financial capital uplift in higher growth, margins and returns of implementing this new healthcare model, our digital transformation requires significant financial capital outlay, specifically in the next two years.

Key trade-off decision in FY2021

Given the impact of COVID-19 on our operating performance and the trajectory to recover to pre-COVID-19 levels of profitability, we reconsidered the merits of our digitisation strategy, and how to reduce expenses and improve operating results in a shorter time. Although we have rationalised our digitisation project portfolio, we are continuing with our major implementations and the associated re-engineering of our processes and ways of working. Staying the course is the correct decision, weighed up against the longer-term value that our digital transformation will enable across all the capitals.

The full financial review of CareOn, our flagship digitisation project, conducted during the year, confirmed the soundness of our strategic approach, and the project still meets our internal rate of return hurdle.

We have suspended some modules related to predictive modelling, mostly due to the delays brought about by COVID-19 and to reallocate resources to our key projects to ensure substantial progress and rebuild momentum. No new projects were approved for FY2022 for the same reason. Our expectation is to complete most of our key projects by the end of FY2022, with the balance substantially on track.

Underpinning our decision are the cash preservation measures we have introduced to ensure our liquidity in an uncertain environment. We have maintained a strong balance sheet and have a framework in place to ensure efficient capital management, disciplined cost management and optimal asset utilisation.

Incremental growth in financial value for Netcare is expected from FY2022 as the benefits of our digital transformation begin to ramp up and efficiencies start to offset costs.

FY2021 outcomes

Digital benefits starting to flow through to nurses and partners in the healthcare value chain, particularly in managing COVID-19 risk.	●
Continued to invest in property, plant and equipment upgrades to protect our value proposition to patients and partners.	◉
User adoption risk has decreased in relation to our digitisation strategy.	●
Training on digital implementations is improving delivery of project modules despite COVID-19 staffing constraints.	●
Certain projects suspended (and associated benefits lost) to rationalise and focus resources on key digitisation projects.	◉
Reduced expansion capital expenditure, except for new facilities with sound demand fundamentals.	●
Activity and profitability lagging pre-COVID-19 levels.	●
Dividends resumed due to strong financial position and cash generation.	●

Value outcomes

Integrated thinking and planning is deeply embedded in our organisation, enabling the reconciliation of our purpose with our long-term commercial objectives. Creating deliberate social, economic and environmental value, and carefully managing the associated costs or capital depletion arising from our business activities, has been a priority for Netcare for many years and will continue to be.

Our patients

Establishing long-term relationships with our patients enables financial sustainability and deepens our contribution to socioeconomic wellbeing through improved health outcomes. As we further our digital and data strategies, we improve our value propositions to our patients, providing them with access to world-class healthcare. We also enhance our reputation as a healthcare provider that consistently delivers the highest clinical quality outcomes and outstanding levels of care at an affordable price, supporting our strategic objective to grow market share.

● Value created ○ Value will be created in future ◉ Value preserved ● Value eroded

Inputs

Access to experienced and dedicated doctors.

Cared for by skilled and empathetic nurses, and interactions with compassionate employees.

High-quality clinical procedures and processes.

Cutting-edge medical technology and specialised centres of excellence.

R183 million
invested in digitising our service platforms since 2018

Patient outcomes

10	The net gain of specialists in acute hospital and mental health facilities (FY2020: 82).	●
14	Out of 22 patient reported experience measures improved or were maintained at FY2020 levels despite the impact of COVID-19.	●
926	New employees received training on ***Caring the Netcare Way***, focusing on how to engage with patients, as part of our induction programme (FY2020: 2 235).	●
Access	NetcarePlus provides reassurance that the cost to access private healthcare is secured in full in advance.	○
COVID-19	Launched the Netcare Family Connect Line to support contact between COVID-19 patients and their next of kin.	●
85	Clinical outcomes published (FY2020: 68[1]).	●
ISO 9001:2015	Achieved ISO 9001:2015 certification for the third consecutive year (excluding Akeso Clinics).	●
Digital	The most appropriate and safest care based on predictive and preventative care, and accurate records with the risk of medication-related errors minimised.	○
	Access to their real-time medical records and information, empowering patients to take co-responsibility for their health and related decisions.	○
	A digitised person-centred health and care journey at no additional cost.	○
	Improved customer complaints management.	○
	Higher accountability within the healthcare value chain.	○
60 777	Calls and 13 202 appointments made through Netcare **appoint**med™.	●

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

Our patients: PG 112.
Digital transformation and data: PG 146.

Quality report.

Value outcomes continued

Healthcare practitioners

Our ability to attract and retain specialists, doctors and other healthcare practitioners enables us to deliver the highest quality and safest person-centred health and care, drives revenue, supports the achievement of efficiencies and enables expansion into higher-demand disciplines, supporting our profitability.

● Value created ○ Value will be created in future ◉ Value preserved ● Value eroded

Inputs

Access to a world-class quality management system and excellent nursing.

Our inclusion in restricted provider networks.

Access to training and educational platforms that support continuous professional development.

Clinically advanced and appropriate medical equipment, consumables and pharmaceuticals.

Optimal facility infrastructure and cutting-edge digital systems.

R408 million
invested in new medical equipment
(FY2020: R494 million)

R469 million
spent on maintenance and repairs
(FY2020: R404 million)

R460 million
invested in expansionary projects
(FY2020: R227 million)

Healthcare practitioner outcomes

COVID-19	Provided additional support to help healthcare practitioners manage the physical, emotional and mental strain brought about by the pandemic.	●
417	Professional development sessions provided (FY2020: 325).	●
1 150	Healthcare practitioners trained on CareOn[1].	●
Digital	Longitudinal view of a patient's medical history across Netcare service platforms.	○
	Remote access to patients during COVID-19 waves through digital enablers such as Netcare VirtualCare (telehealth platform) and CareOn.	●
	Reduced medico-legal risk and, in time, savings on medical malpractice insurance premiums due to the availability and application of data.	○
~1 250	Trusted healthcare practitioners in the NetcarePlus network with the opportunity to increase their patient volumes without additional administration costs.	●
5	Continuous renal replacement therapy machines purchased to manage the impact of COVID-19 on dialysis patients (FY2020: 11).	●

1. The Hospital division's EMR system. The input cost of this training is included in total training spend reported under our people.

Doctor partnerships: PG 121.
Digital transformation and data: PG 146.

Quality report.

Funders

Our inclusion in restricted provider networks enhances our ability to maintain and grow patient volumes, and attract and retain specialists. We are also able to strengthen our negotiating power with funders based on measurable quality outcomes (clinical and patient).

● Value created ○ Value will be created in future ◉ Value preserved ● Value eroded

Inputs	Funder outcomes		
Our focused clinical improvement projects. Access to quality of care data. Collaboration on common objectives to achieve quality healthcare outcomes. Appropriate utilisation and cost containment achieved through consistency of care.	Digital	World-class healthcare for their members and their families.	○
		Improved safety, accurate records, reduction of medication-related errors and big data analytics to guide the most appropriate care.	○
		Launched an electronic health code index to support accurate coding and assessment of cost per event comparisons.	●
		Improved delivery of high-quality cost-effective care.	○
		Minimised duplication of tests or diagnostic procedures which often occur in a fragmented system, especially in the referral from primary care to tertiary care.	○

Funders: PG 124.
Digital transformation and data: PG 146.

Value outcomes continued

Our people

An attractive employee value proposition bolsters our ability to attract and retain the specialised skills needed to meet our strategic priorities and drive our transition towards a digitally enabled business. It also drives an engaged workforce motivated to live the behaviours of ***the Netcare Way***.

● Value created ○ Value will be created in future ⊙ Value preserved ● Value eroded

Inputs

A caring and values-based culture that meaningfully encourages, recognises and rewards outstanding contributions to the business.

Career advancement and other opportunities to improve professional development.

Change management programmes that upskill to digitally enabled ways of working.

R7 570 million

paid as salaries to our skilled employees

(FY2020: R7 254 million)

Employee outcomes

15.9%	Employee turnover (FY2020: 13.9%).	●
79.7%	Black representation in the workforce (FY2020: 79.0%) with 64.4% of the workforce being black women (FY2020: 64.2%).	●
81.2%	Women representation in workforce (FY2020: 81.6%).	⊙
43.3%	Black representation at senior management level (FY2020: 41.9%).	●
8	Employee grievances reported and resolved (FY2020: 6).	●
4	Alleged incidents of discrimination reported (FY2020: 13). All reports were investigated and, where required, action plans were implemented. All have been investigated and resolved.	⊙
Digital	Improved nursing models in intensive care and high care units and wards.	○
	Reduced administrative burden on clinical staff.	○
	Current feedback indicates that CareOn is well-received by employees who report that it enables higher quality patient care, is easy to use and enhances efficiency.	●
Unions	Successfully concluded the 2021/22 wage negotiations with three out of four unions. A wage dispute remains unresolved with the remaining trade union, as we remain steadfast in our commitment to deliver fair and sustainable terms for all our employees.	⊙
12 731	Employees trained despite COVID-19 restrictions (SDP2020[1]: 15 276); however, progress is required to achieve higher B-BBEE skills development points.	⊙
93	Future supervisors, managers and leaders participated in a development programme (SDP2020: 387). Programmes were impacted by COVID-19 restrictions, which has meant that some participants will only complete their programmes in SDP2022.	⊙

Our people continued

● Value created ○ Value will be created in future ⊙ Value preserved ● Value eroded

Inputs

A safe clinical environment supported by comprehensive employee wellness programmes.

Our transparent and proactive relationships with employee representatives.

R49 million

invested to develop employees and healthcare practitioners, prepare for digitisation and instil a caring, values-driven culture – the ***Netcare Way***

(SDP2020: R66 million)

Employee outcomes

3 730	Employees attended CareOn sessions to date, building their resilience and emotional intelligence and ability to communicate empathetically and work as a team.	●
91%	Percentage of skills spend on black employees (SDP2020: 92%). 82% of training spend was invested in training black women (SDP2020: 83%).	⊙
COVID-19	Introduced a special psychosocial support initiative, providing frontline workers with a comprehensive care programme.	●
11.1%	The annualised individual ICAS[2] usage of core services compared to 10.6% across all ICAS client companies (FY2020: 12.8%).	●
126	Wellness training webinars delivered, reaching 963 employees (FY2020: 103).	●

1. Calculated for the skills period 1 April 2020 to 31 March 2021 as per the Health and Welfare SETA measurement year (SDP).
2. Independent Counselling and Advisory Services (ICAS).

Our people: PG 138.

ESG report.

Value outcomes continued

Suppliers

Strong relationships within our supplier base, including local suppliers, ensure a consistent supply of products and services that most cost effectively meet our demand and quality requirements. We strive to partner with suppliers who support our objective to deliver the highest quality person-centred health and care most efficiently.

Value created | Value will be created in future | Value preserved | Value eroded

Inputs	Supplier outcomes		
Fair and transparent tender and review processes and negotiated contractual terms that support supplier businesses.	**R12.3 billion**	Total procurement spend (FY2020: R11.7 billion).	●
	108%	Of our procurement spend that was measurable under the dtic Codes was with B-BBEE compliant suppliers, and totalled R12.3 billion (FY2020: 86%; dtic target: 80%).	●
Preferential procurement practices and ESD initiatives aimed at advancing black businesses.	**R62 million**	Invested in our ESD programme (seed and growth capital and business development support), equating to 8.2% of NPAT (FY2020: R71 million, dtic Codes target: 3%).	●

Suppliers: PG 126.
Transformation: PG 130.

ESG report.

Society

Our sector and business association memberships provide an additional platform to engage with regulators to advocate for an enabling policy environment and with government to collaborate on solutions that could effectively broaden access to quality healthcare. These relationships as well as our socioeconomic transformation and environmental initiatives protect our legitimacy and social licence to operate, and drive our contribution to an inclusive society, economy and labour market.

● Value created ○ Value will be created in future ◉ Value preserved ● Value eroded

Inputs

Our ability to serve the needs of employed citizens (easing the burden on public healthcare providers).

We enhance national healthcare infrastructure.

We train healthcare workers.

Our collaboration with government and business associations to find solutions that broaden access to quality healthcare in SA.

Our initiatives to progress the participation of black people in the economy and create jobs.

R31 million
invested in CSI initiatives
(FY2020: R45 million; including disaster management)

Social and environmental outcomes

18 346[1]	People employed who contribute to the economies where they live and work and pay personal tax (FY2020: 19 214). The 4.5% decrease in headcount is mostly as a result of natural attrition, and only replacing critical and clinical positions.	◉
554	Nurses and paramedics who are not Netcare employees trained, supporting their employability and helping to address some of SA's healthcare skills shortage (FY2020: 667).	●
R618 million	Taxes paid to government (FY2020: R601 million).	●
Access	NetcarePlus reaches under-served healthcare markets, promoting inclusive quality private healthcare services.	○
R1 million	Distributed to beneficiaries through the B-BBEE Health Partners For Life trusts[2] (FY2020: R11 million).	●
50%	Black representation of doctors with admission privileges (FY2020: 48%).	●
417	Learners gainfully employed after successfully completing their YES learnership or internship (FY2020: 235). 70% are permanently employed at Netcare.	●
94%	Of CSI beneficiaries were black people (FY2020: 93%).	●
R5 million	Of our CSI spend invested in entities that train and develop doctors (FY2020: R6 million).	◉
> 14 500	Rape survivors treated free of charge by our Sexual Assault Crisis Centres since 2000. Netcare sexual assault services have been in place for 25 years.	●
698	Babies fed with donor breastmilk (FY2020: 688).	●
31 586	Learners across SA received school shoes made from our recycled PVC waste.	●

1. *Excludes National Renal Care.*
2. *Trusts were established to empower our people, designated groups and communities. They are linked to our share price performance, ensuring that beneficiaries benefit when we perform well.*

Value outcomes continued

Society continued

● Value created ○ Value will be created in future ◉ Value preserved ● Value eroded

Inputs

R550 million
invested in environmental sustainability since FY2013.

0.95 million
gigajoules (GJ) of electricity consumed from the grid
(FY2020: 0.96 million GJ)

16
gigawatt hours (GWh) of renewable energy sourced
(FY2020: 13 GWh)

1.9 million
kilolitres (kl) of water consumed
(FY2020: 1.9 million kl)

Social and environmental outcomes

28%	Reduction in our Group energy intensity footprint since 2013. In monitored acute hospitals, electricity used per bed has decreased 19% from the 2013 baseline of 24 457 kilowatt hours per bed, the equivalent of taking 2 147 beds (or 23% of our bed base) off the grid.	●
12%	Reduction in water consumed against the 2015 baseline[1] of 2 148 554 kilolitres.	●
9 406 tonnes	Waste generated, 8% less than FY2020, with 129 tonnes of HCRW incinerated, preventing public and employee health risks (FY2020: 10 238 tonnes of waste generated and 141 tonnes of HCRW incinerated).	●
306 304 tCO_2e	Across Scopes 1, 2 and 3 emissions (FY2020: 272 920 tCO_2e). The increase is due to the changes that we have made to protect our patients and healthcare workers from COVID-19. Scope 1 and Scope 2 emissions only increased by 3%.	●

1. FY2015 is used as the baseline for water measure as this was when water meters and other water initiatives were started.

Society: PG 128.
Environmental sustainability: PG 160.

ESG report.

Investors

A strong balance sheet able to support business continuity and growth, and a credit rating of AA- long term (compared to A+ in 2018) and A1+ short term by Global Credit Ratings Co.

● Value created ○ Value will be created in future ⊙ Value preserved ● Value eroded

Inputs

A defined framework for optimal capital structure, disciplined capital allocation and granular measurement of returns.

Access to an experienced Board and leadership team.

Our solid track record of operational excellence over time.

R10 589 million
equity capital from shareholders
(FY2020: 9 799 million)

Net debt of
R5 331 million
(FY2020: 6 423 million)

R1.0 billion
raised from the issue of South Africa's first green bond

Investor outcomes

R531 million	Distributed to providers of capital (FY2020: R1 537 million).	⊙
107%	Increase in adjusted HEPS to 67.4 cents (FY2020: 32.5 cents).	●
R23 312 million	Market capitalisation (FY2020: R18 592 million).	●
Digital	Digitisation of the entire Netcare ecosystem and benefits from data driven initiatives.	○

Chief Financial Officer's review: PG 170.

ESG rating performance

CDP

(global)

Assesses climate change disclosure.

Last rating date:
7 December 2021
(valid to 31 December 2022)

Climate change

Score: B

(2020: B)

(higher than the Global and Africa average scores)

Water

Score: B

(2020: B)

(equalling the Global and Africa average scores)

FTSE Russell

(SA)

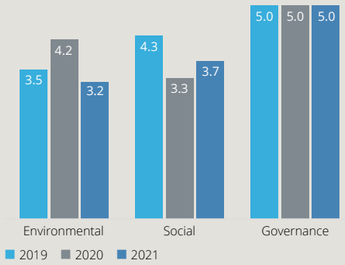
An investment index that represents South African companies meeting ESG criteria as defined by the FTSE ESG Model.

Last rating date:
1 June 2021

Included in the FTSE/JSE Top 30 Responsible Investment Index

3.9 out of 5

(2020: 4.1)



1. *Despite an improvement in our social score, our overall score dropped due to a change in methodology used to assess social impact, which now includes supply chain disclosure.*

S&P Global Corporate Sustainability Assessment

(global)

An investment index of emerging markets sustainability leaders.

Last rating date:
31 July 2021

Included in the Dow Jones Emerging Markets Index for the

eighth consecutive year

Scored 78%

(2020: 83%)

MSCI ESG Research Inc.

(global)

Provides ESG data, reports and ratings based on published methodologies.

Last rating date:
1 December 2020

Achieved 'AA' rating, the second highest award by MSCI ESG

We have maintained an AA rating in this six-point scale for five years, marking us as a leader in our sector.

Institutional Shareholder Services

(global)

Provides investors with in-depth insight to incorporate sustainability in their investment decisions.

Last rating date:
15 July 2021

Achieved B- rating with a performance score of 68.65 and a very high transparency level

We endeavour to achieve a B+ rating for 2022 through improved sustainability reporting.

UN Sustainable Development Goals

Our environmental sustainability strategy to FY2030 and other strategic initiatives contribute to the SDGs listed above.

Accolades

In 2020, we were the only hospital group globally to be awarded gold in all four categories of the 2020 Health Care Climate Challenge Awards by Global Green and Healthy Hospitals (GGHH). The categories are climate resilience, climate leadership, climate mitigation (greenhouse gas reduction) and climate mitigation (renewable energy). In 2019, we were awarded three golds and a silver for renewable energy.
The GGHH network has over 1 500 members in 74 countries who represent the interests of over 43 000 hospitals and health centres. The network promotes healthcare without harm.

Race to ZERO EMISSIONS 2050

An ambitious global partnership of forward-thinking organisations aiming to achieve zero emissions in their operations by 2050.

We have committed to the UN's Race to Zero 2050 challenge, aiming to achieve zero emissions by FY2050. We are the first organisation in Africa's private healthcare sector to do so. We have set ambitious objectives to reach zero Scope 2 emissions, zero waste to landfill and reduce water consumption by 20% by FY2030. As part of our participation in the challenge, we will contribute to the global body of data by submitting annual reports on our progress towards zero emissions. The global body of data will help to build further crucial scientific evidence to grow international understanding of how emissions influence climate change.

Remuneration overview

We strongly believe that our passionate people are the cornerstone of our sustainable business growth and success. Accordingly, our remuneration policy is designed to create a strong performance culture and drive the delivery of our person-centred health and care strategy that is digitally enabled and data driven.

Remuneration policy summary

In addition to adhering to good governance principles and best practice, the remuneration policy is designed to attract, retain, motivate and reward our employees and executives fairly and responsibly for exceptional performance, and to maximise value for stakeholders. The policy thus strives to achieve a fair balance between competitive structured package, short-term incentives (STIs), long-term incentives (LTIs) and retention schemes. The policy also includes malus and clawback clauses to mitigate the risk of adverse events that could materially harm the company and its stakeholders.

Should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2022 annual general meeting, the Remuneration Committee undertakes to fully understand reasons for dissenting votes and address legitimate and reasonable objections raised.

Remuneration policy objectives

Attract, retain and grow	Recruit, retain and grow high-quality employees to achieve Netcare's strategic priorities.
Reward	Ensure that all employees are recognised and rewarded for their performance in a fair, equitable and consistent manner.
Competitive remuneration	Ensure that remuneration and benefits provided are competitive within the healthcare industry.
Financial wellbeing	Recognise the basic needs of employees and ensure that compensation levels consistently address the cost of living and inflation.
Set goals	Reward employees for achieving predetermined business and personal performance targets, and ensure that remuneration is aligned to documented performance targets.
Sustainability	Ensure that employee costs are within budget as determined by the Executive Committee and approved by the Board, and are thereby sustainable.

The Remuneration Committee (the committee) reviewed the company's remuneration policy, undertaking key activities, engaging extensively with stakeholders and making the following decisions:

Focus	Key activities and decisions
Remuneration for executive and non-executive directors	Engaged PriceWaterhouseCoopers (PwC) to conduct an independent benchmarking exercise of the executive and non-executive director remuneration practices. The benchmark results for non-executive directors confirm broad alignment with market peers and that the annual guaranteed package of the CEO and the CFO compare well to the market, although their total rewards inclusive of STI and LTI were lower than the benchmarks. The outcome informed the proposed non-executive director adjustments for FY2022 and the new Single Incentive Plan, which will align the executive directors' total rewards with the median of comparator groups.
Short-term incentives	Reviewed and approved the executive balanced scorecard which identifies performance parameters and areas of focus for the year. Approved the STIs for management based on the attainment of the performance parameters set out on pages 102 to 103.
Long-term incentives	• Reviewed the performance conditions for the second performance tranche of Forfeitable Share Plan (FSP) 3 due to vest on 1 December 2021. The performance conditions are: – **Performance condition 1:** average compound annual growth rate of HEPS of the operations of at least consumer price index (CPI) plus 4%; and – **Performance condition 2:** average return on capital employed (ROCE) of at least weighted average cost of capital (WACC) plus 6% calculated over the relevant performance period. • Our financial performance for FY2020 and FY2021 was affected by COVID-19 related disruptions to our operations, resulting in the failure to meet the second performance tranche of FSP 3. As a result, these awards, due on 1 December 2021, lapsed. • Recognising the inherent difficulties in setting stretching yet realistic and achievable targets as a result of the unfolding global pandemic, the committee resolved not to progress with the implementation of FSP 4 approved by shareholders in FY2019. • The committee instead approved and recommended for approval by the Netcare Board the principles of the Single Incentive Plan and Deferred Share Plan. The full details of the Single Incentive Plan and Deferred Share Plan are provided in the full remuneration report online. • The committee also reviewed the minimum shareholding requirements for executives and malus and clawback provisions.
Annual salary increases	Approved annual salary increases, which are linked to CPI, with executives receiving a 3.3% increase in March 2021. The committee approved higher salary increases for two members of the Executive Committee to bring their salaries in alignment with internal and external benchmarks. Salary increases at non-management levels were at a higher percentage rate.
Feedback on salary negotiations	Successfully concluded the FY2020/21 wage negotiations with three of the four recognised trade unions, and have yet to reach agreement with the remaining trade union.
Shareholder voting	At the AGM held in February 2021, 89.8% of shareholders voted in favour of our remuneration policy and 95.4% voted in favour of our implementation report. **Read more about our remuneration policy and implementation report in the shareholder report.**

Executive leadership	Minimum shareholding requirement	Previous policy requirements
CEO	200% of CTC[1]	250% of CTC
CFO	150% of CTC	200% of CTC
Other members of the Executive Committee	100% of CTC	150% of CTC

1. Cost to company (CTC).

Remuneration overview continued

Remuneration philosophy

Our remuneration philosophy is to ensure that our employees are fairly, reasonably, responsibly and competitively rewarded for their contribution to the Group's strategic, operating and financial performance. It guides our remuneration policy and supports our ability to attract and retain talent at every level of the organisation while complying with the applicable laws and codes of good practice.

Principle	Value creation
Secure crucial skills.	Provide world-class health and care.
Reward the achievement of strategic and operational priorities and exceptional performance.	Delivery of the Netcare strategy and an engaged workforce.
Provide key talented executives and managers with appropriate reward and retention mechanisms.	Continued alignment between management and stakeholder objectives for the long-term sustainability of the business.

Executive remuneration structure

Executives are remunerated for achieving financial and non-financial strategic objectives. The performance of executives is measured using a balanced scorecard; this also takes into account how the executives embody our values and model behaviours that promote value creation.

We seek to achieve a suitable balance between fixed (guaranteed package) and variable (STIs and LTIs) remuneration. STIs are limited to a maximum of 75% of guaranteed package for the CEO and 60% for prescribed officers and senior executives.

Employment contracts for executives and senior management do not provide for payment of LTIs in the event of employment fault termination. Only the CEO has a restraint of trade of six months and Executive Committee members have a three-month notice period.

The remuneration packages for executive directors, prescribed officers and senior executives for the year ended 30 September 2021 comprised a guaranteed package, STIs and LTIs.

Structured package (fixed remuneration)

Objective

To reflect individual contribution and market value relative to role and to recognise skill and experience.

Basis for determination

Guaranteed pay includes salary and employee benefits. It is determined based on the complexity of the role, market value, and the ongoing review of the employee's personal performance and contribution to Netcare's overall performance and values.

Guaranteed remuneration is reviewed annually and increases take effect in March. Annual increases consider factors such as prevailing economic conditions, inflation, Group performance and affordability, change in responsibilities, internal and external benchmarks, and average salary increases.

Delivery

Monthly payment after deducting contributions to statutory taxes, retirement funding and medical scheme. The Group also makes contributions to Group life assurance cover, funeral cover and disability insurance contributions.

Short-term incentives (variable)

Objective

To reward individual contribution and Group performance in the short term.

Eligibility

Executive directors, prescribed officers, senior executives and managers.

Basis of determination for FY2021

Ordinarily, potential STIs are calculated by applying an individual's potential eligibility percentage to their structured package. The potential eligibility percentage depends on the individual's job grade and threshold. The result is then modified by the balanced scorecard outcome. This means that no executive director, prescribed officer or senior executive is capable of earning more than 75% of their annual guaranteed package.

STI formula

Bonus paid if targets met	=	Annual structured package	X	Potential eligibility (%)	X	Weighted average of balanced scorecard

The threshold for the CEO is a maximum of 75% and for the CFO a maximum of 60%.

Balanced scorecard

The balanced scorecard incorporates Group-based, divisional, and individual key performance metrics. A weighting linked to Group-based targets ensures alignment among team members with the Group's strategic priorities and key focus areas.

The Executive Committee scorecard carries a weighting of 40% based on Group-based targets, with the remaining 60% focusing on divisional and individual responsibilities.

A broad range of specific strategic and operational targets of a financial and non-financial nature are included in the individual, divisional and Executive Committee balanced scorecards. These targets are aligned to the Group's strategic priorities and drive the achievement of sustainable growth and long-term value creation. Weighting and targets vary between executives depending on their function.

Looking forward to FY2022

For FY2022 onwards, the Remuneration Committee has considered and approved the implementation of the Single Incentive Plan and the associated Deferred Share Plan to replace the current STIs and LTIs (or FSP), as the primary incentive remuneration structure for executives and senior management.

The Single Incentive Plan addresses the following issues:

- FSP performance conditions which are difficult to set for three- to five-year periods, especially in the current uncertain environment, undermining the original intention and value proposition;
- Retention concerns following potential non-vesting due to COVID-19 while staying true to the Group and investor requirements of 'pay for performance'; and
- Addressing the current remuneration deficit from the delay in awarding FSP 4.

The Single Incentive Plan (variable)

Objective

- Align with shareholder interests and other important stakeholder objectives;
- Provide a competitive value proposition for loyal high-performing employees and building wealth for them over the longer term;
- Achieve simplification and consistency across the organisation to enhance understanding and administration; and
- Develop performance criteria that are agile and customised to drive the required business outcomes and performance on an annually reviewed basis, balanced across financial and non-financial performance.

Basis of determination

The annual Single Incentive Plan will be based on an on-target % of annual CTC, based on the role of the participant, multiplied by an annual performance multiplier.

The performance multiplier will range from 0% if none of the threshold levels are achieved to 100% for on-target performance and up to 150% for stretch performance.

The annual value of the performance multiplier will be determined based on Group, Managing Director (MD), divisional and personal scorecards. This will be determined by an appropriate weighting of the scorecards for different roles, aligning them with the performance of the relevant entity while retaining a minimum level of exposure to Group outcomes for all participants to avoid 'silo' behaviour.

The balanced scorecard split is as follows:

CEO	▶	Group scorecard **100%**
CFO	▶	Group scorecard **80%** and divisional scorecard **20%**
Executives	▶	Group scorecard **60%** and divisional scorecard **40%**

In line with rules governing the existing balanced scorecard management tool, a score of 60% is required at divisional and/or personal and business unit levels to qualify for an incentive.

Remuneration overview continued

Performance parameters to 30 September 2022 and the medium term

The overall weighting of the Group scorecard for FY2022 comprises 60% financial and 40% non-financial strategic targets in line with emerging practice for single incentive plans. In terms of non-financial categories, these have been split equally between consistency of care, digitisation, transformation, and environmental sustainability, each making up 10% of the total 40% allocated to non-financial metrics.

The committee has approved both the financial and non-financial strategic targets for FY2022 which it deems to be appropriate and sufficiently stretching. The financial targets and actual results will be disclosed in detail in the FY2022 remuneration report on an ex-post basis.

	Area	Measure	Weighting	Threshold	On-target	Outperform
Financial targets 60%	Financial results	EBITDA margin	15%	Target – 0.5%	Budget	Target + 0.5%
		Adjusted HEPS	15%	90% of target	Budget	110% of target
		ROIC	15%	Target – 1%	Budget	WACC
		Cash conversion	15%	90.0%	100.0%	110.0%
Non-financial strategic targets 40%	Consistency of care 10%	***CARE4YOU compassion programme*** # hospitals rolled out by September 2022	5%	30	53	53 by July 2022
		Improved levels of compassion displayed by nurses as a result of the programme∞		Improvement against baseline	Improvement against threshold	Improvement against threshold
	Digitisation^ 10%	***CareOn electronic medical records*** # hospitals rolled out by September 2022	5%	15	20	21
		CareOn adoption by clinicians Adoption of eScripts	2.5%	50%	70%	80%
		Adoption of clinical orders	2.5%	50%	70%	80%
	Environmental sustainability* 10%	***Environmental indicators*** Reduction in carbon emissions through the implementation of energy efficient projects	5%	1 200 tCO_2e additional year-on-year (YoY) savings	1 400 tCO_2e additional YoY savings	1 500 tCO_2e additional YoY savings
		Reduction in water utilisation through recycling/efficiency projects	3%	19 900kl additional YoY saving	21 900kl additional YoY saving	22 300kl additional YoY saving
		Reduction in waste to landfill percentage in pilot projects	2%	60% of general waste	75% of general waste	Achieve target and add four new hospitals on the pilot project and improve their diversion to landfill by 20% from FY2021 baseline
	Transformation 10%	***Board and management race and gender diversity*** Percentage of the points available for the management control pillar of the B-BBEE scorecard.	5%	60%	64%	68%
		Inclusion of emerging micro enterprises, qualifying small enterprises and black-owned enterprises Percentage of the points available for preferential procurement in the B-BBEE scorecard.	3%	75%	80%	85%
		Diversity and culture # sites engagement, diversity and inclusion survey rolled out to by September 2022	2%	50%	100%	100% by July 2022

∞ *Percentage improvements to be determined by end of December 2021.*

^ *The digitisation initiative is key to the overarching strategy of the Group. The implementation of the project will be measured in the non-financial metrics in FY2022 and FY2023. Following successful implementation, the digitisation projects are expected to be earnings accretive from FY2024 and this is reflected in the proposed financial targets for the medium term as shown in the table on the next page.*

* *The sustainability targets are project specific.*

As a transitionary measure, growth in ROIC and cash conversion will be measured over one year in FY2022 and two years in FY2023, and a trailing three-year period from FY2024 onwards.

Targeted EBITDA margin in the medium term is based on a return to levels of pre-pandemic profitability.

We expect improvement in the underlying financial performance in FY2023 and beyond, and remain focused on investing in capital expenditure for future opportunities. This will translate into increased target ranges for the medium term as set out in the table below.

Measure	Target ranges
EBITDA margin	FY2022 + (2.5% to +4%)
Adjusted HEPS	CPI + GDP + (5% to +10%)
ROIC	WACC + (2% to +4%)
Cash conversion	90% to 110%

Delivery

The Single Incentive Plan will be settled as follows for executive directors and prescribed officers:

- In cash and deferred shares. The cash portion will be settled annually in December of each year.
- The balance, in Deferred Share Awards, vest at 20% per annum over five years for the members of the Executive Committee.

The determination of the pro-forma value for the annual single incentive, will be as follows:

- Single incentive = annual CTC x on-target % x performance multiplier.
- Cash incentive = single incentive x cash percentage.
- Deferred share award = (single incentive x deferred percentage) + any approved retention award.

While this formulaic determination will provide the quantum of eligibility each year, the Remuneration Committee will apply its discretion to determine the final award.

Executive leadership	Incentive %	Cash %	
CEO	200%	20%	Balance in deferred shares (over five years)
CFO and MD: Hospital division	165%	20%	Balance in deferred shares (over five years)
Executive Committee	125%	20%	Balance in deferred shares (over five years)

Fair and responsible employee remuneration

Netcare is committed to ensuring that our remuneration policy and practices are externally competitive, fair, responsible and free of any unfair discrimination and prejudice. To give effect to this commitment, we utilise a reputable job grading system to ensure equal pay for work of equal value. We benchmark our salaries against other healthcare companies and non-healthcare companies of similar size to ensure that our remuneration to employees is market competitive.

We also conduct income differential analysis annually to ensure that there are no unfair pay differentials based on gender, race and/or any other social demographics. Our analysis shows that we do not have unfair race and gender pay gaps for work of equal value. Where differentials exist, we investigate the underlying reasons and these mostly relate to educational levels, work experience and length of service in the role.

In considering King IV's Principle 14, the global challenge of income gaps between the highest and the lowest earners, and the social inequalities in SA as one of the most unequal societies in the world, we have implemented the following measures to progressively narrow the gap:

- Our minimum wage is 44% above the legislated national minimum wage.
- We offer above CPI annual salary increments for our employees at the lower end of the pay scale compared to the CPI-linked salary increments for executive directors, prescribed officers and senior executives.
- Employees at non-managerial levels are remunerated based on their structured package plus benefits. The benefits include employer contributions to retirement fund, medical aid membership, Group life cover, funeral cover, as well as disability benefits.
- Permanent employees at non-managerial level receive a guaranteed 13th cheque at 31 December for each completed 12-month period worked. This is paid to employees in service on 31 December of each year.
- All employees below the executive level were allocated 3 000 Netcare shares each in October 2019 as part of Netcare's B-BBEE Employee Share Ownership Scheme.

Remuneration overview continued

- We offer enhanced maternity and parental leave benefits compared to those prescribed in the Basic Conditions of Employment Act. We offer our employees a four-month paid maternity leave benefit at 33% of structured package and also allow an option of a fifth month without pay. This benefit compares favourably to the Act's legislated four-months unpaid maternity benefit.
- We offer 10 days of paid parental leave compared to the legislated 10 days unpaid parental leave.
- We offer uniforms to our staff at no cost to them with uniform allocation made every 18 months.
- We offer subsidised meals to employees while on duty.

Implementing our remuneration policy

During FY2021, the increases to the annual guaranteed packages of executive directors, prescribed officers and senior executives were linked to CPI, and above CPI salary increases were awarded for employees below executive level. This principle will also be applied in FY2022.

Balanced scorecard

In addition to EBITDA and EBITDA margin, the achievement of Netcare's strategic priorities accounted for 40% of executive directors, prescribed officers and senior executives' balanced scorecards as set out below. The scorecard implemented was robust and included both financial and non-financial targets. An overall performance score of 60% was achieved on the Group and divisional balanced scorecards, meeting the criteria for payment of the STI.

Non-financial aspects for FY2021 covered digitisation projects, transformation initiatives, clinical outcomes and key business development projects, with all related targets having been substantively achieved. Our achieved financial targets are extracted or calculated from the audited financial statements, and the B-BBEE performance targets are externally verified by Empowerdex.

● Target met ◉ Target partially met ● Target not met

Financial	EBITDA	Actual: R3 193 million **Target: R3 671million**	●
Consistency of Care	Implement patient communication platform.	**Target not met** Disrupted by COVID-19.	●
	Design and implement the revised patient feedback survey.	**Target not met** Disrupted by COVID-19.	●
	Specialised surgical formulary compliance.	**Target partially met** Disrupted by COVID-19.	◉
	Implement comprehensive, digital OHS programme.	**Target met**	●
Disruptive innovation	Hospital division – achieve the rollout milestones for CareOn EMR.	**Target met**	●
	Akeso Clinics – achieve EMR development milestones.	**Target met**	●
	National Renal Care – achieve EMR development and rollout milestones.	**Target met**	●
	Medicross – achieve EMR milestones.	**Target not met** Disrupted by COVID-19.	●
	Data analytics and platform – completion of specified project use cases.	**Target partially met** Disrupted by COVID-19.	◉

● Target met ◉ Target partially met ● Target not met

Transformation of society	Maintain the B-BBEE ownership at FY2020 score.	**Target met and exceeded**	●
	Improve inclusion of >51% black-owned enterprises and >30% black women-owned enterprises in Netcare's supply chain.	**Target met and exceeded**	●
	Invest 1% of NPAT on enterprise development and 2% of NPAT on supplier development.	**Target met**	●
	Invest 1% of NPAT on CSI initiatives.	**Target met and exceeded**	●
	Improve skills development rating on the B-BBEE scorecard.	**Target met and exceeded**	●
Organic growth	Attract 60 new doctors.	**Target met**	●
	Secure additional hospital inclusion on designated service provider networks.	**Target met**	●
Integration	Develop integrated Group-wide marketing approach, communication strategy and stakeholder strategy.	**Target met**	●
	Achieve targeted doctor participation on **appoint**med™.	**Target met**	●
	Develop a comprehensive customer engagement model.	**Target not met** Disrupted by COVID-19.	●
Investment	Complete build of Akeso Richards Bay Clinic	**Target met**	●
	ROIC	**Target not met**	●
	Net debt to EBITDA	**Target not met** Achievement impacted by COVID-19.	●
	EBITDA/net interest (times)	**Target partially met** Achievement impacted by COVID-19.	◉
	Cash conversion	**Target met**	●
Environmental sustainability	Digitise healthcare risk waste management processes and governance.	**Target met**	●
	Develop new 10-year strategy for environmental sustainability to FY2030.	**Target met**	●

Remuneration overview continued

Executive remuneration

The table below summarises executive remuneration for FY2021.

R'000	Guaranteed package	Bonuses	Total
Executive directors			
RH Friedland	**10 604**	**3 000**	**13 604**
KN Gibson	**5 510**	**2 000**	**7 510**
Prescribed officers			
T Akaloo	**3 739**	**1 000**	**4 739**
J du Plessis	**5 008**	**1 700**	**6 708**
C Grindell	**3 520**	**1 400**	**4 920**
S Mhlongo*	**1 604**	**Zero**	**1 604**
WN van der Merwe	**4 218**	**1 200**	**5 418**

* *Resigned in March 2021.*

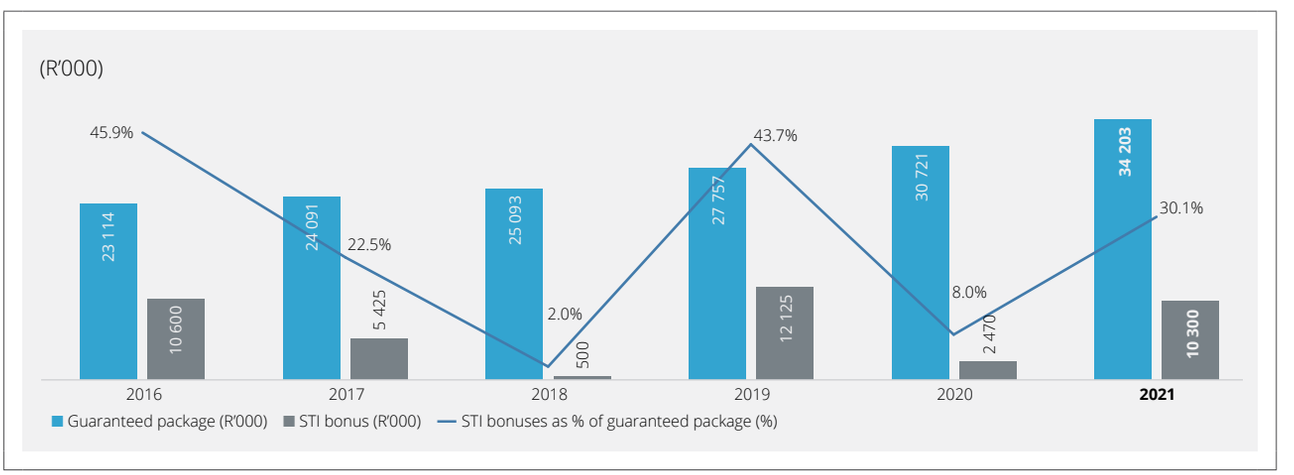
The table below summarises executive remuneration for FY2020.

R'000	Guaranteed package	Bonuses	Total
Executive directors			
RH Friedland	10 247	Zero[1]	10 247
KN Gibson	5 323	618	5 941
Prescribed officers			
J du Plessis	4 835	753	5 588
C Grindell	3 400	524	3 924
S Mhlongo	3 094	285	3 379
WN van der Merwe	3 822	289	4 111

1. The CEO chose to voluntarily forego any discretionary STI.

Short-term incentives relative to annual guaranteed package

(Executive directors and prescribed officers)



The graph above illustrates the incentives awarded over a six-year period, including the incentives that were approved by the Remuneration Committee for FY2021 to be paid in December 2021.

LTI vesting outcomes

Following the review of the performance conditions imposed in respect of FSP 3, the performance shares of FSP 3 tranche 2, due to vest on 1 December 2021 were forfeited as the performance parameters were not met.

Performance parameter	Target
ROCE (over three years) 50% weighting	ROCE of WACC plus 6% = 17.3% ● Target not Met
HEPS 50% weighting	HEPS of CPI plus 4% ● Target not met

The second tranche of retention awards of FSP 3, which have no performance conditions, were paid out in June 2021.

Non-executive director remuneration

Non-executive directors are paid a fixed fee for their services as directors and for services provided as members of Board committees. These fees vary depending on their roles within the committees. Fees are set at levels that will attract and retain the calibre of directors necessary to contribute to a highly effective Board. Non-executive directors do not qualify for participation in any share or incentive schemes.

Fees paid to non-executive directors

(based on Board, committee and ad hoc committee attendance)

R'000	Board	Audit	Nom[1]	Risk	Rem[2]	S&E[3]	CoC[4]	Fin & Invest[5]	**2021 total**	2020 total
MR Bower	685	242		136	126			210	**1 399**	1 388
T Brewer	1 340		179	136	126	126		210	**2 117**	2 113
B Bulo	685	179		193			186		**1 243**	1 182
L Human	685		126	136			186		**1 133**	943
D Kneale	685	179	126		186				**1 176**	849
MJ Kuscus	685			136		126	235		**1 182**	1 178
K Moroka	685		126			179			**990**	990
Total	5 450	600	557	737	438	431	607	420	**9 240**	8 643

1. Nomination.
2. Remuneration.
3. Social and Ethics.
4. Consistency of Care.
5. Finance and Investment (operating committee).