How we performed

How we performed

Social and relationship capital

Our patients

At the heart of our consistency of care strategy is the objective to realise the Netcare promise for each patient who trusts us with their care. This strategy requires that we strive for excellence both in quality and safety of care in a way that promotes and upholds person centredness. The digitisation of our divisions is a key enabler of achieving this, and the data derived from our digital platforms enables evidence-based clinical decision-making.

Delivery of the consistency of care strategy is driven by our clinical and safety, health, environment and quality (SHEQ) teams at Group level and within our divisions.

Our consistency of care strategy

Realising the Netcare promise for each individual patient who trusts us with their care

1 Perception of care	2 Quality of care	3 Clinical commercial	4 Governance	5 #WeCare
• **How patients perceive the care they receive:** PG 104. • **Compassion-based Care4YOU programme to improve patient experience:** PG 130. • **Doctor engagement:** PG 115.	• **Our clinical performance:** PG 107 and online quality report.	• **Cost efficiency and our funder relationships:** PG 116.	• **Clinical governance and patient safety:** PG 110. • **Occupational health and safety:** PG 111. • **Integrated waste management:** PG 158. • **Quality management systems:** PG 112.	• **Health and wellness of our workforce:** PG 130.

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

Social and relationship capital

Our patients continued

Key focus areas for FY2022

- Improving patient care through compassion.
- Setting the baseline and ideal scores for the metrics in the new Hospital Division patient feedback survey (PFS).
- Demonstrating how our digital transformation is enhancing the measurement and management of the safety and quality of care we deliver.
- Productionising our public reporting of quality of care outcomes.
- Reviewing the clinical governance and contractual framework and completing the annual credentialing process for doctors.
- Implementing a standardised medical surveillance programme to monitor and manage employee health.
- Implementing an occupational health and safety (OHS) incident management system with improved reporting.

Associated risks and opportunities

4	Availability and quality of skills	PG 63
6	Delivering consistently outstanding person centred health and care	PG 65
7	Implementation of the digital and data strategies	PG 66
9	COVID-19 pandemic	PG 68
11	Competitor activity	PG 70

Key takeaways for FY2022

Patient feedback survey

Strategic project Since its launch in November 2021, the Hospital Division's new PFS had garnered 42 758 responses at September 2022, averaging 120 responses per day. It has achieved an average response rate of 13% of surveyable discharges (improved from 8% and comparing favourably to a research average of between 10% and 15%). The completion rate has remained above 90% (research average between 20% and 50%).

Nurse compassion score

Care4YOU, our key intervention to galvanise the intrinsic motivation of our employees to improve our levels of compassion and subsequently the patient experience, is starting to positively impact our nurse compassion score as felt by patients.

Care4YOU: PG 130

Quality of care public reporting

Not only is the external publishing of our quality outcomes demonstrating our value to patients and funders in a transparent manner, but it is also providing internal benefits, instilling ownership in teams for their achievements, encouraging them to understand, explain and address negative deviations and recognising successes.

Patient engagement

We are building a 'One Netcare' digital ecosystem that is engaging and transactional across key touchpoints.

MyNetcare Online is our new patient portal, which in time will offer a holistic and personalised digital healthcare experience across our ecosystem. Leveraging data aggregated across our divisions, the portal will be tailored to the patient's profile and their specific healthcare needs, providing a personalised, intuitive and user-centric experience.

Value delivered in FY2022

The value we create for our patients

- **SRC/HIC** Access to experienced and dedicated doctors.
- **HIC** Cared for by skilled and caring nurses, and interactions with compassionate employees.
- **HIC** High-quality clinical procedures and processes.
- **HIC/MC** Cutting-edge medical technology and specialised centres of excellence.
- **HIC** Digitised health and care that enhances patient safety based on predictive and preventative care, and accurate records with the risk of medication-related errors minimised.
- **NC** An environmental sustainability strategy that minimises the risk of interrupted energy or water supply at our facilities.

Value created, preserved or eroded

88 **FY2021:** 10	Net gain of specialists in acute hospital and mental health facilities.	✓
12 Out of 24 **FY2021:** 14	Patient reported experience measures (PREMs) improved, five were maintained and no measures deteriorated. Seven of the 24 measures are new (derived from the Hospital Division's new PFS).	✓
Care4YOU	The first module of our compassion-based programme has been rolled out to employees in the Hospital Division (including leadership), Netcare Education and Netcare 911's Emergency Operations Centre.	✓ ●
8.31	The highest score achieved for nurse compassion (June and July 2022) against a FY2022 baseline score of 7.92.	✓
4 088	Employees received training on ***Caring the Netcare Way***.	✓
81 **FY2021:** 85	Quality of care measures published across six divisions – eight new measures, six measures updated and 12 measures retired.	✓
ISO 9001:2015	Achieved ISO 9001:2015 certification for the fifth consecutive year, including Netcare Akeso for the first time.	✓
73 174 **FY2021:** 60 777	Calls to Netcare **appoint**med™ facilitating approximately 15 800 appointments (FY2021: 13 202).	✓
38%	Of non-emergency admissions are online pre-admissions.	✓
R156 million **FY2021:** R120 million	Invested in digitising the Netcare ecosystem (capital and operating expenditure).	✓ ●
NetcarePlus	Provides certainty that the cost of private healthcare is affordable and secured in advance.	✓
15.6GWh[1] **FY2021:** 15.6GWh	Renewable energy generated and we purchased an additional 15.0GWh of renewable energy.	✓ ●
Floods in KwaZulu-Natal	Disruptions to power, water and oxygen supply at Netcare's various facilities were well managed during the April floods.	✓

1. *Gigawatt hours (GWh).*

Our people: PG 128.
Digital transformation and data: PG 139.
New business development: PG 146.
Quality report.

✓ Value created
● Additional value will be created once strategic initiatives are embedded
⊙ Value preserved
× Value eroded

Social and relationship capital

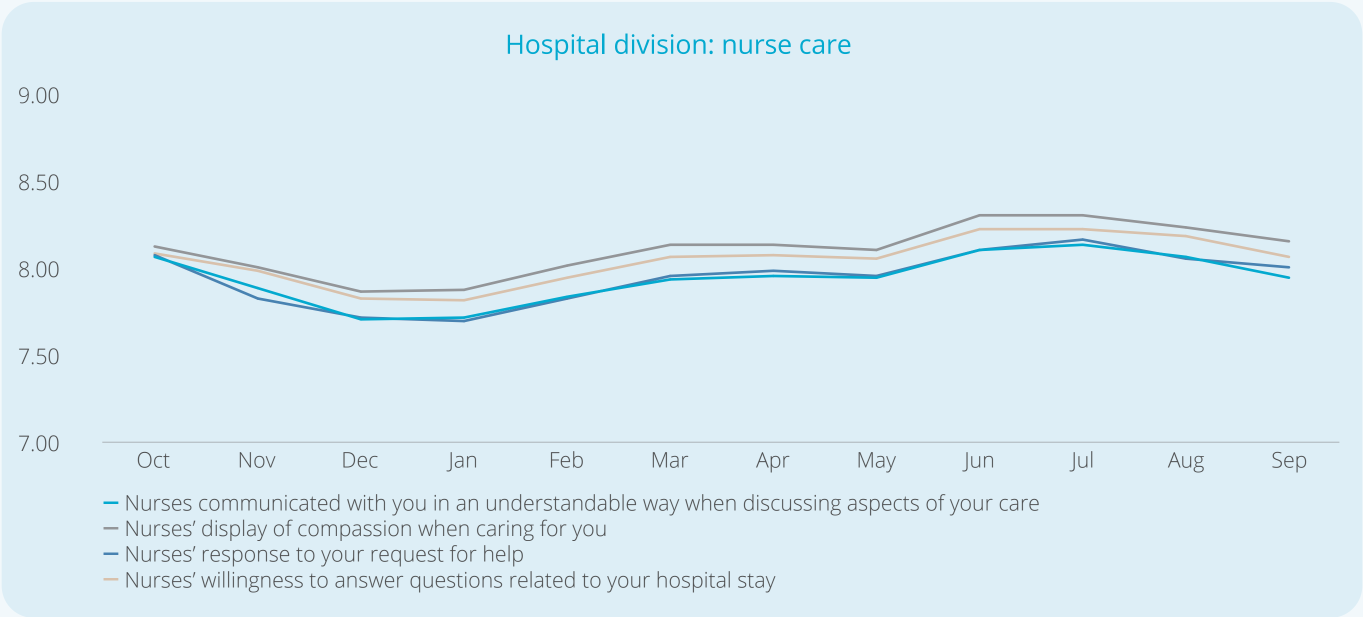
Our patients continued

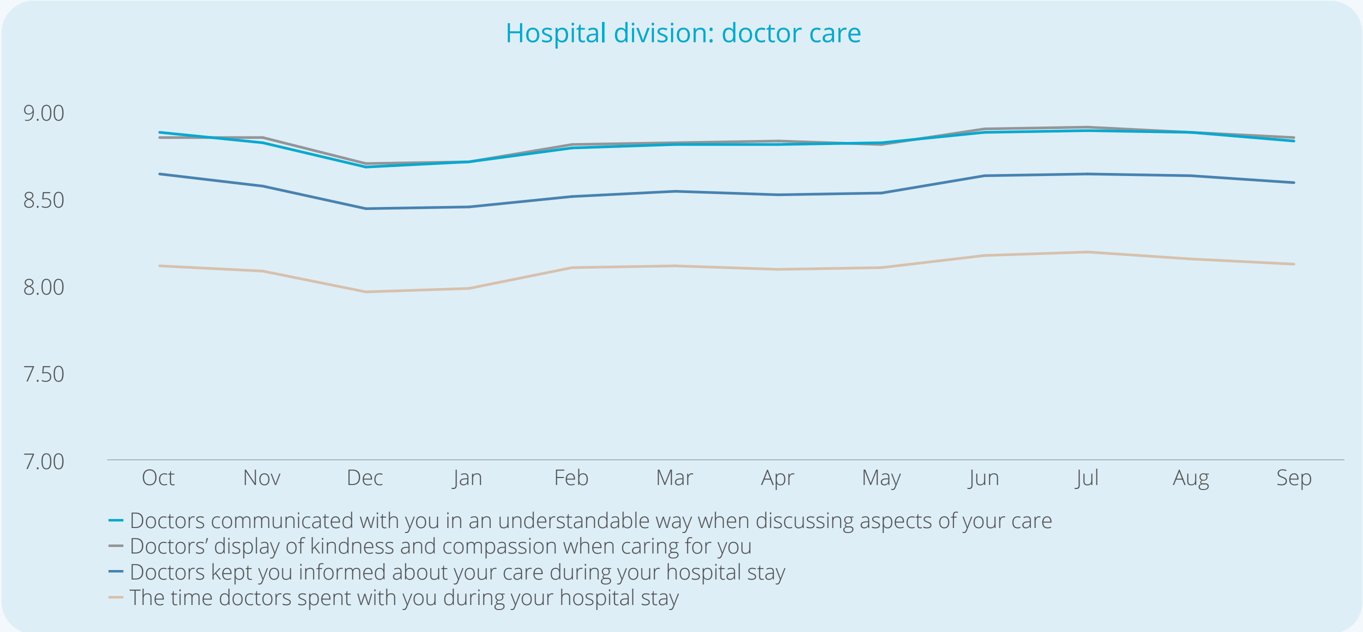
Perception of care

It is important to us that each patient's voice is heard; that they become active partners in their journey to health and that our service offering meets each patient's unique circumstances, needs and preferences.

FY2022 performance

Strategic project **New patient feedback survey for the Hospital Division**	• The new independently validated PFS showed encouraging improvements its first year. The PFS aligns to our core values and the behaviours we seek to encourage in our people and see reflected in the patient experience. The survey delivers quantitative data as well as rich qualitative data from a sentiment analysis tool that analyses free-text responses across six domains. Data derived from the survey is used to drive targeted improvement initiatives. • Developments made on the PFS include: – A new question added on why patients chose Netcare. – A new question added on doctor time spent with patients. – A management dashboard to track each hospital's performance so that we can quickly identify and assist hospitals that are performing below our desired scores. • From the PFS we have identified the following improvement areas: – Advising patients on the possible side effects of their medication. Initiatives to improve in this area will require the involvement of hospital employees and doctors. – The discharge process, particularly in terms of the problems or complications to be aware of. The roll out of the summary of care project in FY2023 will provide patients with more detailed information upon discharge, positively impacting their experience of the discharge process.
Patient experience	
Hospital Division	• Two initiatives were launched in FY2022, targeting improvement in the nurse compassion score; the Care4YOU compassion journey, explained in detail on page 130 of ***our people***, and the development of a nurse resilience programme that identifies their needs and the challenges that directly impact the way they treat patients. Pleasingly, the nurse compassion score has steadily increased from a baseline score of 7.92 to 8.11 at September 2022 against a target of 8.11. 66% of hospitals achieved the target score. • Doctor results have remained stable over the first year of using the new PFS, scoring above 8.5 for all three measures (kindness and compassion, communicating in an understandable way and keeping patients informed about their care).
Netcare Cancer Care	Chemotherapy nurses and radiation therapists once again provided excellent person centred care. The chemotherapy nurse score for treating patients with courtesy and respect increased from 92.6% in FY2021 to 99.4% and for radiation therapists from 94.7% in FY2021 to 97.9%.
Netcare Akeso	At a time when the number of admissions to Netcare Akeso are increasing, we are pleased with the average 4.9% improvement in the nursing PREM results for the division. We achieved 83.8% for nurses always treating patients with courtesy and respect (FY2021: 79.9%), 81.5% for nurses always listening carefully (FY2021: 77.5%) and 83.0% for nurses always explaining things in a way patients understand (FY2021: 79.2%). Our doctors continue to perform well in their patient feedback, scoring over 92% across all three measures, and the therapist measure relating to treating patients with courtesy and respect improved by 1.9% to 89.3%.
Primary Care Division	A digital customer satisfaction survey was launched with six Netcare Occupational Health clients, and we achieved an average customer satisfaction score of 95%, with the key area of improvement being waiting times.
National Renal Care	We introduced applied compassion training for all healthcare providers in the division, which is reflected in the improved scores across all three of National Renal Care's PREM measures. National Renal Care scored 72.5% for dialysis unit staff showing respect for what patients had to say (FY2021: 65.9%), 69.3% for staff listening carefully to patients (FY2021: 61.7%) and 68.9% for staff always explaining things in ways patients can understand (FY2021: 60.6%).





Looking forward

In FY2023, we will focus on the data elicited from the Hospital Division's PFS to inform focused improvement initiatives. For nursing performance, we will continue our efforts to improve the nurse compassion score and delve deeper into the factors that influence the score for overall satisfaction with a patient's hospital stay to inform initiatives that will drive improvement. A revised PFS for radiotherapy and chemotherapy will be implemented in FY2023.

Social and relationship capital

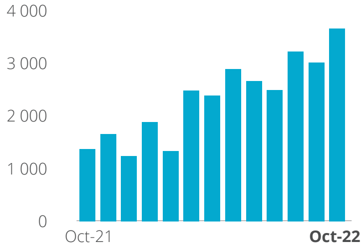
Our patients continued

Digitising the person centred health and care journey

MyNetcare Online

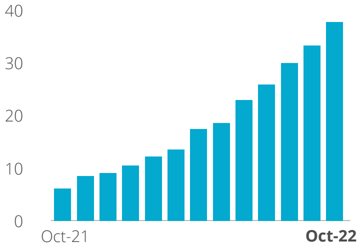
Our patient portal tailored to the user and their specific healthcare needs.

Netcare appointmed™ **bookings**



A free telephonic service for patients and general practitioners (GPs) to find doctors and specialists at Netcare hospitals, Netcare Akeso facilities and Netcare Medicross medical and dental centres, and book appointments with them online.

Online pre-admissions (%)
Hospital Division

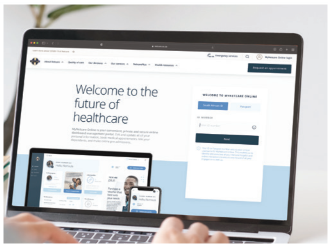


Online hospital pre-admission for elective procedures before the day of admission, avoiding paperwork and queues at the hospital.

Hospital patient feedback survey

Collects patient feedback data to measure what matters to patients. This is used to inform our interventions to improve perception of care and treatment. Patients can answer the survey using their desktop computer or mobile phone.

Summary of care



Allows patients to download their hospital discharge summaries and electronic prescriptions – coming soon.

Other digital platforms

Netcare 911 Locate Me

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

Netcare VirtualCare (telehealth)

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

National Renal Care app

Supports the physical wellbeing of dialysis patients, enabling them to establish an exercise programme under the guidance of their nephrologist and access a wide variety of topics to assist their wellness.

Quality of care

We place a great deal of emphasis on measuring and monitoring the quality of the care we provide to our patients. Our measures align with international standards and good data science practice. Local and international benchmarks are used when there is sufficient information and context to support valid comparisons. Our internal processes are overseen by Consistency of Care Committees at Board and divisional levels. The Clinical Data Council collects data across all divisions and ensures the accuracy and completeness of all datasets.

Our quality of care reporting is broken out into three categories; our internal reporting, the reports we are contractually bound to provide to private medical funders (see page 116 of ***private medical funders***) and our public reporting.

FY2022 performance

Quality of care

- 33 measures were added to the automated quality of care index (previously referred to as the clinical outcomes index), bringing the total number of active measures for internal reporting to 45. All measures are from the Hospital Division and cover infection prevention, patient feedback, medicine safety, sentinel adverse events, fall prevention, pressure lesion prevention, deep vein thrombosis prevention, neonate intensive care unit (ICU) care, mortality and readmissions, and efficiency. Launched last year, the index added value for Netcare in FY2022, supporting the standardisation, automation and governance of our measures.
- The new quality of care website, launched in January 2022, has provided greater reporting flexibility, making it easier to add, update and retire measures, speeding up the production process. The website provides enhanced navigation capability, enabling users to browse topics and easily find the information they need. In September 2021, we successfully implemented a new section on the website, showcasing patient feedback results for the Hospital Division, for a rolling 12-month period and updated monthly.
- Of the 81 measures included in our public reporting for FY2022, eight are new; four being from the clinical pharmacy team and one each from the CareOn, patient perception of care, emergency department and National Renal Care teams. We are pleased to include our first quality of care measure that uses the Hospital Division's CareOn data – the measure relating to timeous administration of pain medication.
- A recurring theme in our quality of care performance is 'establishing the new normal' as we emerge from the COVID-19 pandemic, which continues to impact some of our outcomes. COVID-19 has caused deviations in the underlying data, a substantial difference in our patient population and changes in health seeking and delivery patterns. It has also impacted the clinical data collection process.
- **Strategic project** Following robust testing, we rolled out an infection management tool (antibiotic stewardship and infection prevention surveillance) in August 2022 to monitor and control the spread of micro-organisms in hospitals. Rigorous adherence to infection control and prevention measures remains a key focus for Netcare.
- Rigorous adherence to infection control and prevention measures remains a key focus for Netcare.
- The digitisation of our medication processes has progressed with the EMR implementations in the Hospital Division, Netcare Akeso and Netcare Medicross. Systems track the prescription, dispensing, preparation and administration of medicine in real time. We are also implementing an electronic medicine register for the Netcare pharmacies, to ensure safe medication practices.

Quality of care measures relating to specific conditions

Caring for people with pain

72.3%

of patients reported pain reduction while being transported to hospital by Netcare 911.

FY2021: 69.2%

68.6%

of patients felt that the emergency department had helped to reduce their pain.

FY2021: 70.0%

34.8[1&2]

the average time in minutes for patients to receive their pain medication. This is considered a good result indicating a collaborative effort across teams (measured for November 2021 to September 2022).

8.72[1]

our score out of 10[3] for how well patients perceived our management of their pain. This score has remained stable since the implementation of the new PFS in the Hospital Division.

1. New measures added to our public reporting in FY2022.
2. Results are reported for the subset of Netcare hospitals in which CareOn has been implemented and are reported from the time of implementation during FY2022.
3. The scale uses zero to represent 'much worse than expected' and 10 for 'much better than expected'.

Caring for newborn babies

83.4%

of newborn babies were screened for hearing with 15.6% referred for a second test (first world target: between 10% and 15% referrals).

FY2021: 80.1% and 15.3% referred

47.8%

of neonate ICU babies discharged were fed on breastmilk only. Babies fed on breastmilk are less likely to develop NEC.

CY2020: 47.3%
International VON benchmark CY2021: 21.5%

2.2%

of newborn babies admitted to a neonate ICU developed necrotising enterocolitis[1] (NEC).

CY2020[2]: 2.4%
International VON benchmark CY2021: 1.0%

59.6%

of newborn babies had normal temperatures within the first hour of admission to a neonate ICU. Even though improvement is incremental, it is critical given the far-reaching impact of thermoregulation on neonatal outcomes.

CY2020: 58.0%
International VON benchmark CY2021: 73.3%

1. A serious disease mostly impacting very sick or preterm babies.
2. Calendar year (CY)

Caring for people with severe physical trauma

17.6

median time in minutes from Netcare 911 answering a call to arriving on-scene (all cases). The plateau in response time is due to a larger geographic coverage as a result of fewer private emergency medical services (EMS) providers in operation.

FY2021: 17.8[1]

57.3%[2]

of Priority 1[3] patients were transported to an accredited Level I trauma centre, increasing their prospects of survival.

FY2021: 51.1%

39.0%

of patients with an injury severity score of over 15 were treated at an accredited Level I trauma centre; the decrease is due to the disruption of COVID-19 on the trauma system which is designed to get the right patient to the right hospital at the right time.

FY2021: 53.2%

55.0%

of patients with the most severe life-threatening physical injuries (an injury severity score of over 15) were transported by helicopter emergency services to an accredited Level I trauma centre.

FY2021: 51.3%

1. Restated following improved measurement and calculation methodology.
2. This measure is impacted by trauma facility availability and medical insurance network limitations.
3. Patients with severe life-threatening physical injuries.

Caring for people on long-term haemodialysis

71.5%

of patients reported that their physical wellbeing is within the recommended range.

FY2021: 69.8%

91.1%

of patients reported that their mental wellbeing is within the recommended range.

FY2021: 90.3%

Emerging from the COVID-19 pandemic, these patient reported results have shown improvement.

Performance on blood test results that measure the effectiveness of dialysis treatment has remained consistent.

91.4%[1]

of haemodialysis units in which patients perform at least one of their haemodialysis treatment tasks. The increase reflects the willingness of patients to be more involved in their care once again, following the reluctance to do so during COVID-19.

FY2021: 76.1%

1. New measure added to our public reporting in FY2022.

Quality of care measures relating to medication

Antibiotic stewardship programme

80.6%

of patients received their first dose of their first antibiotic within one hour of prescription. This result may have been impacted by the roll out of the new infection management tool and users adapting to the new system.

FY2021: 82.6%

82.8[1]

defined daily dose per 100 bed days – a 16.1% decrease in overall antibiotic consumption for FY2022, with 45 out of 49 hospitals achieving a year-on-year improvement. The re-strengthening of our antibiotic stewardship programme following the pandemic and the introduction of clinical pharmacy patient care ward rounds have contributed to this improvement.

FY2021: 98.7

Netcare has a well-established antibiotic stewardship programme, which when implemented consistently and at scale, has a demonstrable impact on reducing antibiotic utilisation. Adherence to the three key foundational antibiotic stewardship measures reported in the right hand column have remained relatively consistent over the past three years. When CareOn is implemented across all Netcare hospitals, the accuracy of our reporting on antibiotic prescription and administration data is expected to improve, and will inform our targeted interventions to achieve optimal performance in all aspects of antibiotic therapy.

98.9%

of patients received the right antibiotic for their infection.

FY2021: 99.5%

98.9%

of patients received the right antibiotic dose for their infection.

FY2021: 99.2%

98.0%

of patients received the right antibiotic duration for their infection.

FY2021: 98.8%

1. A lower score is better.

Quality of care measures relating to medication continued

Medicine safety		
0.02 medicine-related events that result in any harm to a patient per 100 admissions in the Hospital Division. This result is in line with our FY2020 performance. **FY2021:** 0.01	**0.04** medicine-related events that result in any harm to a patient per 100 admissions for Netcare Akeso. **FY2021:** 0.02[1]	**0.02** medicine-related events that result in any harm to a patient per 10 000 visits to a doctor or dentist in a Netcare Medicross centre. **FY2021:** 0.01

The number of medication incidents increased across all three divisions and is largely attributed to the normalisation of activities and bringing medication safety back into focus as we recover from the impact of COVID-19, as well as increased focus on educating our employees on the importance of incident reporting to support improvement.

1. Restated following a data review.

Clinical pharmacy programme – individualised medicine treatment	
21.7% of patients prescribed high-risk medicines had their charts reviewed by pharmacists who made recommendations to adjust medicine. **FY2021:** 17.6%	**85.2%** of high-risk medicine adjustments were made after having been recommended by pharmacists. **FY2021:** 79.3%

Clinical governance

Our new clinical governance framework identifies, manages and minimises operational and clinical risks impacting patient safety. It regulates the relationship between Netcare and the independently contracted healthcare workers (ICHWs) who provide clinical services to our patients. The framework comprises the terms and conditions for granting admitting, practising and treating privileges, and the clinical governance committees that are responsible for ensuring that ICHWs practice within their regulatory and legislative framework and are held accountable to the highest professional, ethical and legal standards in line with the Health Professions Council of South Africa (HPCSA) guidelines.

The Netcare Clinical Practice Committee reviews matters related to the conduct, impairment and credentials of ICHWs, and oversees the suspension and revocation of privileges, should this be required. An independent multi-disciplinary panel of experts in various fields supports the committee. Physician Advisory Boards (PABs) are hospital-based governance structures, serving as advisory and communication forums between healthcare practitioners and hospital management.

FY2022 performance

Clinical governance

- The new clinical governance framework was implemented in the Hospital Division.
- We reviewed the terms of reference of our clinical governance structures to improve their effectiveness, including those of the PABs to ensure standardisation in the composition and the functioning of PABs across our hospital network.
- The Netcare Clinical Practice Committee reviewed 48 cases (FY2021: 37). One practitioner's privileges were revoked where conduct was not in keeping with Netcare's values.
- A number of improvements were made to the doctor credentialing process (see page 115 of *doctor partnerships*).

Looking forward

In FY2023, the new clinical governance framework will be implemented in other Netcare divisions.

Safety, health, environment and quality

Our SHEQ activities are supported by the SafeCyte digital platform, which is used to manage the governance structures for quality management, OHS and integrated waste management to ensure regulatory compliance. We continue to do extensive work to standardise our SHEQ operational procedures and practices across the Group. SHEQ is overseen by the Consistency of Care Board Committee.

Our quality management system comprises the following three levels in our combined assurance approach.

Non-independent assurance

1

Internal quality review self-assessments.

Semi-independent assurance

2

Peer reviews conducted by a team of regional and senior managers from other facilities in the Group.

Independent assurance

3

- ISO 9001:2015 certification assured by British Standards Institute (BSI).
- Compliance with the National Department of Health's (NDoH) standards conducted by the Office of Health Standards Compliance (OHSC).

FY2022 performance

Occupational health and safety

- We developed a comprehensive medical surveillance programme based on occupational risk exposure profiles and including a comprehensive vaccination strategy to manage risk of exposure to hazardous biological agents (HBA). We began implementing the programme in March 2022 and expect to complete the roll out over the next three to five years based on risk stratification.
- Some 9 807 employees were screened for tuberculosis (TB) using digital screening questionnaires.
- Employee health and wellness awareness days were hosted at site level throughout the year.
- A new employee incident management system was successfully implemented across all divisions, supporting better reporting, trend identification and benchmarking (from FY2023 onwards).
- Compliance to legislation and the standard operating procedures for OHS (measured in internal self-assessments and/or peer reviews) was 86% for the Group overall. Assessments covered the Hospital Division, Netcare Medicross and National Renal Care. Netcare 911 measures its OHS compliance separately as part of its quarterly audits.

Absenteeism

1 101 865

hours of absenteeism.

FY2021: 1 118 679 hours

Medical surveillance and incident reporting

6 111

medicals conducted as part of our medical surveillance programme.

Target: 4 700

OHS incidents

2 940

OHS incidents recorded with 84% reported for the Hospital Division.

2% were categorised as high to major risk, 32% as moderate risk, 52% as minor risk and 14% as insignificant risk.

OHS training

4 823

employees received OHS training.

FY2021: 1 500

Social and relationship capital

Our patients continued

OHS incident	Group total	Hospital Division	Netcare 911	Netcare Akeso	Netcare Medicross	National Renal Care	Netcare Education
Exposure to COVID-19[1]	**2 034**	1 730	66	90	5	143	0
Exposure to TB/other infectious diseases	**10**	5	0	0	5	0	0
HBA exposure: sharps injuries	**169**	146	10	0	6	7	0
HBA exposure: splashes	**18**	15	0	0	0	3	0
Exposure to hazardous chemical agents	**35**	33	1	0	1	0	0
Incident resulting in an injury	**673**	536	103	11	14	8	1
Radiation incident	**1**	1	0	0	0	0	0
Total	**2 940**	**2 466**	**180**	**101**	**31**	**161**	**1**

Note: data includes incidents for employees and third-party contractors. Netcare 911 and Netcare Education were onboarded to SafeCyte's employee incident reporting functionality in FY2022.
1. From February 2022, only definitive work-related exposures were included.

Quality management system

- The Hospital Division's internal quality review tools were replaced by the private sector inspection tools published by the OHSC in March 2022. The tools have been digitised, over 300 000 line items reviewed for compliance and the relevant employees trained.
- The internal self-assessment tools for Netcare Medicross were finalised.
- Internal quality reviews were conducted in 295 facilities across all divisions with a compliance target of 90%.
- The BSI conducted annual surveillance audits to ensure we comply with ISO 9001: 2015 requirements, meeting international best practice standards. ISO 9001 certification was granted to 2024.
- Netcare Occupational Health is implementing ISO 45001 at six sites. Site audits have been completed and employee training is in progress.

Internal quality reviews (compliance scores)	2022	2021
Hospital Division	**90%**	89%
Netcare 911[1]	**94%**	93%
Netcare Cancer Care[1]	**94%**	92%
Netcare Akeso (first baseline)	**80%**	–
Netcare Medicross	**89%**	90%
National Renal Care	**95%**	96%

1. The internal quality review process was only digitised in FY2022.

Looking forward

We will continue to implement the medical surveillance programme, targeting 7 900 medicals over the course of FY2023. Based on accurate employee incident reporting, we will initiate quality improvement programmes to address pertinent risks. For quality management, formal training will be delivered in FY2023 to enhance capacity in all divisions to conduct formal quality improvement programmes.

Doctor partnerships

Doctors are pivotal partners in the delivery of best and safest care to patients, they are a key port of entry for patients to our facilities, and they impact directly on patient experience, the cost of care and clinical outcomes. They also enable our expansion into higher demand disciplines, supporting our organic growth and profitability. We are proud to work with a large and broad array of doctors who have many exemplary qualifications and achievements.

Key focus areas for FY2022

- Fostering collaborative partnerships to benefit patients, and understanding and meeting the needs of our doctors to drive our recovery from the impact of COVID-19 and realise our organic growth strategic objective.
- Advancing our doctor strategy, designed to attract and retain doctors and specialists, address the splitting of doctor practices and provide theatre time to doctors outside of Netcare.

Associated risks and opportunities

4	Availability and quality of skills	PG 63
6	Delivering consistently outstanding person centred health and care	PG 65
7	Implementation of the digital and data strategies	PG 66
11	Competitor activity	PG 70

Key takeaways for FY2022

Doctors onboarded

We granted admitting and practising privileges to 146 new doctors at our acute and mental facilities (against a target of 120 new doctors), equating to a net gain of 88 doctors (FY2021: net gain of 10 doctors).

Of the doctors onboarded for the Hospital Division, 69% practise in surgical disciplines (FY2021: 65%).

The average age of the doctors onboarded for the Hospital Division is 41 (FY2021: 40).

Splitting practices

Specialists continue to split their practices – performing surgeries in competing hospitals to retain their patient base, particularly when their patient book is exposed to a scheme network to which a healthcare provider has not been included.

Doctors who moved a selection of their cases to day facilities, particularly during COVID-19 surges or when elective surgery was suspended due to COVID-19, are returning to acute facilities as activity starts to recover.

Doctor engagement

Strategic project Our PFS indicates that 37% of respondents cared for at a Netcare hospital are admitted to our facility because it is where their specialist is based. The next most common reason for selecting Netcare (16% of respondents) is due to medical scheme coverage.

As part of our perception of care work we have critically reviewed how we engage with doctors, engaging with various stakeholders, doctor-facing employees and doctors themselves. We also ran a doctor survey to create a measurable baseline of engagement and understand where we can improve.

Social and relationship capital

Doctor partnerships continued

Value delivered in FY2022

The value we create for doctors and specialists

- **HIC** Access to a world class quality management system and excellent nursing.
- **SRC/HIC** Our inclusion in restricted provider networks.
- **SRC/HIC** Access to training and educational platforms that support continuous professional development (CPD).
- **SRC/MC** Clinically advanced and appropriate medical equipment, consumables and pharmaceuticals.
- **HIC/MC** Cutting-edge digital systems and optimal facility infrastructure.
- **HIC** The opportunity to increase their patient volumes without additional administration costs by joining the NetcarePlus network.
- **NC** An environmental sustainability strategy that mitigates the risk of power and water outages.

Value created, preserved or eroded

516 **FY2021:** 431	Initiatives held to support CPD – 166 PAB meetings, 38 CareOn awareness sessions, 152 emergency and trauma morbidity and mortality meetings and 160 emergency and trauma medical education meetings. These platforms serve as operational and clinical advisory and communication platforms between doctors and hospital management.	✓
21 **FY2021:** one	Digitised hospitals providing: • Remote access to patients. • In time, reducing medicolegal risk and savings on medical malpractice insurance premiums based on availability and application of data. • In time, a longitudinal view of a patient's medical history across the Netcare ecosystem.	✓ ● ●
R702 million **FY2021:** R408 million	Invested in new medical equipment.	✓
R501 million **FY2021:** R469 million	Spent on maintenance and repairs.	✓
R369 million **FY2021:** R460 million	Invested in expansionary projects.	⊙

Private medical funders: PG 116.
Our people: PG 128.
Digital transformation and data: PG 139.
New business development: PG 146.
Estate and medical equipment: PG 149.

Quality report.

✓ Value created
● Additional value will be created once strategic initiatives are embedded
⊙ Value preserved
× Value eroded

FY2022 performance

Engagement	• We rolled out a survey in June 2022 to identify potential pain points for doctors and where we are doing well, and to gain insight on why they chose to practise at Netcare and how they feel we can improve the patient experience. Key findings from the survey were: – The convenience of our sites, our standards of clinical excellence and the career opportunities associated with practising at Netcare were highly rated as the reason for choosing Netcare. Our standards of clinical excellence, patient-centricity and some of our facilities were highlighted as areas where we are doing well. Nursing turnover and retention were noted for improvement, which aligns with the broader nursing shortage faced in SA. – Relating to doctor loyalty and commitment, 58% of respondents want to grow their practice, 62% prefer to stay in their current facility rather than expand to other facilities, 47% are unlikely to move their practice from Netcare and 45% would recommend Netcare to a colleague. • **Strategic project** Based on the findings of our critical review of our doctor engagement framework and the doctor survey, we are: – Enhancing the personalised clinical information (PCI) tool to improve our individual conversations with doctors on their clinical outcomes, patient experience and total cost per event data, and to encourage improvements where they exist. – Driving targeted strategic initiatives to improve doctor engagement, address pain points and support and develop our doctors and specialists. We are also developing measures to track the impact of these initiatives on the quality of doctor engagement over time. – Streamlining our communication with doctors, ensuring that we are transparent and aligning doctor-related messaging across our internal functions. – Driving increased partnership with doctors in line with our strategic priorities. • In total we improved in 13 out of 18 constructs of the doctor engagement survey.
Governance	• We launched a digital credentialing[1] platform for specialists and other healthcare professionals practising in the Hospital Division in January 2022, achieving a 91% participation rate. • We leveraged the FY2022 doctor credentialing process to collect all doctor data into a central database. Once the data is verified, it is made accessible to the internal stakeholders and Group programmes and projects, such as CareOn, which need the data, avoiding multiple requests for the same information. The quality of this data is monitored monthly to ensure compliance with clinical governance standards and HPCSA requirements. This data collection process will also be used to develop enhanced webpages from which doctors can market their services. • The admitting and practising terms and conditions for specialists and other healthcare professionals in the Hospital Division were revised, informed by feedback from PABs and professional associations. For example, we partnered with the South African Society of Anaesthesiologists to develop terms and conditions for our anaesthetist partners.
Doctor support	• Netcare Akeso worked with doctors to co-create the doctor module of its EMR platform. • Netcare Medicross launched a pilot nurse-driven disease management programme at three medical centres to assist doctors with the care of their diabetic patients. The programme includes the patient's family and patient education on diabetes and how to manage their self-care. • Webinars on various topics, including cost efficiency, were rolled out to our doctors and specialists.

1. Credentialing is the process to ensure that only persons that are suitably qualified and registered with the HPCSA are allowed to provide clinical services to patients in Netcare.

Looking forward

Focus areas for FY2023 include identifying opportunities to simplify the annual credentialing process and extend it to other divisions, and developing a digital communication system that monitors doctor engagements to ensure messages are streamlined and consistent. We will also introduce a compassion-based development programme for doctors and continue to engage with doctors on our digitisation and other strategic projects to derive mutual benefits.

Private medical funders

Our ability to leverage our analytical and clinical expertise and measurable quality of care outcomes stands us in good stead when engaging with funders. This supports our strategy to deliver patient centric cost-effective care, develop competitive proposals and collaborate on improvement opportunities. Our inclusion in restricted provider networks enhances our ability to maintain and grow patient volumes, and attract and retain specialists. The Tariff Committee assesses proposals, ensuring that they are commercially sound. Our high-cost medicine programme provides a framework for the use of expensive medicines that may not be covered or only partially covered by medical schemes, and has proven to be a key cost control measure for the Group.

Key focus areas for FY2022

- Improving the quality of our data reported to medical scheme funders.
- Driving efficiency improvement.

Associated risks and opportunities

1 Economic environment and demand for private healthcare — PG 60

2 Funder regime — PG 61

6 Delivering consistently outstanding person centred health and care — PG 65

7 Implementation of the digital and data strategies — PG 66

Key takeaways for FY2022

Margin pressure

Arbitrage between inflation benchmarked annual tariff increases and higher than CPI[1] operating costs (payroll, electricity and consumables) remains a reality in an environment where there is a mismatch between the supply of facilities and beds and demand, coupled with limited growth in the number of privately insured South Africans.

1. *Consumer price index.*

Medical scheme networks

Netcare remains well-represented in network options. We secured participation as an anchor hospital provider in a large acute network that was put out to tender for 2023, and were not successful in tendering for a large acute low-cost network. Netcare Akeso was successful across three networks.

Value delivered in FY2022

The value we create for private medical funders	Value created, preserved or eroded		
• HIC Our focused clinical improvement projects. • SRC/HIC Access to our quality of care data. • SRC/HIC Collaboration on common objectives to achieve quality healthcare outcomes and world class healthcare for their members and their members' families. • HIC Appropriate utilisation and cost containment achieved through consistency of care and data application.	16	Quality of care measures and data definitions that are used in our quarterly medical scheme reports[1] were reviewed and updated.	✓
	>1.1 million	Electronic scripts processed. Digitisation will help to eliminate up to 60% of potential medication errors across >1.8 million hospital scripts a year for Netcare.	✓ ●
	154	Hospitals, mental health facilities, medical and dental centres and renal care units digitised, which in time will address the fragmentation of care. Digitisation will minimise duplication of tests or diagnostic procedures, especially in the referral from primary care to tertiary care, and improve our delivery of high-quality cost-effective care based on completeness of data and big data analytics.	●

1. *Quarterly reporting to medical scheme funders includes five patient safety measures, six sentinel adverse events, four quality measures and one efficiency measure.*

Our patients: PG 101.
Digital transformation and data: PG 139.

Quality report.

✓ Value created
● Additional value will be created once strategic initiatives are embedded
⦿ Value preserved
× Value eroded

FY2022 performance

Private medical funders

- The FY2021 quality report, published as part of the integrated reporting suite, and our redesigned quality of care website were welcomed by funders, particularly the transparency of our reporting.
- We updated our quarterly quality reports to contracted medical schemes to align with our public reporting, where possible, and migrated this reporting process to our cloud platform. The new automated reporting process has the capability to extract scheme-specific data.
- We asked a key funder to review our electronic health code index, which supports accurate coding and assesses cost per event, to understand the impact it has had over the past two years.
- We undertook an analysis to understand the long-term impact of COVID-19 on healthcare resource utilisation, finding that the associated disease burden will not translate into a significantly higher rate of hospital admissions (see the online ***quality report***). Our findings align with recently published international data.

Looking forward

We look forward to ongoing engagement with medical schemes on our efficiency and quality of care results, which will be further enhanced as we build various models using our clinical and billing data to identify areas of excellence and improvement opportunities.

Suppliers

Procuring compliant goods and services of a high quality and patient safety standard in the most cost efficient way are key underpins of delivering the highest quality and cost-effective person centred health and care.

Key focus areas for FY2022

- Utilisation and cost management of consumables, medical devices and medicines to reduce cost per event.
- Maintaining robust supplier and product vetting, including the validation of certifications.
- Diversifying the supply chain to include more qualifying small enterprises (QSEs) and exempted micro enterprises (EMEs), and increase procurement from local manufacturers.

Associated risks and opportunities

1	Economic environment and demand for private healthcare	PG 60
3	Cybercrime and cybersecurity	PG 62
6	Delivering consistently outstanding person centred health and care	PG 65
7	Implementation of the digital and data strategies	PG 66

Key takeaways for FY2022

Supply chain disruption

The Russia/Ukraine conflict exacerbated the lingering global supply chain disruption brought about by COVID-19. Global freight and shipping congestion and timing delays have created long lead times, particularly in manufacturing, negatively impacting global and local supply, driving component shortages, and increasing the costs of shipping and raw materials. In addition, the world relies on single manufacturers for some medical device components.

Risk management

Some of our strategies to diligently manage prices and availability of products include:

- Longer-term agreements to assist with managing demand forecasts and securing volumes.
- Alternative suppliers and products to ensure continuity of care and cost mitigation.
- Strong supplier relationships to manage supply chain continuity.

Value delivered in FY2022

The value we create for suppliers

- SRC Fair, diligent and transparent tender adjudication and review processes.
- SRC Negotiated contractual terms that support supplier businesses.
- SRC Preferential procurement practices and enterprise and supplier development (ESD) initiatives aimed at advancing black businesses.

Value created, preserved or eroded

>4 000	Suppliers who benefit from our business.	✓
R12.9 billion **FY2021:** R12.3 billion	Total procurement spend.	✓
89% (R11.5 billion) **FY2021:** 93%; R11.4 billion	Of total procurement spend qualified as measurable under the Department of Trade, Industry and Competition's Broad-based Black Economic Empowerment Codes of Good Practice (dtic Codes).	✓
114% **FY2021:** 108% **dtic target:** 80%	Of our measurable procurement spend was with B-BBEE compliant suppliers, totalling R13.2 billion (FY2021: R12.3 billion).	✓
R62 million **FY2021:** R62 million	Invested in our ESD programme. In total, we have invested R190 million in ESD since FY2017.	✓

ESG report.

✓ Value created
⦿ Value preserved
✗ Value eroded

Supply chain management

Around 60% of our procurement spend is on medicine and medical devices and equipment sourced from suppliers registered with the South African Health Product Regulatory Authority. Managing and mitigating supply chain-related risks is therefore a key part of our quality management framework to ensure the best and safest care. All new suppliers must complete Netcare's standard terms and conditions of trade as well as a compliance declaration, which covers good industry practice, including environmental, social and governance (ESG) considerations.

We regularly review ethics in the supply chain, particularly labour-related issues, as many of the services we procure relate to human resources (cleaning, catering and security service providers) where industrial action may be a risk. Of increasing importance in our discussions with suppliers is their broad-based black economic empowerment (B-BBEE) status, given our focus to diversify the supply chain, and their environmental performance, as part of our endeavour to understand our Scope 3 emissions. Our environmental sustainability procurement policy places particular focus on packaging requirements, and the reporting of environmental performance and strategies to reduce environmental impact.

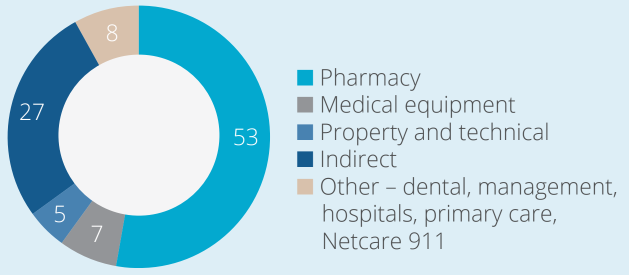
Strict measures ensure that our suppliers with whom we share our information or who have access to our systems have the necessary processes and procedures in place to protect this data (see page 145 of ***digital transformation and data***).

FY2022 performance

Supply chain management

- We are investigating potential solutions to digitise more procurement processes to gain efficiencies, enhance supplier assessment and improve compliance measures.
- In March 2022, the Finance and Investment Committee approved the acceleration of a portion of the CareOn IT capital expenditure to avoid potential delays in roll out due to the Russia/Ukraine conflict and the knock-on inflationary and supply chain implications.
- The Wi-Fi infrastructure project was impacted by challenges in receiving access points; despite this we opened Netcare Alberton Hospital on time with Wi-Fi access and completed the Wi-Fi infrastructure project across the Hospital Division.
- We guided one of our ESD beneficiaries, to find solutions to address long international lead times; either by procuring materials locally or sourcing substitute materials where no local manufacturing was available.
- No suppliers were identified as having significant actual or potential negative social or environmental impacts. This remains a focus in our vendor accreditation and monitoring processes.

Measurable procurement spend
(%)



Diversifying our supply chain

Diversified supply chains promote inclusive economic growth, entrepreneurship and job creation; having a ripple effect on reducing prevailing socioeconomic inequalities. Our programmes aim to improve our procurement from black-owned and black women-owned enterprises, and to identify and support small black-owned, women-owned and youth-owned businesses with high growth potential as well as newly qualified medical doctors.

B-BBEE requirements are integrated into our tender processes. For property-related projects, even though subcontractors do not count towards our B-BBEE score, we impose a minimum B-BBEE level, where possible.

FY2022 performance

Preferential procurement	• We are engaging with the dtic on its black industrialist programme, and with various local and international suppliers on the local manufacture of specialised products and medical equipment. • We awarded tenders for laparoscopic devices, surgical stapling, arthroscopy, linear stapling and respiratory devices to various QSEs and EMEs.
Enterprise and supplier development	• Netcare Diagnostics partnered with a black women-owned pathology practice, Dr Esihle Nomlomo Inc. (see page 148 of ***new business development***). We provide the equipment and infrastructure, logistics, administration, finance and operational support, and the practice provides pathology services to our intensive and high care units. The practice strives to reduce the cost of its services to support access to affordable healthcare. • Established in 2019, the 51% black women-owned dosimeter services business which is an ESD beneficiary, commenced repayments on its business loan. The business is accredited by the South African National Accreditation System and provides services to Netcare and other clients, enhancing the protection of healthcare professionals exposed to radiation from x-rays and other devices. It is expanding its production output to support growing demand for its services. • Our structured ESD programme monitors ESD beneficiary performance (financial and non-financial metrics, including a sustainability risk rating), identifies potential risks and provides assistance on business growth and development. Pleasingly, the overall performance of the beneficiary portfolio has improved over FY2022 as well as loan repayments despite the negative impacts of load shedding and a tougher economic environment. • During the COVID-19 pandemic, we continued to support our ESD beneficiaries helping them to preserve jobs. This included the continued purchase of imported latex gloves despite a significant price increase during the height of the COVID-19 pandemic, the continued support of a canteen operating on our premises that was negatively impacted by lockdown restrictions and we worked with our ESD partner on the My Walk initiative to diversify its revenues following the reduction in polyvinyl chloride (PVC) waste generated due to fewer elective surgeries. • Our green project integrates our zero waste to landfill goal with ESD support. Our small, medium and micro-enterprises (SMMEs) partners include businesses that salvage, customise and re-sell our used hospital furniture and keep the grounds of our hospitals clean (piloted in Gauteng and expanded to KwaZulu-Natal and the Eastern Cape in FY2022) and three beneficiaries who support our zero waste to landfill strategy. Encouragingly, two enterprise development beneficiaries graduated to supplier status; one provides clinical glass collection and transportation services for recycling and the other provides healthcare risk waste management services using alternative cleaner waste management technologies.

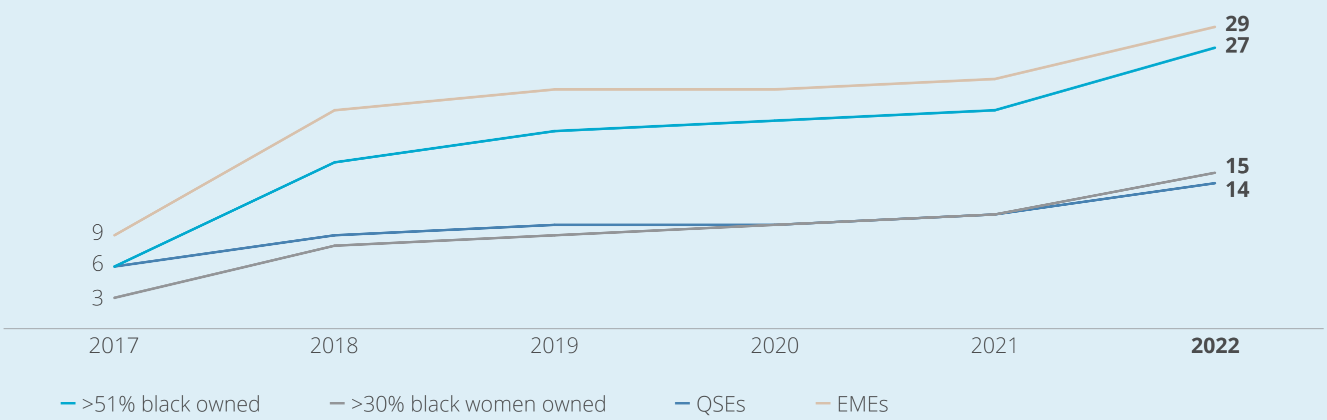
Procurement spend with >51% black-owned businesses	Procurement spend with 30% black women-owned businesses
51.4% (R5.9 billion)	**32.6% (R3.7 billion)**
FY2021: 48.6%; R5.6 billion	**FY2021:** 28.2%; R3.2 billion
dtic target: 50%	**dtic target:** 12%
Internal target: 40%	**Internal target:** 26%

Procurement spend with small businesses

9.1% (R1 billion) of measurable spend was with QSEs. **FY2021:** 8.0%; R914 million **dtic target:** 15% **Internal target:** 8%	**4.7% (R543 million)** of measurable spend was with EMEs. **FY2021:** 3.1%; R355 million **dtic target:** 15% **Internal target:** 7%	**7.8% (R916 million)** of measurable spend was with QSEs and EMEs that are black owned. **FY2021:** 6%; R715 million **Internal target:** 10%

Preferential procurement

(as a percentage of total suppliers)



Netcare Ulusha Hub

Located in Alexandra, the Netcare Ulusha Hub supports inclusive economic growth, addressing barriers to skills development and promoting youth employment and sustainable entrepreneurship growth. Netcare sponsored the construction of the hub, which includes a YES4Youth enrolment centre where young people are offered training in various fields and work opportunities, assistance with career guidance or new business ideas, and access to networks, markets and partner support. Today, there are over 14 500 youths enrolled at the centre. The second phase of the hub's development, completed in June 2022, introduced a Netcare-sponsored ceramics training centre and the following units sponsored by other funders: a digital skills training centre, a creative agency, an SMME entrepreneurship centre and a textiles manufacturing centre.

Nine young people are participating in a 12-month ceramics training course managed by Nyathi Creations, eight of whom are women.

We awarded ESD beneficiary, Hluvuko Designs with a three-year contract to design, manufacture and supply linen items for our neonatal ICUs supported with training and coaching to ensure an acceptable product quality. Five orders totalling over R1.3 million have already been placed. The business employs 25 of the 283 people employed or receiving stipends through hub programmes.

Four businesses operate at the hub; two sponsored by Netcare.

Social and relationship capital

Suppliers continued

ESD spend

R36 million

invested in supplier development, of which 61% (R23 million) was measurable under the dtic Codes, equating to 2.2% of net profit after tax (NPAT).

FY2021: R45 million
dtic Code target: 2% of NPAT

R26 million

invested in enterprise development, of which 69% (R18 million) was measurable under the dtic Codes, equating to 1.7% of NPAT.

FY2021: R17 million
dtic Code target: 1% of NPAT

ESD beneficiaries

15

ESD beneficiaries supporting 220 jobs. 23 of these jobs were created during the year.

FY2021: 15 supporting 204 jobs.

9

of the above ESD beneficiaries are enrolled on a structured ESD programme that monitors their performance and provides assistance where needed.

FY2021: 8

89%

of the nine beneficiaries on the structured ESD programme are black women owned.

FY2021: 75%

My Walk initiative

>115 000

pairs of school shoes made from our high-quality PVC waste with 77 570 pairs donated since 2020 to underprivileged children. 19 hospitals participate in the initiative in which we partner with one of our ESD beneficiaries. For each tonne that is repurposed into 100% recyclable shoes, 1.5 tonnes of GHG[1] emissions are abated. During the year, the project gained SABS approval.

Target: manufacture 1 million pairs of shoes

1. Greenhouse gas (GHG).

Other ESD initiatives

94

ESD beneficiaries receive early payment terms.

FY2021: 92

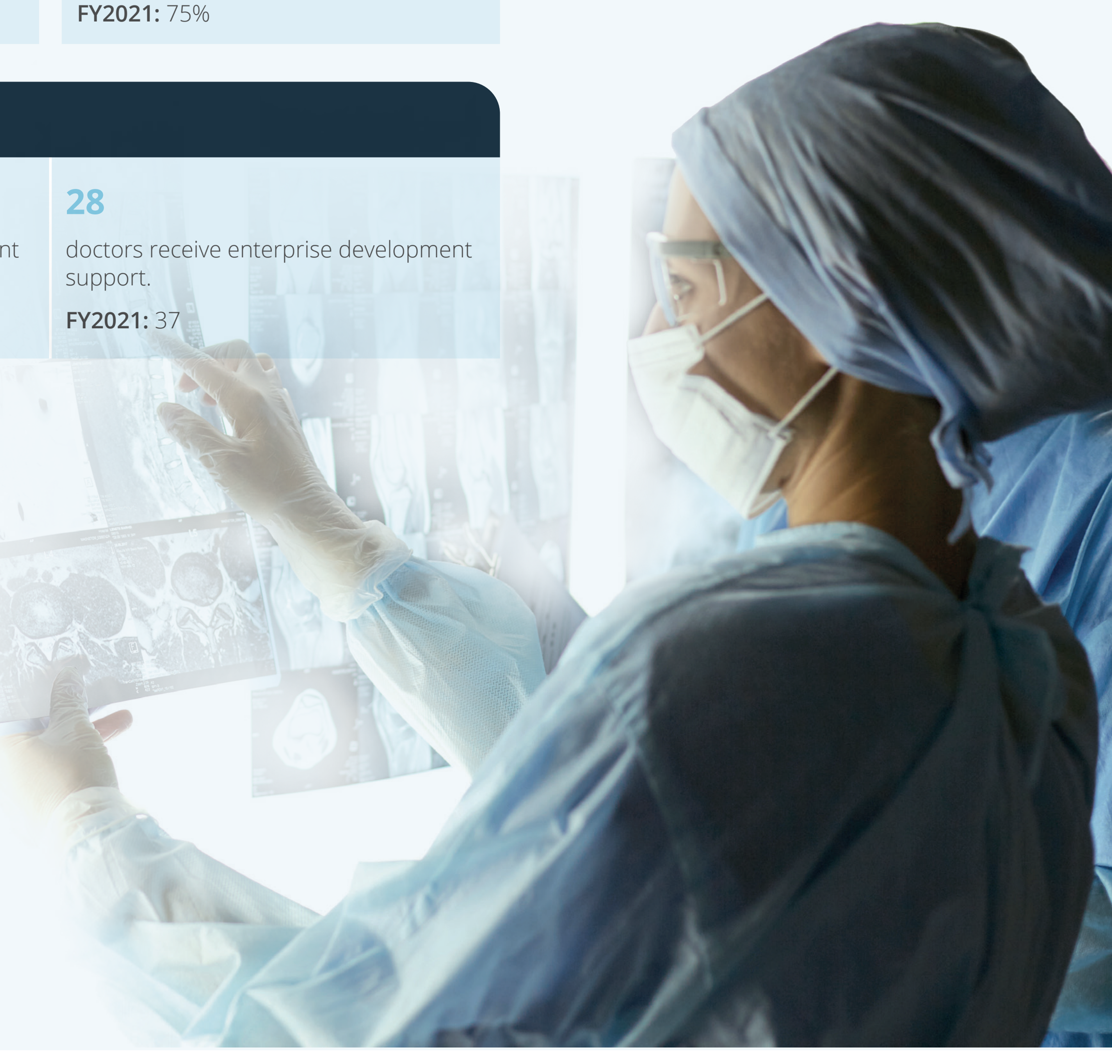
28

doctors receive enterprise development support.

FY2021: 37

Looking forward

We are exploring a new opportunity to offer affordable short-term funding to black SMMEs that are delivering services or finished products through the main contractors managing Netcare's construction and other projects. Focus will also be placed on developing two partners we are incubating at the Netcare Ulusha Hub and expanding the green project to all Netcare hospitals.



Society

Clearly defined partnerships and shared responsibility are critical for SA to mount a realistic and consolidated response to the country's various socioeconomic challenges. Netcare stands ready to work together with policymakers, government and the public healthcare system and healthcare associations to find solutions that address the systematic and structural inequalities in SA. Our transformation plan and sector initiatives are designed to position Netcare as a force for social good.

Our transformation plan

Contribute to inclusive societal, economic and labour markets that support human dignity, equality and fairness

1 Ownership	2 Leadership and workforce diversity	3 Skills development	4 Enterprise and supplier development	5 Socioeconomic development
FY2022 internal ownership target ✓	**FY2022 internal management control target** ✗	**FY2022 internal skills development target** ✓	**FY2022 internal ESD target** ✓	**FY2022 dtic socioeconomic development target** ✓
• Maintain black and women ownership. • Generate value for the beneficiaries of our B-BBEE share schemes[1].	• Ensure racial and gender diversity in our workforce and leadership structures: PG 133. • Promote social cohesion by tackling discrimination in the workplace: PG 133.	• Develop black people: PG 133. • Provide bursaries and development programmes for high-performing employees: PG 136. • Continue offering vocational learning opportunities for unemployed youth and people with disabilities: PG 134.	• Support SMMEs by diversifying our supply chain: PG 120.	• Increase access to quality health and care for indigent South Africans: PG 126.

✓ Internal target met or exceeded
✗ Internal target not met

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

Key focus areas for FY2022

- Actively participating in collaborative forums and engaging with government on threats to the healthcare system.
- Improving our B-BBEE rating.

Associated risks and opportunities

1 Economic environment and demand for private healthcare PG 60

4 Availability and quality of skills PG 63

Key takeaways for FY2022

National Health Insurance (NHI) Bill

Presentations on the NHI Bill to National Assembly's Portfolio Committee on Health have been completed (140 in total), with consistent presentations from the private sector in support of universal healthcare albeit not in its current proposed form. The Portfolio Committee on Health is deliberating the draft NHI Bill.

Broad-based black economic empowerment

We achieved a Level 3 B-BBEE rating ahead of schedule, improving our score from 88.09 in FY2021 to 90.13, placing particular focus on skills development, preferential procurement and support of small businesses.

Netcare Foundation

The Netcare Foundation, in collaboration with our doctors, continued to fund quality medical procedures for underprivileged South Africans and to provide help and care to the survivors of sexual assault.

Society continued

Value delivered in FY2022

The value we create for society

- SRC Meeting the healthcare needs of employed citizens thereby easing the burden on the public healthcare system.
- SRC Collaborating with government and sector and business associations to broaden access to quality healthcare in SA.
- HIC Enhancing the national level of healthcare skill.
- HIC/MC Enhanced national healthcare infrastructure.
- SRC Initiatives to uplift and empower black people, women, the youth and people with disabilities.

Value created, preserved or eroded

18 245[1] **FY2021:** 18 346	People employed who contribute to the economies where they live and work and pay personal tax.	Value preserved
R439 million **FY2021:** R618 million	Taxes paid to government.	Value preserved
R8 million **FY2021:** R1 million	Distributed to beneficiaries through the HPFL Trusts. Wealth created since inception of the Trusts in 2005 is R1.1 billion (net of debt).	✓
NetcarePlus	Provides under-served healthcare markets with access to a network of around 2 200 trusted healthcare practitioners, promoting inclusive quality private healthcare services.	✓
R35 million **FY2021:** R31 million	Invested in corporate social investment (CSI) initiatives with 91% of beneficiaries being black people (FY2021: 94%).	✓
R18 million **FY2021:** R5 million	Of our CSI spend was invested in entities that train and develop doctors.	✓
>15 000	Sexual assault survivors treated free of charge at our 37 Sexual Assault Crisis Centres since 2002.	✓
77 570	Learners across SA have received school shoes made from our recycled PVC waste since 2020.	✓
283 102 tCO_2e[2] **FY2021:** 306 304 tCO_2e	Scopes 1, 2 and 3 emissions. Scope 2 emissions decreased 10.3% year on year and the first phase of our journey towards being 100% renewable by 2030 is underway.	× ●
8 110 tonnes **FY2021:** 9 277 tonnes	Waste sent to landfill. Initiatives are underway to drive our zero waste to landfill target by 2030.	× ●
2.0 million kl[3] **FY2021:** 1.9 million kl	Water consumed. Our water initiatives recycled 27 043kl of water, containing our water usage to an increase of 3.1% despite and the increase in patient days post-COVID.	× ●

1. *Excludes National Renal Care.*
2. *Tonnes of carbon dioxide equivalent (tCO_2e).*
3. *Kilolitres (kl).*

✓ Value created
● Additional value will be created once strategic initiatives are embedded
⊙ Value preserved
× Value eroded

Our people: PG 128.
New business development: PG 146.
Environmental sustainability: PG 152.
ESG report.

Reforming SA's healthcare system

Patient centred, value-based care that rewards better healthcare outcomes for the lowest possible cost are essential components of sustainable universal health coverage systems, and a central tenet of Netcare's strategy. We are determined to demonstrate that it is possible to deliver new benefits and better value to our patients and other stakeholders, even as we seek better returns for our shareholders.

We fully support the introduction of universal healthcare in SA and stand ready to collaborate on designing and delivering sound and workable solutions that serve the health needs of all South Africans, whether this is access to our products and services or the training of nurses and doctors. While the private healthcare sector is able to provide the best and safest care for the most efficient cost; it cannot do so without adequate, sustainable and predictable funding and a strong trust-based relationship with the public sector.

The NHI Bill, introduced to Parliament in August 2019, paves the way for an NHI Fund which will purchase services from accredited public and private healthcare providers. The Bill is explicit on contracting in the first phase with both private and public primary healthcare and emergency services, but only public hospitals with an option for contracting other providers. As the Bill currently stands, medical schemes will only be allowed to offer cover for services not reimbursable by the Fund once the NHI is fully implemented.

Together with other private hospital groups under the auspices of the Hospital Association of South Africa (HASA) we remain concerned that the NHI Bill, as it reads, will fall short of the ambition to provide universal healthcare, particularly given the concentration of systemic risk associated with a single NHI Fund. HASA has proposed a multiple fund framework, which will allow appropriate risk pooling across funds, as a more sustainable approach to closing the inequality gap, as opposed to making the whole population solely dependent on the fiscus.

FY2022 performance

Reforming SA's healthcare system

- We continue to engage on the SA Future Nursing Workforce Project – a plan first developed by Netcare in 2016 and adopted by the Public Private Growth Initiative to train approximately 50 000 nurses over eight years. Stakeholders involved include the National Department of Health (NDoH), South African Nursing Council (SANC), the Health and Welfare Sector Education and Training Authority, organised labour and sector and business associations. We also escalated our concern about the reducing nursing student intake to senior levels in government.
- Through Business Unity South Africa, HASA and other sector memberships, we continue to engage with government on universal healthcare and contracting private resources.
- We continue to support two public hospitals with the readiness of their universal newborn hearing screening pilot programmes, and we partner with three public hospitals to provide vulnerable pre-term and sick neonates with donated breastmilk; the best form of neonatal nutrition.

Force for social good

Our CSI initiatives leverage our resources and organisational capabilities to provide access to quality health and care for indigent patients. Our CSI strategy, governance and activities are coordinated by the Netcare Foundation, a public benefit company.

The Foundation partners with government, corporates, suppliers, healthcare professionals and employees to assist and empower marginalised individuals and communities. Key initiatives include bursaries for medical students, the sexual assault assistance programme, indigent medical services, access to surgical procedures and intervention for patients suffering from vascular elephantiasis. Aspects of the Universal Newborn Hearing Screening programme and the Ncelisa Human Milk Banks are managed by the Netcare Foundation. Our initiatives are carefully selected and monitored to achieve maximum positive impact.

FY2022 performance

Community assistance	• Netcare 911 provided significant support and collaborated with multiple agencies in the search, rescue and retrieval operations during the devastating floods in KwaZulu-Natal in April 2022. • Through our discretionary programme, we treated 150 indigent patients (FY2021: 130) at a cost of R5 million (FY2021: R8 million), seven of whom were young boys from Pholoso in a partnership with the Department of Health in Polokwane to provide hernia repairs. Seven were sexual assault cases that required extra care. • The Netcare Foundation's programme with the largest reach is the Gift of Sight programme, which alleviates some of the large demand for cataract procedures that the public sector is unable to meet. 155 patients underwent cataract surgery with 31 being bilateral procedures. • In their blood collection drives, our trauma units collected 4 501 units of donor blood for the year. • Equipment from the closed Netcare Union and Netcare Clinton hospitals was donated to five hospices, one orphanage, an old age home and the Onderstepoort animal hospital. • We also donated 70 used personal computers to a community-based outreach programme that distributed them among several schools. We ensured that each computer had a keyboard and mouse.
HPFL Trusts	• The Mother and Child Trust and Healthy Lifestyle Trust provided total funding of R1 million spread across the sexual assault programme, cataract operations, cochlear implants and the treatment of elephantiasis, among others. • Since 2007, the Physician Partnerships Trust has granted 24 doctoral scholarships at local and international universities, of which three are new scholars selected in FY2022 by a panel of professors from various medical schools in SA. Twelve fellows have completed their doctoral theses, two are due to complete their studies at the end of 2022 and seven are at various stages of their PHDs. In FY2022, the Trust invested R8.2 million, bringing our cumulative spend since inception of the initiative to R63.4 million. A further R4 million is set aside for the doctors who are still completing their doctorates.

Ncelisa Human Milk Banks

3 079 babies have been fed through the milk bank programme since its inception in 2016. 937 donors have provided a total of 2 883 litres of breastmilk.	**181** mothers sourced from within our hospitals donated their breastmilk to the milk banks in FY2022. **FY2021:** 185	**242** babies from the public sector were fed through the programme, equating to 37% of all babies fed with donated breastmilk. **FY2021:** 151 **Target:** 33% of donated breastmilk distributed to public sector

Sexual assault programme

757 sexual assault survivors treated. **FY2021:** 484	**94%** were women. **FY2021:** 93%
37% were under 18 years old. **FY2021:** 36%	**88%** were uninsured. **FY2021:** 81%

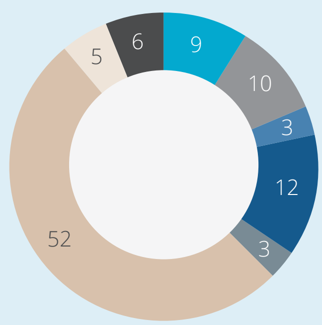
CSI spend current year

33%

of our CSI spend qualified under the dtic Codes, equating to 1.2% of NPAT.

dtic target: 1% of NPAT

CSI spend
(%)



- Emergency medical services (indigent patients)
- Access to medical procedures
- Sexual assault programme
- Disaster management (COVID-19 indigent patients)
- Fallen Heroes
- Bursaries
- CSI contributions and community sponsorships
- Discretionary spend

Note: COVID-19 spend is mostly costs from FY2021 patients whose invoices were received after September 2021. There were few new patients for disaster management in FY2022. Fallen Heroes is a support initiative for the families of our healthcare heroes who succumbed to COVID-19.

Human and intellectual capital

Our people

Better health and care outcomes delivered most efficiently depend on the professional and personal resilience of healthcare professionals. Our strategy to deliver patient centred health and care that is digitally enabled and data driven aims to make the lives of our people and partners on the frontline easier so that we improve patient experience and deliver the interrelated outcomes of the ***Quadruple Aim***.

Key focus areas for FY2022

- Strategic project Rolling out the Care4YOU programme (compassion journey and digital gratitude cards) over and above Independent Counselling and Advisory Services (ICAS), eCare and onsite social workers.
- Attracting and retaining specialist nursing skills, redoubling our recruitment and retention efforts, and developing a strong talent pipeline for core roles to support our sustainability and growth into the future.
- Improving diversity at senior and middle management levels; with a key focus on social groups under-represented relative to their national Economically Active Population (EAP), and focusing on gender and race diversity at Executive Committee level.
- Investing in the development of our people.

Associated risks and opportunities

4 Availability and quality of skills PG 63

6 Delivering consistently outstanding person centred health and care PG 65

7 Implementation of the digital and data strategies PG 66

11 Competitor activity PG 70

Key takeaways for FY2022

Turnover

Employee turnover remains high driven by fierce competition for scarce specialised skills. Voluntary turnover decreased to 14.8% with nurse turnover remaining constant. Overall turnover inclusive of involuntary labour turnover increased from 15.9% to 16.8%.

Competition and scarcity of skills are driving up salary demands.

To better manage costs, a freeze has been placed on new appointments and replacements for manager resignations are tightly scrutinised.

We continue to explore ways to improve our retention mechanisms for specialised nurses and benchmark our offering to ensure it is competitive.

Living and working with compassion programme

Strategic project We completed the roll out of the first module of Care4YOU in all hospitals – the principles of compassion and how to apply them. Pleasingly we are starting to see a positive impact on our nurse compassion scores.

Our compassion initiative is a key lever in the achievement of our strategic priorities.

Nurse training

The inability to increase our nursing student numbers, as prescribed by the SANC, has once again impacted Netcare Education's overall intake of new students on formal programmes.

IRAS Award

Integrated Reporting and Assurance Services (IRAS) in partnership with the National Coalition for and of Persons with Disabilities awarded Netcare for having the highest representation of people with disabilities among JSE listed companies with more than 10 000 employees.

Patient experience-related scores: PG 104.

Value delivered in FY2022

The value we create for our people	Value created, preserved or eroded		
• SRC/HIC A caring and values-based culture that meaningfully encourages, recognises and rewards outstanding contributions to the business. • HIC Career advancement and other opportunities to improve professional development. • HIC Improved nursing models in intensive care and high care units, theatres and wards. • HIC Upskilling of employees to digitally enabled ways of working. • HIC A safe clinical environment supported by comprehensive employee wellness programmes. • SRC/HIC Our transparent and proactive relationships with employee representatives.	**>14 400**	Permanent employees and around 8 860 contractors and service providers in the Hospital Division have worked through module 1 of our compassion training[1].	✓
	2 243 **FY2021:** 2 810	Employees and their immediate family members were provided with counselling interventions.	✓
	R8 015 million **FY2021:** R7 570 million	Salaries paid to our employees.	✓
	Successful wage negotiations for 2022/23	With all recognised trade unions (four for Hospital Division and two for Netcare Medicross). The 2021/22 wage dispute with one trade union remains unresolved with the matter under review in Labour Court.	✓
	52%[2] **FY2021:** 50%	Of doctors with admission privileges are black.	✓
	R51 million[3] **SDP2021:** R49 million	Invested in training and development, equating to 0.9% of our payroll, below the 1% prescribed by the Skills Development Act[4]. Training includes preparing employees and doctors for EMR implementation and programmes to embed a caring, values-driven culture – ***the Netcare Way***.	✓
	15 968[3] **SDP2021:** 12 731	Employees, including 256 current and future leaders (SDP2021: 93), participated in a training and/or development programme.	✓
	86%[3] **SDP2021:** 91%	Percentage of training spend on black employees with 75% (SDP2021: 82%) invested in developing black women.	⊙
	81.3% **FY2021:** 79.7% **EAP:** 91%	Representation of black people within the workforce with 50.0% (FY2021: 43.3%) of senior managers being black.	✓
	80.8% **FY2021:** 81.2%	Representation of women within the workforce with 65.4% of the workforce being black women (FY2021: 64.4%).	⊙
	17 **FY2021:** 8	Employee grievances reported relating to labour practices, of which 16 had been resolved at the time of reporting.	×

1. *Training is based on the learnings from Stanford University's Applied Compassion Training programme.*
2. *Data for doctors with billed revenue in excess of R300 000.*
3. *Calculated for the skills development period (SDP) 1 April 2021 to 31 March 2022 as legislated by the Skills Development Act.*
4. *As a result of regulated restrictions on nurse training numbers.*

Our people: PG 128.
Remuneration overview: PG 86.
ESG report.

✓ Value created
⊙ Value preserved
× Value eroded

Employee wellbeing

Our heightened focus on the wellness of our people, particularly their psychosocial wellbeing, after a series of incredibly difficult and traumatic years remains at the forefront of our human capital initiatives. The health and safety of our employees is always a top priority and is reported on page 111 of ***our patients***.

Care4YOU

Strategic project Launched in September 2021, the dual-faceted Care4YOU programme seeks to help employees replenish their reserves and resilience, and embed behaviours relating to compassion, kindness and mindfulness as a way of living and working at Netcare.

Compassion training: is delivered through a blended learning approach, including theoretical content, experiential workshops and toolbox talks, and is designed to teach employees to practice compassion for themselves and share that compassion with others – both patients and colleagues. Trained compassion ambassadors drive the initiative.

Digital gratitude card programme: is a powerful personal motivator, which reinforces compassionate behaviours, positively impacting the patient experience.

Impact and feedback

The self-compassion work is providing a safe and compassionate means to process COVID-19 related trauma and any other unprocessed personal matters. We are working closely with ICAS, Netcare Akeso and our enterprise and supplier development partner[1] to provide appropriate support and counselling guidance for employees and to help unburden our compassion ambassadors.

Our compassion ambassadors are reporting that the compassion teaching is gaining traction and becoming part of our daily language. Feedback from employees has been incredibly positive with much appreciation for our focus on self-care and self-compassion and requests have been received for more learning initiatives. The extension of the programme to contracted workers and those working night shifts is also highly appreciated and has created a sense of inclusivity in the provision of care. Insights gained from feedback have been used to enhance learning, address barriers to adoption and ensure that content is accessible and clearly communicated.

A key finding from the Care4YOU work is the need to ensure a flow of compassion from leadership through to our employees and then onto our patients.

Advances made in FY2022

- Support sessions were introduced for our compassion ambassadors to provide support and protect them from fatigue and burnout.
- Rolled out the tailored Care4YOU programme for leaders to the Hospital Division's regional and site managers.
- Similar compassion interventions were introduced for Netcare 911 (Emergency Operations Centre) and Netcare Education.
- A digital learning process was piloted to support compassion learning, providing convenience for employees and enabling consistent and sustainable teaching of compassion across the Group. The compassion journey will be digitised in FY2023.

1. *Dube and Pottas provides individual and group counselling sessions for frontline workers (trauma debriefing, emotional and supportive counselling, coping skills and self-care strategies, and referral for further support, where required).*

FY2022 performance

Compassion journey	Gratitude programme	ICAS	Other support interventions
Module 1 roll out completed in the Hospital Division.	Completed the roll out of the digital gratitude card programme to all hospitals.	**15.7%** overall ICAS engagement rate. **FY2021:** 18.4% **ICAS client companies average:** 13.9%	**328 managers** used the managerial support programme, which assists them to effectively engage with their teams, deal with and resolve conflict, and identify and support employees experiencing specific challenges. **FY2021:** 379
1 833 employees have completed the optional module 2, which reinforces the learnings of module 1, delving deeper into the principles of compassion.	**15 075** gratitude cards from patients have been sent to our employees and teams since the launch of the pilot programme in October 2021.	**69.1%** of employees who used ICAS accessed professional counselling with mental health challenges being the largest service accessed. **FY2021:** 62.3%	**59 training events** – counselling sessions and motivational speaking sessions delivered to 409 employees. **FY2021:** 126 webinars reaching 963 employees
3 626 employees have completed module 3 – deepens understanding around self-compassion, common humanity and the spirit of Ubuntu (humanity to others).	**96%** of the messages received from patients had positive sentiments (excellent or good experience). While the majority of 'thank you' cards are addressed to our clinical employees, pleasingly, support staff have also been thanked for their effort and service.	**6.6%** of cases were formally referred for assistance. **FY2021:** 4.8%	
385 compassion ambassadors spearhead the programme. **FY2021:** 395			

Looking forward

Our challenge will be to maintain the positive impacts of Care4YOU in high-pressure environments where staffing shortages can leave nurses feeling overworked and social pressures are resulting in increased demand for mental health care. Additional compassion training modules will be delivered to the Hospital Division in FY2023, reinforced with the digital learning platform, which in time will support the easy replication of the programme for other divisions. A key focus will be to incorporate Care4YOU into our business-as-usual processes to ensure the sustainability of the programme and its long-term impact. We will also continue to focus on the Care4YOU programme for leaders to address the feedback received from employees, both in the compassion training and the employee engagement survey.

Human and intellectual capital

Our people continued

Employer of choice

To distinguish ourselves as an employer of choice, we are working to reignite our employee value proposition – growing with compassionate people. We aim to provide an inclusive, caring and engaging culture; cognitively and emotionally connecting our employees to Netcare, our values and their own roles within the Group. We strive to support our employees through change with targeted strategic interventions, and to deliver a harmonious, fair and productive working environment based on trust and cooperation.

FY2022 performance

Employee engagement

- In June 2022, we rolled out the Group-wide Voice of OUR Employees engagement survey – co-created with our leadership teams – for all permanent employees. The overall response rate was 70% with an average score of 7.9 out of 10 achieved across nine measured categories. We scored above eight for the following three categories: compassion at work, teamwork and collaboration, and personal boundaries. 79% (FY2021: 70%) of respondents felt fully engaged or that they are key contributors, while 8% of respondents said they were fully disengaged; this is likely due to high levels of stress, trauma and burnout experienced as a result of COVID-19, economic instability and pervasive socioeconomic inequality in SA. Our areas for improvement include more frequent engagement from leaders to build greater trust, recognition for work well done and the consistent application of human resources policies.
- We developed and tested a mobile app that will allow employees to access human resources-related transactions, and streamlined the onboarding of new employees, enabling them to log onto all systems relating to their roles on their first day at work.

Nursing campaign and retention

- We offered higher salary increases for nursing staff with additional increases on skills allowance.
- Employees were given the choice to restructure their remuneration packages to suit their lifestyle needs.
- We externally benchmarked our remuneration, and where required, the Remuneration Committee approved retention allowances.
- As a further retention strategy, we took the decision to pay the professional practising fees for specialised nurses.

Talent management

- A Group-wide talent identification exercise was launched to build bench strength for senior management and key roles in various divisions. We are reviewing the outcomes to ascertain successor readiness and where personal development plans are required.
- A new chief executive officer for National Renal Care was appointed from within the Group.

Change management

- We continued to deliver change management interventions to prepare doctors and employees for EMR implementations in the Hospital Division, the Primary Care Division, Netcare Akeso and National Renal Care.

Employee relations

- The Group's headcount dropped 0.6% to 18 245 permanent employees, mostly due to natural attrition and replacing only critical and clinical positions.
- Discussions were held with trade unions on concluding the minimum service level agreement following determination of private healthcare as an essential service (which limits industrial action for designated job roles) under the Labour Relations Act, the improvement and standardisation of the recognition agreements between Netcare and employee representatives, and the shortage of nursing skills.

	2022	2021	2020
Number of permanent employees	**18 245**	18 346	19 214
New employees	**2 969**	2 058	1 687
Union membership	**48.6%**	50.9%	52.8%

Note: permanent employees only. Excludes National Renal Care.

Looking forward

Looking ahead our focus will be to address our areas of improvement identified through the employee engagement survey, pilot the employee mobile app and maintain momentum on the robust succession planning work done in FY2022. Talent reviews will take place quarterly.

In collaboration with unions, we will conduct industrial relations training initiatives across the Group to identify barriers to a positive and productive employee-employer relationship; these will be resolved swiftly.

Diversity and inclusion

Diversity enriches our organisational culture and enhances our employee value proposition. Our diversity and inclusion programme aims to achieve equitable representation, provide career growth opportunities for all and harness diversity of thought. It starts with focus group discussions with managers and a sample of employees to determine the contextual diversity dynamics at each workplace (needs, experiences and challenges faced by our people), and in turn design effective interventions to embed an inclusive culture.

The themes that emerge from these discussions are then used as the foundation for externally facilitated education delivered to the Workplace Transformation Committees, empowering committee members to engage on matters beyond numerical representation and transformation-related legislation, to tackle the systemic barriers to diversity, equity and inclusion and to become ambassadors of an inclusive culture where everyone feels they belong regardless of their race, gender, religion, sexual orientation or disability.

Netcare is committed to dealing with all forms of discrimination. Our zero-tolerance approach applies to our employees, contractors, doctors and specialists, and partners as well as our patients and their families.

FY2022 performance

Diversity and inclusion	• We remain a gender-empowered organisation with the workforce comprising mostly of women. We improved overall representation of black people across all occupation levels, exceeding our targets at senior management, junior management and skilled worker levels, and for representation of people with disabilities. While we missed our target for representation of black people at middle management level, we made good progress driving diversity at this level which serves as a pipeline for leadership roles. • The diversity and inclusion programme was enhanced using the learnings from our initial roll out. Since FY2021, focus group discussions have been held with 282 Workplace Transformation Committee members from 16 worksites, including the Hospital Division, Netcare 911, the Primary Care Division, head office and Netcare Akeso. • To support our employees with disabilities, education, awareness and reasonable accommodation campaigns were rolled out across the Group. • Three cases of unfair discrimination, racism and/or workplace bullying were reported through the SHOUT Line (FY2021: four). Where employees have provided their consent, investigations were conducted and resolved. ICAS and Netcare Akeso provide support to those who have been aggrieved. No cases were reported through our employee relations processes (FY2021: none). • 2 057 new employees received awareness training on our zero-tolerance approach to discrimination and harassment (FY2021: 710).

Human and intellectual capital

Our people continued

Recruitment and promotion

87.4%

of all recruitments and promotions went to black people with 69.3% being black women.

FY2021: 84.5% overall and 68.1% black women

10.4%

male nursing students enrolled at Netcare Education at September 2022, as part of our efforts to increase the representation of men at junior management level.

People with disabilities

4.4%

of our workforce are people with disabilities, exceeding the national target of 2%.

FY2021: 4.2%

1% (R345 245)

of our training spend was invested in developing employees with disabilities.

SDP2021: 1%

Our Sinako learnership for people with disabilities started in July 2022, providing opportunities for 45 unemployed youth and 11 Netcare employees.

SDP2021: impacted by COVID-19

Most of our employees with disabilities are employed in the nursing department.

YES4Youth[1] programme

1 148

enrolled on learnerships and internships, with a further 270 planned for FY2023.

668

YES learners have successfully completed their vocational programmes at Netcare.

596 (89%)

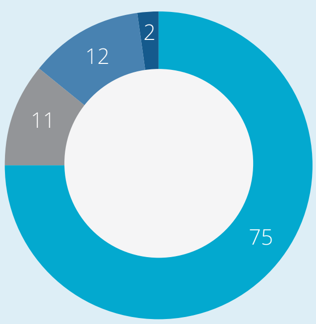
learners gainfully employed with 383 (64%) employed at Netcare.

Target: 90% gainfully employed

1. South Africa's national Youth Employment Service (YES) programme.

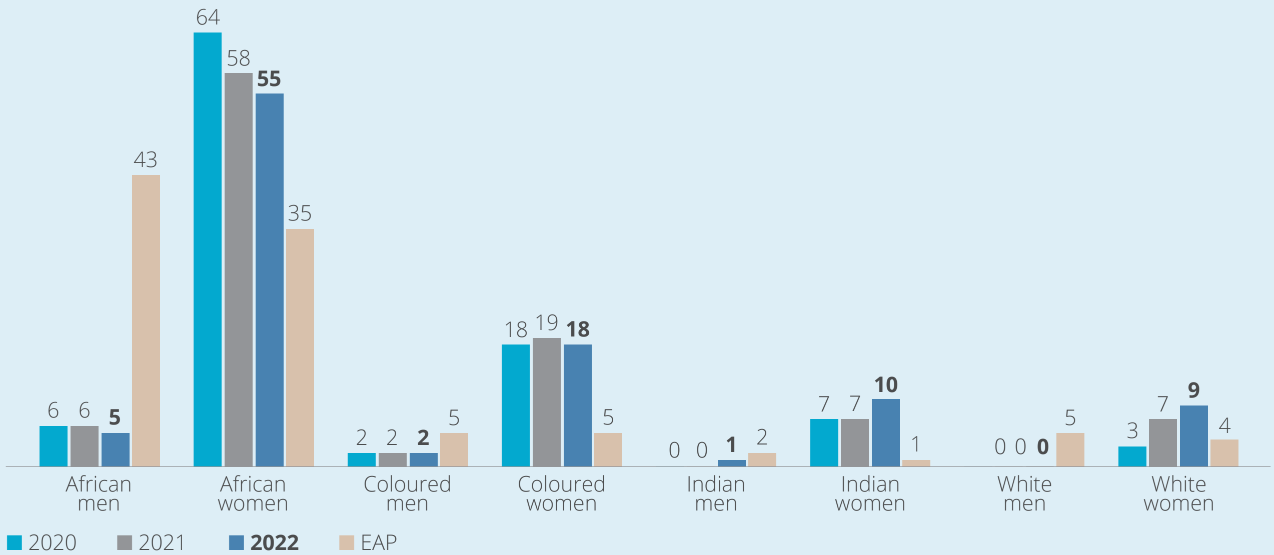
Employment equity scorecard: PG 76.

Training spend by race and gender
(March 2022)
(%)



Training against Economically Active Population

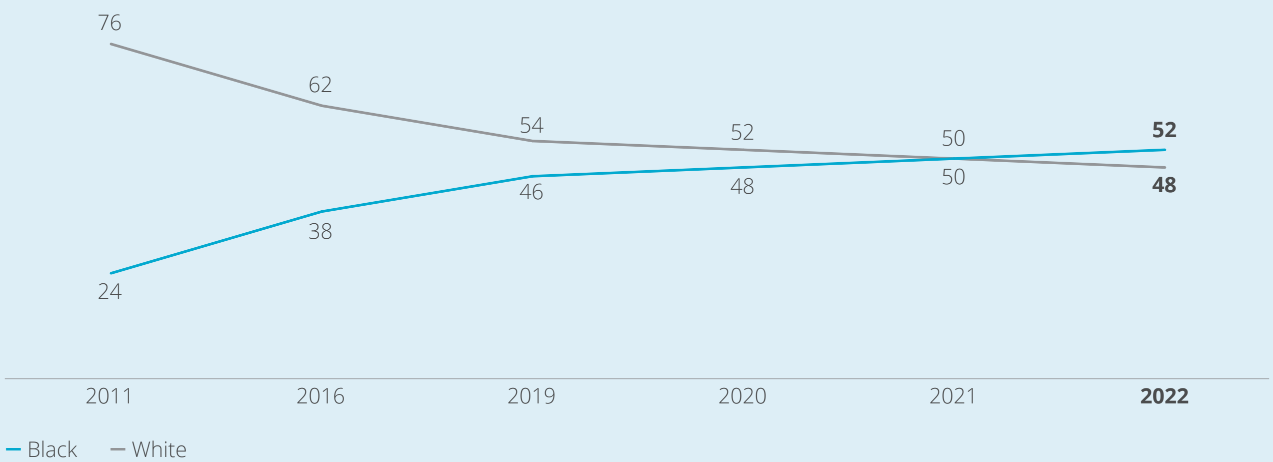
(%)



Note: the trend of our student numbers shows a shift towards an alignment with the national EAP, excluding the representation of male nurses where the percentage has remained reasonably static at an overall 10% of our nursing student profile. Decreasing student numbers have contributed to the shifts illustrated above.

Doctor profile

(%)



Note: of the 137 newly qualified medical doctors recruited in FY2022, 69% are black doctors.

Learning and development

We have a strong culture of people development. Our nursing qualifications are accredited by the SANC and aligned to the National Qualifications Framework (NQF). The Faculty of Emergency and Critical Care is accredited as a CPD service provider through the University of Johannesburg. It is also accredited to present the American Heart Association courses by the Resuscitation Council of South Africa. In response to limited enrolments on formal training courses, our six-month in-service nursing certificate programmes ensure that our nurses are fully equipped to care for our patients and deliver the best and safest person centred care.

Our leadership programmes serve to develop a diverse pipeline of scarce, core and strategic skillsets needed to deliver our business strategy, drive the development of black people and support succession planning. They are designed to develop the key behavioural traits and abilities we expect of our current and future leaders.

We also invest in workplace experience learnerships and internships to develop technical and artisan skills, preparing unemployed youth for the labour market; whether at Netcare or in the broader healthcare sector.

Our training metrics are calculated for 1 April 2021 to 31 March 2022 as per the legislated measurement year.

FY2022 performance

Nursing and emergency care	• We submitted applications to SANC to accredit our undergraduate training campuses in Gauteng and the Western Cape for primary and mental healthcare programmes. We also successfully applied for increased student numbers on Netcare Education's formal nursing programmes – this is in addition to the SANC appeal lodged in March 2021, which is yet to be finalised. • We secured a letter of support from the KwaZulu-Natal Department of Health to train 100 students on formal nursing programmes. SANC will accredit the programme to commence training in 2023. • 20 nursing students successfully completed the academic development bridging course, preparing them for enrolment as registered nurses at Netcare Education (SDP2021: 120). • Pleasingly, the number of women participating in our emergency medical care programmes has increased as we attempt to redress the stereotypes associated in this male-dominated sector.
Management and leadership development	• 77 talented individuals who have the potential to progress to executive level are enrolled in the Netcare leadership development journey. Participants are receiving greater exposure to the Executive Committee and the Board. 16 executives and senior leaders have started an executive coaching initiative. Four ***Leading the Netcare Way*** programmes for executives, unit managers and nursing managers commenced early in SDP2022. • The assessments of the management development programme participants in the SDP2020 and SDP2021 cohorts were completed, with a 100% pass rate across all programmes. The throughput rate for the 2020 programme was 58% improving to 78% for 2021; still below pre-COVID levels with the higher turnover of nurses being a factor. • Ten senior managers from across the Group embarked on Stanford University's Applied Compassion Training programme. • Bursaries were provided to 41 employees and students of medical physics, radiotherapy and radiography; aligned with scarce and critical skills needed within the Group (funded by the HWSETA[1]).
Internships and other courses	• A 12-month clinical engineering capacity building project is being piloted in Gauteng. • 7 005 employees attended CPD courses (SDP2021: 5 985).

1. Health and Welfare SETA (HWSETA).

Training interventions

56 067

training interventions delivered.

SDP2021: 25 335

77%

of training invested in formal career-oriented NQF programmes.

SDP2021: 89%

Paramedic training

Four

students were enrolled on a Faculty of Emergency and Critical Care programme with three being new students.

FY2021: one

Nurse training

595

employees enrolled in formal nursing programmes accredited by SANC with 425 being new intakes.

SDP2021: 1 025

439

nurses enrolled on a six-month in-service programme.

SDP2021: 354

Women trained

87%

of employees trained were women.

SDP2021: 86%

Management and leadership development

25

delegates (13 being women) completed the leadership development journey.

13

middle managers enrolled in the senior leadership development programme (a 14-month health systems management programme) graduated this year.

81

delegates enrolled in management development programmes of whom 83% are black, 77% are women and 59% are black women.

SDP2021: 93

57

nursing managers enrolled on ***Leading the Netcare Way*** of whom 75% are black, 79% are women and 56% are black women.

SDP2021: 53

Netcare Akeso

79

frontline administration and finance personnel participated in the patient centric skills programme.

SDP2021: 131

National Renal Care

14

clinic technology students trained.

SDP2021: 11

Two

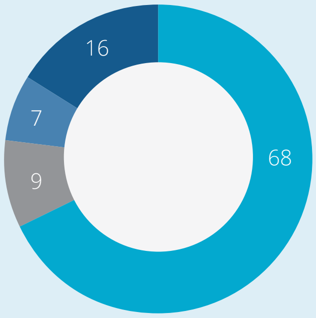
postgraduate clinical technologists trained.

SDP2021: four

Human and intellectual capital

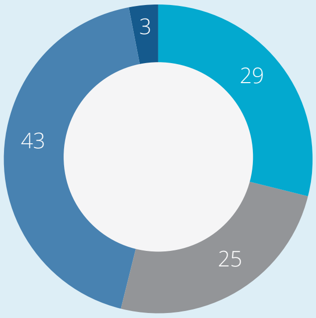
Our people continued

Training spend by category[1]
(March 2022)
(%)



- Formal nursing training (SDP2021: 89%)
- Emergency and critical care training (SDP2021: 2%)
- Management and leadership development (SDP2021: 6%)
- In-service[2] and CPD programmes (SDP2021: 3%)

Training spend per occupational level
(March 2022)
(%)



- Unskilled workers (SDP2021: 37%)
- Semi-skilled workers (SDP2021: 47%)
- Skilled technical and qualified workers, junior managers, supervisors, foremen and superintendents (SDP2021: 13%)
- Professionally qualified and experienced specialists and middle managers (SDP2021 2%)

1. In FY2021, a category for 'other' training totalled 1%.
2. Includes computer skills, system-related, Care4YOU, legislated training (including OHS and fire safety), diversity and inclusion and CPD training, among others.

Looking forward

Our training spend for skills period April 2022 to March 2023 is budgeted at around R39 million with 54% allocated to formal nursing training, 15% for emergency and critical care training and 12% for pipeline development. Key programmes will be our diploma in general nursing, six-month in-service programmes, management development programmes, resuscitation courses, and negotiator programmes for members of our procurement team. For SDP2023, HWSETA approved R24 million in funding for 315 learners participating in our nursing, pharmacy and various other internships. National Renal Care is collaborating with Netcare Education to develop a six-month short course certificate for registered nurses to provide them with nephrology qualifications.

Digital transformation and data

Our digital transformation is reshaping our entire care offering and will restyle how we interact with people to keep them returning to our ecosystem of services over their lifetimes. This strategy, which pre-dates COVID-19, represents our response to the global healthcare mega trends, which gained in importance and pace during the pandemic.

Behavioural economics is effectively used to support end-user adoption of several of our strategic projects, including those related to the digitisation of the Group. This will enable us to achieve optimal patient outcomes and best clinical and operational governance alongside the best healthcare providers in the world.

The digitisation of the Hospital Division is the largest and most transformative implementation ever undertaken by Netcare. It integrates all aspects of healthcare delivery involving our doctors, nurses, pharmacists, allied healthcare professionals, and all hospital clinical infrastructure, equipment, clinical units, pharmacy, radiology and pathology.

Our datasets are vast and are key to ensuring successful digitisation. Data dimensions include clinical, medication, financial (both costs and billing), personal, employee, IHCW, institutional, physical asset management, procurement and products. Ongoing focus is placed on data quality and governance principles which are managed by various data stewardship forums overseen by the Netcare Data Council.

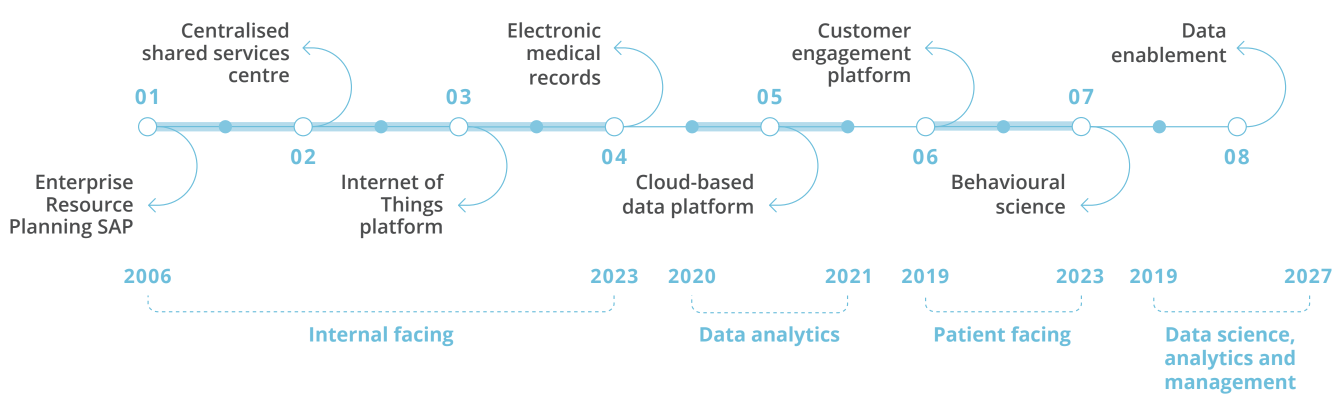
Key focus areas for FY2022

- **Strategic project** Implementing EMRs across our divisions.
- **Strategic project** Implementing a customised customer engagement model (CEM) across all divisions.
- **Strategic project** Implementing a customised infection prevention control and antibiotic stewardship platform.
- Ensuring data quality continuously meets specific quality standards.
- Leveraging data and analytics solutions across various divisions, including NetcarePlus and Netcare Diagnostics, to support clinical and operational decision-making.
- Implementing a number of cyber- and privacy-related projects.
- **Strategic project** Launching a single Netcare website across all divisions.

Associated risks and opportunities

2	Funder regime	PG 61
3	Cybercrime and cybersecurity	PG 62
4	Availability and quality of skills	PG 63
6	Delivering consistently outstanding person centred health and care	PG 65
7	Implementation of the digital and data strategies	PG 66
11	Competitor activity	PG 70

Developing our IT, digital and data architecture



Source: J.P. Morgan Healthcare Seminar

Digital transformation and data continued

Digital strategy and timeframes

Dec 2022 | Dec 2023 | Dec 2024

Digital platforms

EMR (CareOn): Hospital Division	
EMR (CareOn): Netcare Akeso	COMPLETE
EMR (Medicross HEAL)[1]: Primary Care Division	COMPLETE[1]
EMR: Netcare 911[2]	COMPLETE
EMR (Care@Work): Netcare Occupational Health	COMPLETE
EMR (nephrOn): National Renal Care	COMPLETE
Wi-Fi infrastructure	COMPLETE

Patient-facing engagement

CEM platform	
Website	
Mobile apps	

Data management and analytics

Azure Cloud	COMPLETE
Ongoing data management and analytics	

1. *Medicross HEAL has been implemented in all targeted medical and dental centres.*
2. *Netcare 911 operates a highly advanced Emergency Operations Centre capable of locating people in distress, tracking vehicles and providing paramedics with real-time support using video streaming.*

Key takeaways for FY2022

Status of CareOn

Strategic project Roll out of the Hospital Division's EMR project – CareOn – progressed well during the year, in line with budget and timelines. We are seeing good adoption by doctors and nurses.

Key benefits emerging from the CareOn implementation are improved patient safety, clinical outcomes and patient engagement as well as fewer telephonic orders and fewer prescribing errors to pharmacies.

Cost savings of CareOn

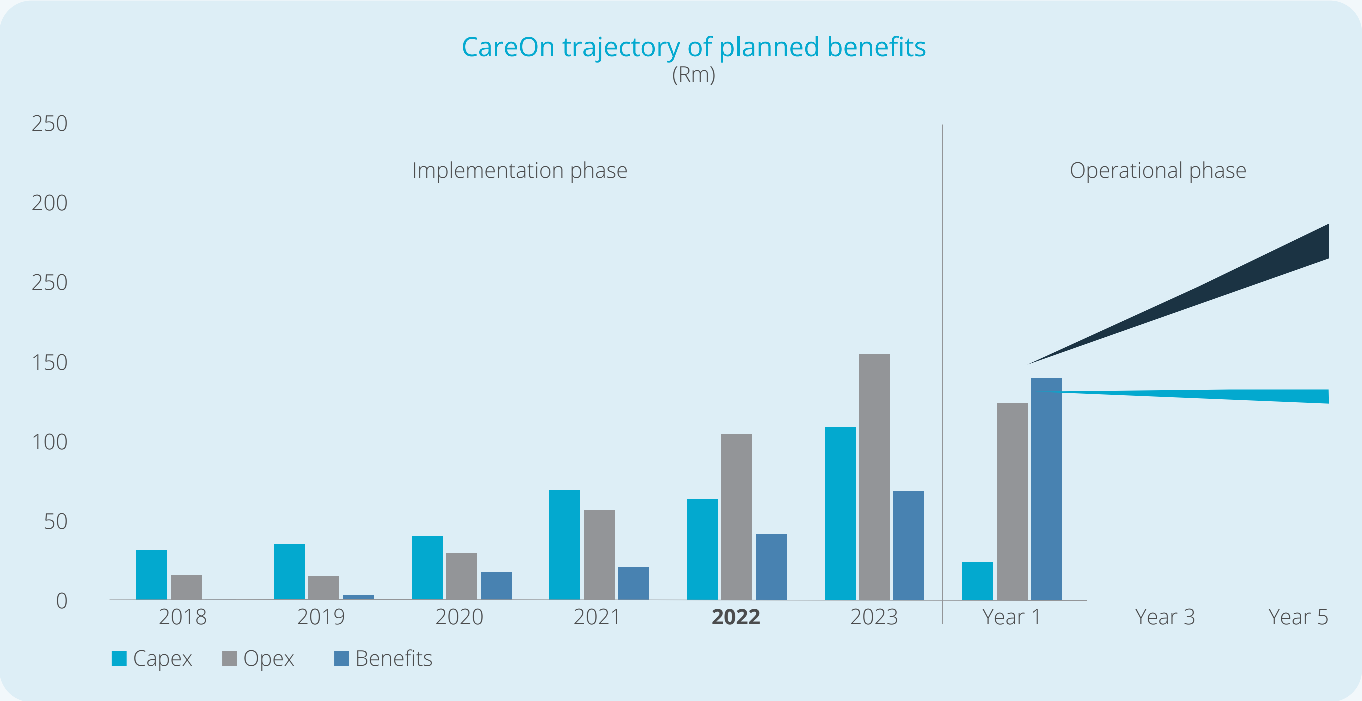
CareOn is set to achieve the efficiencies we predicted. Prior to its implementation our printing and stationery costs and physical storage costs per year amounted to R60 million and R12 million respectively. Our conservative forecast is a cumulative reduction of at least 20% for printing and stationery and 50% for physical storage over 10 years. Savings of R15 million have already been achieved for printing and stationery. Overall medicolegal costs are expected to reduce by between 50% to 60%.

Doctor adoption of CareOn

Doctor adoption of CareOn is measured by monitoring the percentage of electronic scripts issued and the percentage of orders initiated on the system. Both targets were met.

Investment in key digital and data projects (Rm)

	Capital expenditure			Operational expenditure			Benefits
	Up to 2021	2022	2023	Up to 2021	2022	2023	
Digital platforms							
CareOn	146	53	91	96	87	129	Minimum return on investment between 12% and 15%
EMR in other operations	17	12	4		4	5	
Wi-Fi infrastructure	20	58					
Patient-facing engagement							
CEM platform, website and apps			35	34	49	17	Business enablers
Data analytics							
Azure Cloud and ongoing analytics				94	33	51	Business enablers
Total	**183**	**123**	**130**	**224**	**173**	**202**	



Digital transformation and data continued

Digital platforms and data enablement

Customer engagement model

Strategic project The central CEM platform maintains consistent and accurate personal information and, once complete, will act as the authoritative source for all person-related data. For patients, the CEM platform will generate a single, full view of their interaction within the Netcare ecosystem – a unified EMR – which they can access on a user-friendly app or website. The broader public will be able to engage with our full ecosystem of services.

MyNetcare Online: PG 106.

Electronic medical records

Strategic project

Doctors and nurses: EMRs provide access to real-time, accurate information anytime and anywhere. Access to the same clinical data for a patient, enables healthcare practitioners to collaborate and coordinate care to achieve better healthcare outcomes. Doctors are able to electronically request nursing interventions and order and receive results of diagnostic tests. For nurses, the EMR automatically records clinical data from monitors in ICU and high care, replacing manual, paper-based recordkeeping and removing fragmented clinical records. This allows for more time to be spent caring for patients.

Patients: seamless access to their EMR will assist patients to make informed decisions and take co-responsibility for their health.

Netcare: EMRs will provide the Group with rich clinical data to inform more efficient treatment pathways, enhance clinical outcomes and, most importantly, improve the safety of care. The EMR will become a valuable operational management tool.

Translating data into actionable knowledge

The availability of rich data gained from our digital implementations, together with various analytics techniques, will help us address operational challenges and improve efficiencies, develop solutions that proactively detect and manage disease and, in the future, develop personalised patient engagement models.

Effective data management is the backbone to successfully delivering our business strategy.

The Board, Audit and Risk Committees each oversee various aspects of digitisation, and are kept comprehensively up to date on the progress of the EMR and data-related implementations. Management committees that provide oversight include the Executive Committee, IT Management Committee (digital and data strategies, risk and opportunity management), the Information Security Management Committee, the Protection of Personal Information Act (POPIA) Steering Committee, Change Advisory Board and the Group Compliance Committee.

FY2022 performance

CEM platform	• The Medicross Elixir Live system and National Renal Care's nephrOn system are being onboarded on the CEM platform with three other digital systems (Hospital Division SAP, Netcare 911 case data and MyNetcare Online) already enabled.
Hospital Division	• **Strategic project** CareOn has been fully implemented in 21 hospitals, covering 227 wards, 188 theatres and over 4 800 beds. A further 17 hospital implementations are planned for the end of 2023 and the remaining hospitals will implement CareOn by April 2024. • **Strategic project** Completed the Hospital Division's Wi-Fi infrastructure and firewall project in June 2022. • We are starting to measure user competency of CareOn and helping doctors and nurses to master the platform. • CareOn realised savings of R37 million, which are expected to increase significantly in FY2023. The platform will be value accretive from the second half of FY2024 (net of expenses). • Robotic processes have eliminated manual processing in the central payments division.
Cancer Care	• The project to automate the billing of radiotherapy treatments was completed. • A digital platform for chemotherapy units is under development.
Netcare Akeso	• **Strategic project** The implementation of three Akeso CareOn modules was completed across all 13 facilities, including the newly opened Netcare Akeso Richards Bay. Additional modules, including the doctors module co-created with psychiatrists, will be rolled out by December 2022.
Netcare 911	• We installed telemetry enabled monitors across the Netcare 911 fleet, so that a patient's vital statistics can be electronically sent from an ambulance to the receiving facility, preparing emergency department teams in advance of a patient's arrival.
Primary Care Division	• The implementation of the integrated practice management system, Elixir Live, has been successfully completed. • **Strategic project** The roll out of Netcare Medicross' EMR, Medicross HEAL, was completed for all targeted GP and dental centres by September 2022. Feedback suggests that the platforms are viewed positively by doctors, dentists and employees. • Netcare Occupational Health's EMR platform – Care@Work – offers person centred health and care services in the corporate environment. Clients can customise Care@Work to meet their specific needs and it is job specific, providing a personal occupational risk profile for each employee. Phase 1 (booking solution, clinical solution and customer surveys) is complete and Phase 2 (occupational risk exposure, work-related and chronic disease management, among others) is scheduled for completion in December 2022.
National Renal Care	• **Strategic project** National Renal Care's EMR project, nephrOn, was completed in March 2022, implemented in all units and functioning on over 950 dialysis machines. An update of National Renal Care's mobile app, linking it to nephrOn, was released at the same time (see page 144). The app is the forerunner of our strategy to streamline the patient experience and provide patients with their health and care data. • Wi-Fi infrastructure was rolled out to all National Renal Care units.
One Netcare website	• **Strategic project** Five key projects were prioritised for development on the One Netcare website: improving the quality of care webpages, the re-design and consolidation of existing divisional websites into one single platform (Netcare.co.za), a re-design of our services pages and home page, and the implementation of smart search functionality across the Netcare ecosystem. Netcare **appoint**med™, NetcarePlus and online pre-admissions are driving website visits. • We shifted our social media strategy from prioritising reach and awareness to driving engagement and building a base of followers.
Data management and analytics	• Data profiling, data quality monitoring and remediation actions were implemented for the Group's critical data, resulting in a combined data quality score of 81.3% against a FY2022 target of over 80.0% across our data domains. • Initiatives were implemented to support the effective management of data through its lifecycle. • A number of data and analytics solutions were developed using data from various digital and EMR platforms. We also implemented tools to enhance the reporting of our clinical measures, and extract key insights from our patient feedback survey (see page 104 of ***our patients***) and other digital platforms.
IT skills	• An external benchmark was conducted for IT and data skills which indicated that our value proposition for IT professionals compares well to the market.

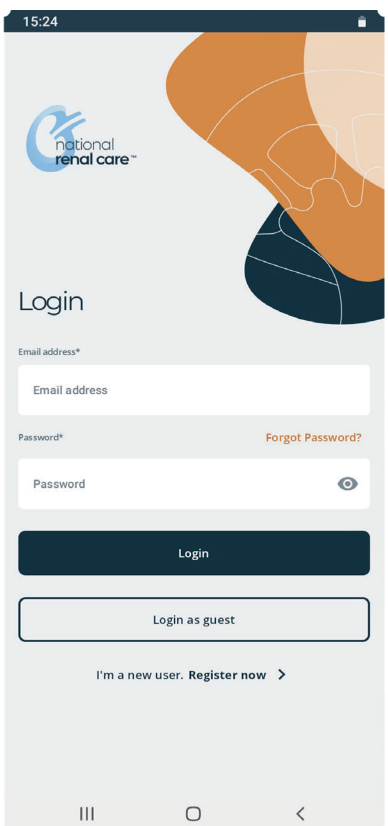
Digital transformation and data continued

Measure of healthcare practitioner adoption	CareOn training
100% of hospitals where CareOn has been implemented have met our digital process target. **Target:** <30% of orders and prescriptions to be telephonic three months after CareOn implementation	**15 175** doctors, allied healthcare professionals, nurses, pharmacists and administration personnel received training on CareOn.

Scale of CareOn implementation

>7 000 medical devices connected to EMRs (monitors, infusion pumps, anaesthetic machines, etc).	**8GB** of clinical data generated per day and growing.	**>13 700** active users (2 170 doctors, 9 470 nurses, 1 050 allied healthcare professionals, 655 pharmacists and 430 administration personnel).
>1.1 million electronic scripts processed, >900 000 drug-to-drug alerts issued and ~ 1 million pathology and radiology results received.		**>1 900** concurrent users of live EMR data.

National Renal Care



National Renal Care's mobile app provides patients with their treatment records after each dialysis session – admission, transfer and discharge; clinical observations; quality and safety interventions; blood tests; and patient activity and achievements. It also provides dietary and lifestyle advice.

Electronic integration of dialysis machines and treatment protocols will increase patient safety and improve clinical outcomes, resulting in lower cost of care.

Cybersecurity and privacy

Our digitisation journey places increasing reliance on IT systems to process personal information. It is imperative that we safeguard our information assets and protect personal information in our day-to-day business operations. Our challenge is to ensure that our IT systems and data are adequately secured without impeding access to patient information for healthcare facilities and doctors.

Netcare has adopted a hybrid approach to cybersecurity, with an experienced internal cybersecurity team complemented by external experts, and our best of breed technologies complemented by control frameworks. This approach continues to stand us in good stead in safeguarding our information and detecting, preventing and responding to security violations. A robust set of metrics is used to monitor our cybersecurity performance, and our controls are regularly verified internally and externally to ensure their effectiveness. A dedicated team and established process governs instances of non-compliance with our privacy policies and procedures, ensuring they are documented, reported and, where required, corrective measures are taken.

Our cybersecurity and privacy frameworks ensure that we can effectively monitor, govern and enforce best practice policies, comply with applicable privacy and data protection laws, and appropriately respond to and recover from cyber-related incidents and prevent or minimise data loss.

FY2022 performance

Cybersecurity and privacy

- There were no known cybersecurity breaches or material data loss incidents (FY2021: none).
- We benchmarked our cybersecurity performance against industry and global peers, achieving a higher performance rating than the respective averages.
- Some of our cybersecurity-related projects include:
  - Proactive and continuous testing and evaluation of our systems.
  - The development of playbooks to outline the processes required in the event of a security incident.
  - Migration to a new 24/7 Security Operations Centre and Security Incident and Event Management platform.
  - Development of strategic third-party cybersecurity assessments.
- We continued to educate our people about cybersecurity risks, using various awareness-raising mechanisms including simulated phishing campaigns.
- Conducted an internal audit review of the effectiveness of our controls to protect personal information.

Governance of personal information

33

POPIA Steering Committee members ensure that our privacy compliance obligations are met.

56

POPIA working group members.

POPIA training

>15 300

employees trained on POPIA and their obligations to protect personal information.

POPIA assessments

10

internal POPIA assessments undertaken across divisions.

Six

assessments against the European Union General Data Protection Regulations.

213

third-party assessments.

New business development

We are leveraging our ecosystem of services, capabilities, facilities and infrastructure to reach new markets and make quality private healthcare that is affordable, convenient and integrated a reality for more South Africans. NetcarePlus underpins this strategic priority. As an end-to-end platform that integrates financial services with healthcare products, NetcarePlus provides a new and affordable way for those who are employed but not adequately covered by insurance or medical aid to access private healthcare.

Our online products are accessible through multiple channels, can be purchased in under five minutes and the predetermined price removes uncertainty (there are no hidden costs). The network of trusted healthcare practitioners who support NetcarePlus includes providers practising at Netcare and independent healthcare providers. Participating doctors have the opportunity to increase patient volumes with gap cover for non-network co-payments at Netcare facilities, and validated vouchers that guarantee payment. They also have access to some of our digital channels such as **appoint**med™ and Netcare VirtualCare (telehealth).

NetcarePlus and Netcare Diagnostics – which supports a new black woman-owned pathology service provider, Dr Esihle Nomlomo Inc. – are the Group's growth initiatives. Both are starting to gain traction in their markets.

Key focus areas for FY2022

- Improving NetcarePlus product sales and call centre management.
- Establishing Netcare Diagnostics.

Associated risks and opportunities

1	Economic environment and demand for private healthcare	PG 60
11	Competitor activity	PG 70

Key takeaways for FY2022

NetcarePlus cost base

While still in its early stages, NetcarePlus is gaining traction with growing demand for these innovative healthcare products that will support the Netcare ecosystem. We continue to carefully manage the business's cost base, with operational costs in FY2022 totalling R53 million. Costs for FY2023 are forecast to be around R50 million.

Building NetcarePlus

To support the viability of this new business, we continued to expand the NetcarePlus product portfolio and add resources. We also launched a targeted marketing campaign, and are optimising the digital channels that provide access to the NetcarePlus products.

Netcare Diagnostics

The benefits of our new pathology offering include a high level of accuracy, point-of-care testing and reduced cost of pathology. During FY2022, the business gained traction and made a positive contribution to EBITDA[1].

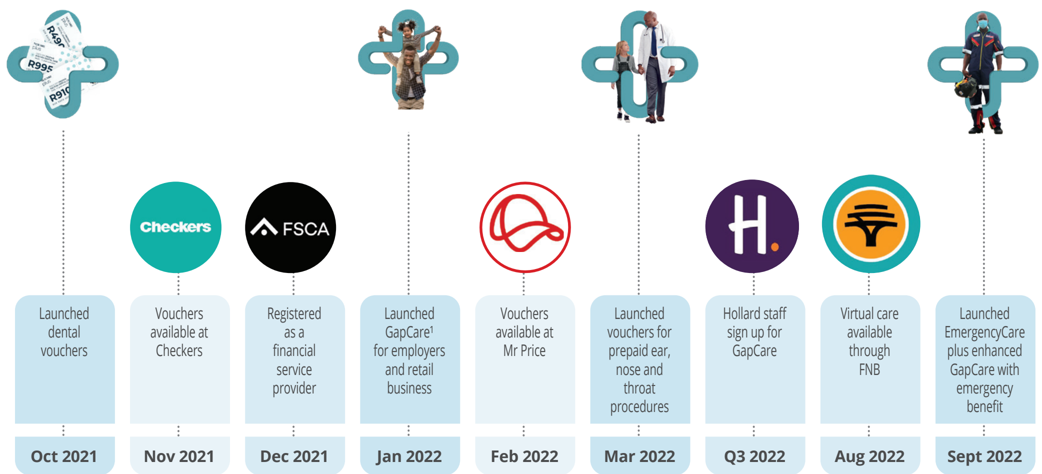
1. Earnings before interest, taxes, depreciation and amortisation (EBITDA).

FY2022 performance

NetcarePlus

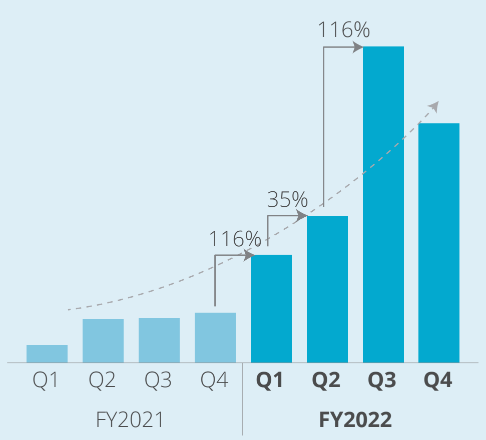
- The accident and trauma cover underwritten by Hollard is performing well. The product includes a family care benefit of R20 000 per beneficiary as well as trauma counselling.
- A network of specialists was onboarded to support NetcarePlus dental vouchers and ear, nose and throat prepaid acute offering; launched this year.
- We have developed a solid distribution platform, including partnering with a number of leading retailers and financial services companies, to expand product reach.

NetcarePlus progress in FY2022

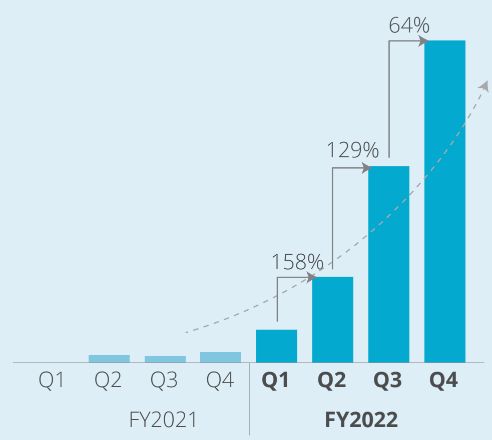


1. A range of three gap cover products underwritten by Hollard. Key product differentiators include emergency medical cover beyond accidents, out-of-hospital specialist cover and extension of day-to-day benefits, enhanced maternity benefits and unlimited cover for co-payments in Netcare hospitals with no upfront payments.

NetcarePlus voucher sales



NetcarePlus insurance sales



New business development continued

Netcare Diagnostics	• 130 blood gas analysers have been deployed in our intensive care and high care units, and a point-of-care solution piloted in two emergency departments allowing for accurate pathology tests. A dedicated resource has been appointed to engage with doctors on the adoption of the service and build relationships between hospital management and the pathology provider. The number of blood gas tests performed to date was higher than expected.

Looking forward

As NetcarePlus gains momentum, we have a pipeline of prepaid products to be launched in FY2023, including general, gynaecological and orthopaedic surgical procedures. We will enhance our accident and trauma product to cover the costs of treatment related to medical emergencies such as strokes and heart attacks. We will also extend the call centre network to facilitate better customer experience and support business growth. Dr Esihle Nomlomo, supported by Netcare Diagnostics, will be rolling out a variety of validated and quality assured analysers at points-of-care across several of Netcare's accident and emergency departments in FY2023.

Manufactured capital

Estate and medical equipment

Our facilities, infrastructure and medical equipment give us unparalleled reach, scale and ability to serve South Africans. A great proportion of our capital expenditure is allocated to upgrade, replace and maintain our estate and medical equipment, as a cornerstone of our value proposition to patients, doctors and funders. In line with growing mental healthcare needs we intend to grow the Netcare Akeso network.

Our established long-term capital management policies ensure a disciplined approach to financial investment. Financial models are used to stress test our operating and financial assumptions to inform decision-making related to additions, upgrades and replacements of our asset base. Board approval is required for projects exceeding R50 million.

Key focus areas for FY2022

- Opening Netcare Alberton Hospital and Netcare Akeso Richards Bay.
- Investing in projects that drive revenue growth, and ensure operational excellence and cost efficiency.
- Optimising the utilisation of our existing estate.
- Ensuring that our plant and medical equipment deliver optimal sustainable performance and comply with SHEQ requirements.

Associated risks and opportunities

6 Delivering consistently outstanding person centred health and care PG 65

11 Competitor activity PG 70

Key takeaways for FY2022

Capital expenditure in FY2022

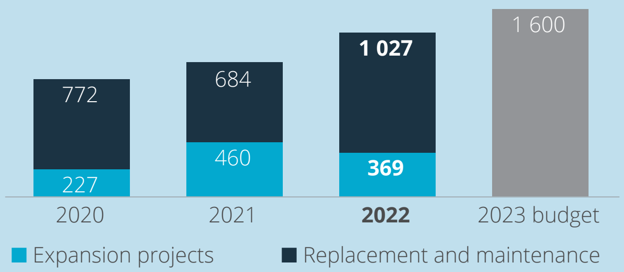
Capital expenditure in FY2022 totalled R1.4 billion, meeting budget. Key projects were the Netcare Alberton Hospital, the Hospital Division's Wi-Fi and firewall project, and an IT clinical system project (FY2021: R1.1 billion).

Chief financial officer's review: PG 162

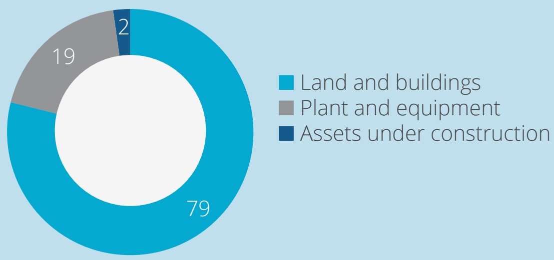
Capital expenditure guidance

Overall capital expenditure guidance for FY2023 is R1.6 billion, allocated to expansion (Netcare Akeso and Netcare Cancer Care), digital and strategic projects as well as the capital required to improve the look and feel of our facilities and maintain the quality of our medical equipment. A portion of this capital expenditure includes projects that were put on hold during the pandemic.

Capital expenditure
(Rm)



Carrying value of property, plant and equipment
(%)



Manufactured capital

Estate and medical equipment continued

FY2022 performance

Hospital Division

- No new beds were commissioned.
- We upgraded Netcare Garden City (ICU), Netcare Parklands (emergency department), Netcare Pretoria East (theatre HVAC[1] system), Netcare St Augustine's (foyer), Netcare Umhlanga (catheterisation laboratory) and Netcare Unitas (neonatal ICU) hospitals. We are also upgrading the emergency department of Netcare Ferncrest Hospital, which will take two years to complete.
- A new chemotherapy unit was opened at Netcare St Anne's Hospital in April 2022.
- The Netcare Ceres (28 beds), Netcare Bougainville (60 beds) and Netcare Optiklin (14 beds) hospitals were closed as they were not meeting our return on invested capital (ROIC) expectations. They are in the process of being sold.
- Major hospital projects planned for FY2023 will focus on medical equipment and monitors, and various upgrades of wards, theatres, emergency departments and infrastructure. Key projects include:
  - Expanding Netcare Milpark Hospital's oncology unit and upgrading the Gamma Knife unit.
  - A major theatre upgrade at Netcare St Augustine's Hospital.
  - Preparation for six major ward upgrades for Netcare Unitas Hospital (two upgrades a year) starting in FY2024.
  - A five-year upgrade project for Netcare Sunninghill Hospital.
  - A 35-bed medical ward upgrade at Netcare Parklane Hospital.
  - A cancer care unit at Netcare Alberton Hospital.

1. Heating, ventilation and air-conditioning (HVAC) system.

Netcare Alberton Hospital

Netcare Alberton Hospital opened in April 2022[1] with occupancies in excess of 80% to date.

427 beds including 135 ICU and high care beds.

Level I[2] accredited accident and emergency department.

Two emergency helicopter pads.

A solar photovoltaic (PV) system able to provide 2GWh of electricity a year – equivalent to 76 000 energy efficient light bulbs burning for a year and saving R4 million a year.

A greywater treatment plant capable of reducing water consumption by up to 60% (pending municipal approval).

1. The relocation of the Netcare Union and Netcare Clinton hospitals into one facility.
2. Accredited by South African Trauma Society.

Netcare Akeso	• We opened the 36-bed Netcare Akeso Richards Bay facility in May 2022. • 36 new beds were commissioned. • Looking ahead, we expect to open Netcare Akeso Gqeberha in Eastern Cape (72 beds) by May 2023 and Netcare Akeso Polokwane in Limpopo (87 beds) in May 2024. In addition, in line with our strategy to optimise beds in the acute segment and address the strong demand for mental health in KwaZulu-Natal, we will introduce mental health beds in the Netcare Alberlito Hospital.
National Renal Care	• National Renal Care opened a home therapy centre in Richards Bay and a paediatric centre in Sandton in October 2022 with five stations.

Looking forward

Capital expenditure will moderate from FY2024, settling at the investment needed to maintain our estate (approximately R1 billion).

Facilities and assets	2022	2021	2020
Hospital Division			
Owned and managed acute hospitals	**49**	53	53
– Registered beds	**9 903**	10 005	9 986
– ICU and high care beds	**1 956**	1 907	1 885
– Wards	**525**	505	477
– Theatres	**343**	349	349
– Emergency departments	**38**	40	41
– Hybrid theatres, catheterisation and electrophysiology laboratories	**34**	34	34
– Cancer care centres	**16**	15	15
Mental health hospitals	**13**	12	12
– Registered beds	**935**	891	891
Medicross day clinics	**12**	12	15
Primary Care Division			
Medicross centres and Netcare Occupational Health clinics	**65**	67	68
Sub-acute facilities	**1**	1	2
Netcare 911			
Emergency bases	**87**	82	82
Vehicles	**239**	215	211
Helicopter ambulances	**8**	8	8
National Renal Care			
National Renal Care units	**71**	69	68
Dialysis stations	**971**	956	979

Natural capital

Environmental sustainability

As our 2023 environmental sustainability strategy draws to a close, we have exceeded our stretch target to reduce our electricity usage per bed by 30% over 10 years, achieving a 35% reduction. We believe our new-and-bolder environmental sustainability strategy is well within our reach and skillset. It is a stepping stone to our long-term 2050 net zero strategy aligned to the 1.5 degree pathway of the Paris Accord. We aim to complete the bulk of our carbon neutrality work by FY2030.

2030 environmental sustainability strategy

2030 environmental development goals

1 Best practice

- Comply with 2030 global best practices including science-based targets and carbon budget goals.

2 Global leader

- Be a global leader in healthcare sustainability solutions.

3 Sustainable resource management

- Drive long-term security, efficiencies and cost savings for the business through sustainable resource management.

OUR 2030 TARGETS

Achieve zero Scope 2 emissions

Reduce Scope 1 and Scope 3 emissions

Energy

Achieve

100% renewable energy

Achieve further

energy reduction of 5%

(off the FY2023 30% reduction target)

Waste

Achieve

zero waste to landfill

Water

Achieve a further

20% reduction in water consumption

Significantly

reduce our impact

on the limited freshwater sources in SA

Detailed review of our environmental sustainability strategy: ESG report.

KEY INITIATIVES TO ACHIEVE THESE GOALS

Pillar 1
Energy

- Energy wheeling project – 100% renewable energy.
- Further energy efficiency projects.

Pillar 2
Waste

- Zero waste to landfill strategies.
- Healthcare risk waste (HCRW) innovative treatment solutions.
- Zero cost recycling initiatives.

Pillar 3
Water

- Harvesting greywater and blackwater and treating these to potable standards.

Pillar 4
Plant maintenance

- Real-time plant monitoring and operation capability.
- Increased operational efficiencies.
- Preventative maintenance centred on predictive failure identification and predictive energy, waste and water performance anomalies.

Pillar 5
Green procurement

- Netcare's Green Procurement Policy.

Pillar 6
Carbon offsets

- Scope 1 offset projects.
- Scope 3 offset projects.

Pillar 7
Awareness

- Stakeholder awareness initiatives and marketing campaigns.

Key focus areas for FY2022

- Sourcing an Independent Power Producer (IPP) to support our energy wheeling project.
- Conducting an in-depth analysis of the sources of our Scope 1 emissions and a preliminary analysis of our Scope 3 emissions to understand how we can reduce these over time.
- Engaging with waste service providers on our 2030 zero waste to landfill goal and improving our general waste data management.

Associated risks and opportunities

5	Availability of electricity supply	PG 64
6	Delivering consistently outstanding person centred health and care	PG 65
8	Water security	PG 67

Key takeaways for FY2022

Environmental sustainability projects

204 environmental sustainability projects[1] have been initiated across the Group since FY2013. 98% of our investment has been in energy efficiency projects.

Investment in key strategic projects

Our capital expenditure in energy, waste and water for FY2022 was R35 million. R55 million is budgeted for FY2023.

The operational expenditure associated with these projects has to date totalled R98 million with R23 million spent in FY2022 and a further R23 million expected for FY2023.

Our investment will help to de-risk the Group from the impacts of climate change and resource scarcity.

Net present value

Our environmental sustainability projects are achieving greater savings than originally predicted, yielding a net present value (NPV) of R123 million against an estimated NPV of R102 million at approval stage. Post implementation reviews are measured using the SANS 50010 measurement and verification standards.

How we manage our environmental impact

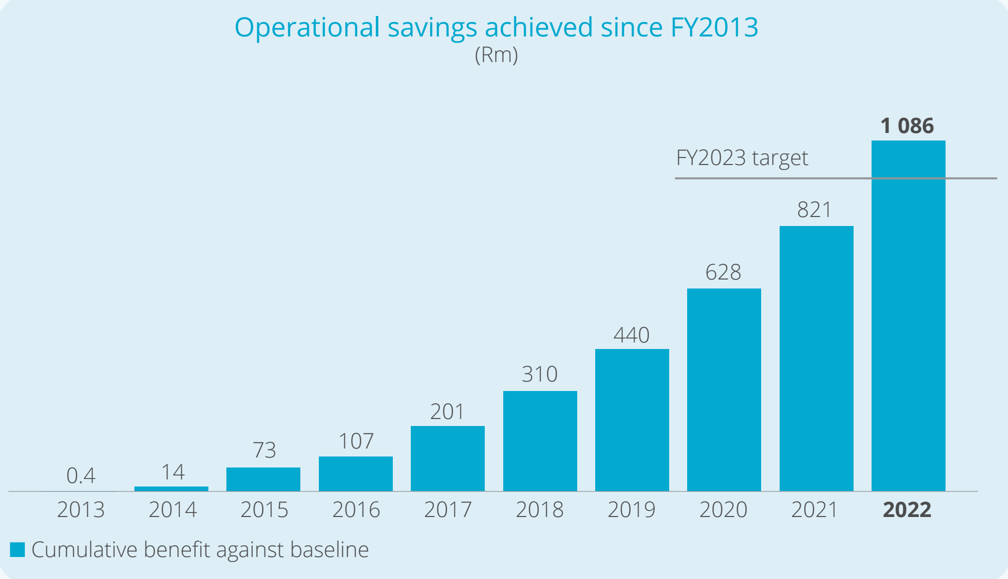
More than 90% of the Group's energy and water consumption and waste generation is monitored by a fully digital enterprise sustainability platform and digital plant monitoring that covers 45 hospitals using more than 6 000 data points. Our focus now is to implement digital monitoring for Netcare Akeso.

1. A total of 30 projects are still active.

Environmental sustainability continued

Financial results of our 2023 environmental strategy to date (Rm)

	Capital expenditure to FY2022	**Operational saving to FY2022**	**Cash saving**	**Cost avoidance**
Energy (since FY2013)	572	**961**	**257**	**704**
Waste (since FY2017)	1	**48**	**8**	**40**
Water (since FY2014)	12	**77**	**19**	**58**
Total	585	**1 086**	**284**	**802**



R265 million

operational saving (cash saving of R41 million and cost avoidance of R224 million) for FY2022

Performance against sustainability-linked bond targets

In March 2021, we secured a R1 billion sustainability-linked bond from Standard Bank, a first for the African continent. Achievement of the agreed environmental targets will reduce our annual interest paid on the bond (a R1 million benefit). Our first progress report will be in March 2023 as per the bond agreement.

	Description	Baseline (2020)	Target (March 2023)	Status	Performance
Energy efficiency	Reduction in electricity consumption by source	210.9GWh	205.8GWh (2.4% reduction)	Target exceeded	**192.0GWh** (9.0% reduction)
Renewable energy	Renewable energy procured	0GWh	10GWh a year	Target exceeded	**Purchased 15GWh**, redeemed February 2022.
GHG emissions	Absolute reduction in Scope 2 emissions	203 514 tCO_2e	189 014 tCO_2e (7.1% reduction)	Target exceeded	**187 592 tCO_2e** (7.8% reduction)
Water efficiency	Amount of greywater recycled	0	10 000kl a year	Target exceeded	**27 043kl**

Energy and emissions

Phase one of our plan to achieve 100% renewable energy by FY2030 is underway. We aim to reach financial close on agreements with an IPP to grid wheel renewable energy to six facilities, with the purchasing of green energy to begin by FY2024.

FY2022 performance

Energy and emissions

- Total Scope 1 emissions remained stable (0.5% increase) despite a significant increase in load shedding hours over the year and the higher emissions factor applied. Scope 2 emissions decreased 10% due to our energy efficiency initiatives and renewable energy purchased. Scope 3 emissions decreased 3%, mostly due to better segregation of waste at source, reducing our HCRW volumes.
- The cumulative electricity tariff increase since FY2013 is 113%. Had we not implemented our energy efficiency projects, our electricity cost per bed would have been R57 500 compared to R37 100 today – a 38% increase on the electricity cost per bed in FY2013. Year-on-year cost decreased 1% to R386 million due to energy efficiency and renewable energy initiatives. Three new PV systems were installed in FY2022.

Renewable energy

15.6GWh

of renewable energy generated, achieving a R28 million cost saving for the year. We also purchased 15.0GWh of renewable energy.

FY2021: 15.6GWh saving R26 million

Electricity

35%

reduction in electricity usage per bed since FY2013.

FY2013: 28 442kWh[1]

FY2023 stretch target: 30% reduction

R6 million

year-on-year energy costs avoided for monitored accounts.

Carbon footprint

38%

decrease in Scope 1 and Scope 2 emissions from 33.6 tCO_2e per bed per year in FY2013 to 20.8 tCO_2e.

FY2021: 21.8 tCO_2e per bed per year

1. Kilowatt hour (kWh).

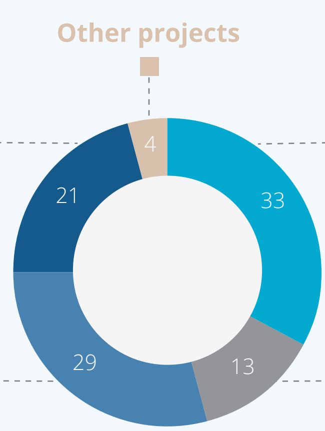
How we reduced our energy intensity (%)

Renewable energy

Our initiatives: 72 solar PV systems installed with total generating capacity of 13.4 megawatt peak (MWp), with a further 1.9MWp to be added. This is the second largest commercial solar PV fleet in SA.

Energy efficient lighting systems

Our initiatives: 140 000 lights across our facilities replaced with energy efficient alternatives and lighting sensors installed in all appropriate areas.



Heating, ventilation and air-conditioning (HVAC), the main driver of electricity consumption in our facilities.

Our initiatives: using waste heat for zone heating and hot water generation, driving off-duty cycles in theatres and installing time and movement sensors on split units.

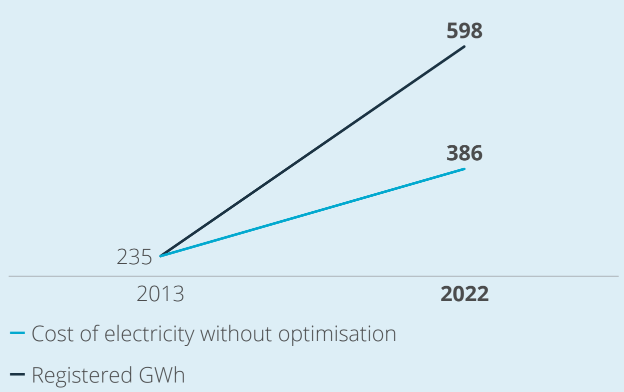
Water heating systems make up approximately 9% of our energy consumption.

Our initiatives: replacing resistive heating with waste heat reclaimed from HVAC systems or from solar or heat pumps, and improved insulation.

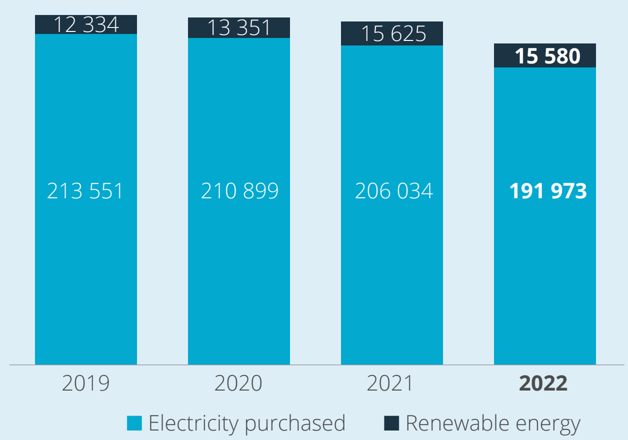
Natural capital

Environmental sustainability continued

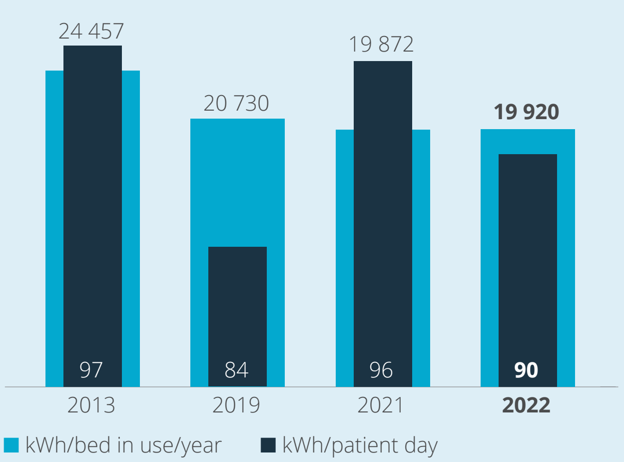
Optimisation impact from energy saving initiatives
(Rm)



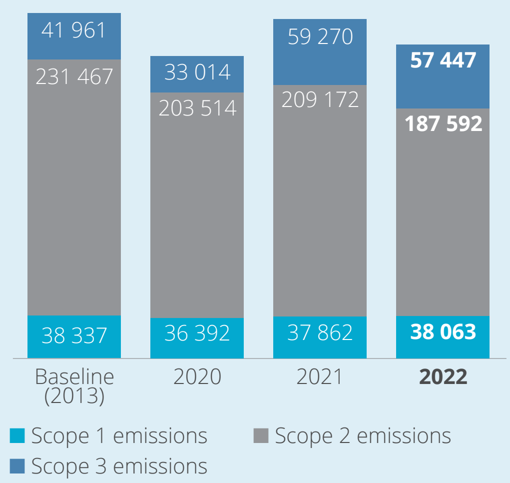
Energy consumption
(kWh)



Electricity intensity on monitored facilities



Carbon emissions
(tCO_2e)



Energy and carbon footprint	Unit	2022	% change	2021	2020	Baseline (2013)
Energy use[1]						
Total energy consumed	gigajoules	**925 719**	(3.0%)	954 692	956 560	1 038 540
CO_2 emissions						
Total Scope 1, 2 and 3 emissions	tCO_2e	**283 102**	(7.6%)	306 304	272 920	311 765
CO_2 intensity ratios						
Ratio of Scope 1 and 2 to:						
– Revenue	tCO_2e/Rm	**10.43**	(10.5%)	11.65	12.73	20.09
– Registered beds	tCO_2e/bed	**20.82**	(4.6%)	21.82	21.23	33.56

Note: data covers SA and Lesotho up to FY2021 and thereafter only covers SA.

1. *Total energy use includes purchased electricity and other fossil fuels but excludes renewable energy. Electricity meters cover more than 90% of the hospital network, 75% of Primary Care and 100% of Netcare Akeso electricity expenses.*

Looking forward

Our primary targets for FY2030 are to reduce our Scope 2 emissions to zero, our Scope 1 and Scope 2 emissions by a combined 84% against FY2020 as the base year, and our Scope 3 emissions by 6%. To become carbon neutral by FY2050 or sooner, we are exploring various solutions to remove or offset our Scope 1 and Scope 3 emissions, and will revise our procurement strategies to reduce our Scope 3 emissions.

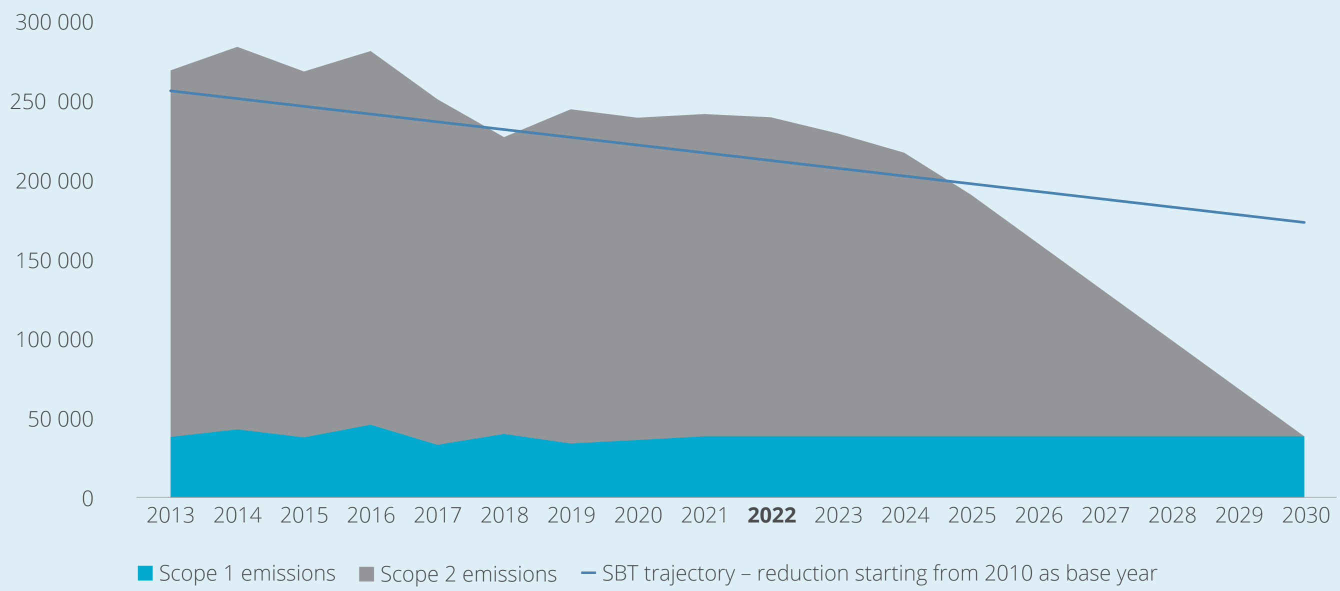
Currently, we use around 208GWh of electricity a year of which around 16GWh is generated from our solar PV fleet across SA. To achieve 100% renewable energy, we are evaluating the wheeling of wind and solar energy for the remaining 192GWh.

We are working to enhance our science-based targets (SBT) to include Scope 3 emissions. This requires a detailed analysis to quantify and map upstream and downstream emissions, and supplier engagements to influence Scope 3 emissions reductions.

Battery energy storage solutions (BESS) provide cost advantages by storing energy in the off-peak periods and discharging in the peak periods as well as powering hospitals during load shedding. We will pilot a BESS system to understand the potential savings and benefits.

Projected trajectory of our Scope 1 and 2 emissions by FY2030 compared to the target set by the SBT initiative

(tCO_2e)



Environmental sustainability continued

Waste

HCRW is our most expensive category of waste to dispose of and is either recycled or treated before going to landfill. General waste is either recycled or sent directly to landfill. Recycling provides a means to reduce our Scope 3 emissions, limit our exposure to unpredictable waste cost escalation and convert our waste streams to value streams that support enterprise and supplier development (see page 120 of ***suppliers***). We anticipate zero general waste certification for the Group by FY2026 provided logistical and legal factors do not cause delay.

FY2022 performance

Waste

- The year-on-year cost of HCRW decreased by 19% with the balance of waste disposal costs increasing by 10%. This is attributable to better segregation of HCRW at source, resulting in increased general waste volumes and decreased HCRW volumes.
- Three hospitals piloted a project to convert clinical glass waste into a low carbon coal product that is donated to cement and building industries. Over FY2022, 24 tonnes of clinical glass waste was diverted. In another initiative, 230 tonnes of HCRW was diverted from landfill to support research on converting the residue into fuel cells. Around 400 tonnes of food waste was diverted from landfill through our organic waste composting solutions.

All waste

13%

reduction in total volume of waste generated to 8 185 tonnes.

FY2021: 9 406 tonnes

HCRW

6% (285 tonnes)

of HCRW treated and recycled[1].

FY2022 target: 6%
FY2022 stretch target: 6.5%

16.5 tonnes

of PVC[2] waste recycled.

FY2022 target: 10.9 tonnes

See the *My Walk project*: PG 122.

Waste projects

Eight

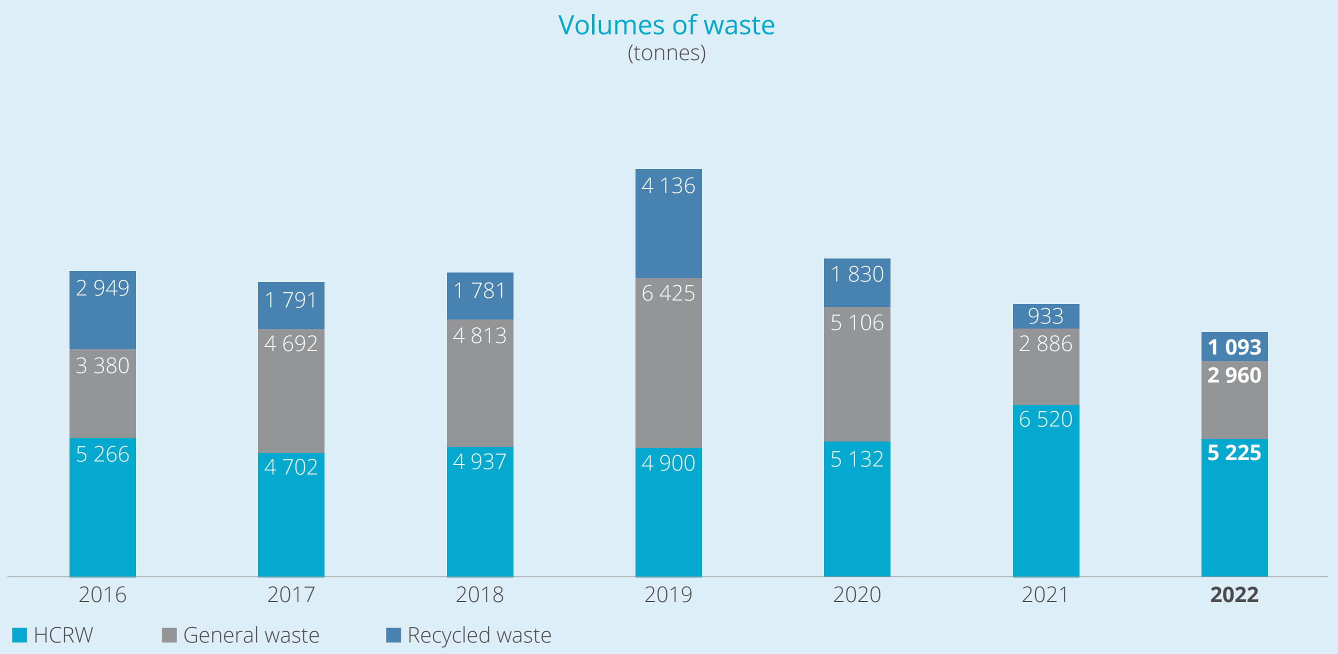
hospitals piloted a zero general waste to landfill project. Five of these hospitals met our target to divert 75% of waste from landfill with the remaining three hospitals currently at 65%.

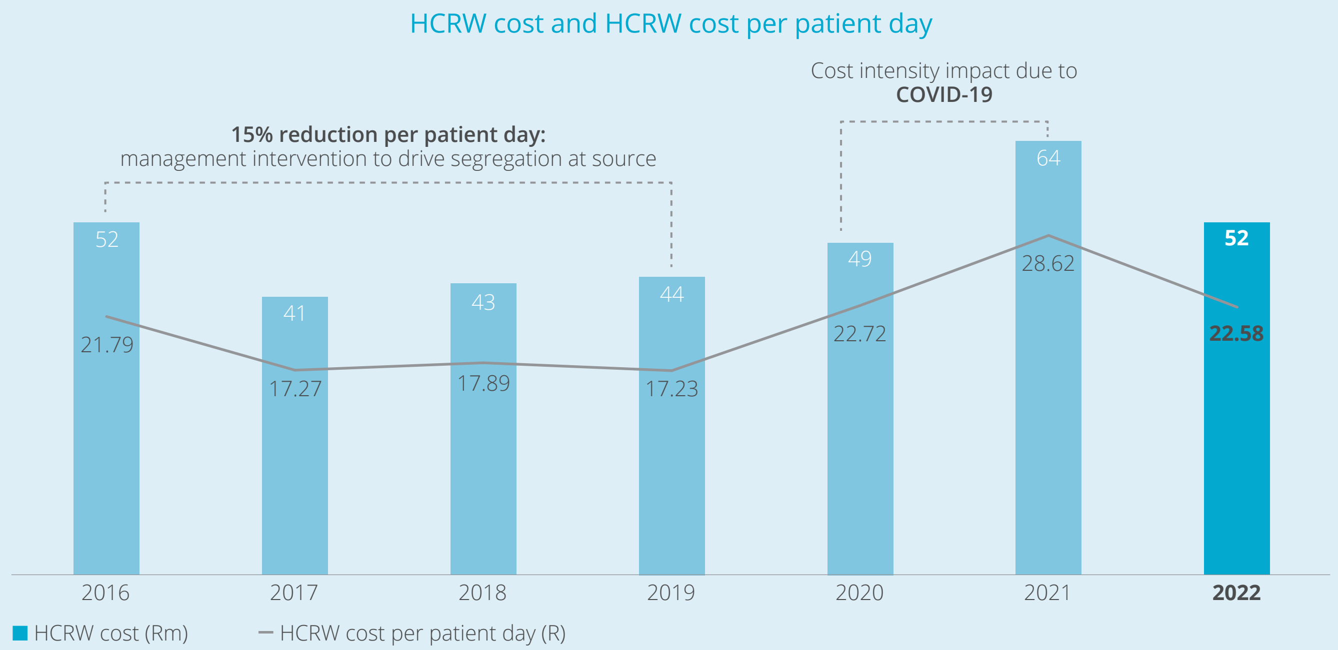
1. Reported for the first time in FY2022.
2. PVC waste includes uncontaminated IV drip bags, oxygen masks and tubing.

Key data: waste management

	Unit	2022	% change	2021	2020	Baseline (2017)[1]
HCRW						
– Incinerated	tonnes	**75**	(41.9%)	129	140	72
– Treated and landfilled	tonnes	**5 150**	(19.4%)	6 391	4 992	4 630
General waste (landfilled)	tonnes	**2 960**	2.6%	2 886	5 106	4 692
Total waste[2]	tonnes	**8 185**	(13.0%)	9 406	10 238	9 394
Recycled waste	tonnes	**1 093**	17.1%	933	1 830	1 791
Ratio of total waste generated to:						
– Revenue	kg/Rm	**378**	(14.9%)	444	543	491
– Registered beds	kg/bed[3]	**755**	(9.1%)	831	906	886

Note: data covers SA and Lesotho for FY2020 and FY2021 and only SA for FY2017 and FY2022.
1. Now reporting against official baseline indicating when initiatives were implemented rather than FY2013 values.
2. Total waste excludes recycled waste.
3. Registered bed for the Hospital Division and Netcare Akeso.





Looking forward

Some of our initiatives to reduce our waste to landfill include:
- Maximising our PVC waste recycling initiative and extending the range of PVC materials included for recycling.
- Scaling the clinical glass recycling project across 50% of Netcare facilities by FY2023.
- Establishing benchmark waste targets for each hospital.
- Rolling out the zero general waste to landfill project to all sites in the Hospital Division in FY2023.

Environmental sustainability continued

Water

To reduce our water consumption from 500 litres to 400 litres per bed per day by FY2030 (a 20%[1] reduction of our impact on water sources), we are investigating the feasibility of harvesting and treating our greywater and blackwater into potable water using purpose-built water treatment plants. These solutions will be in addition to other water efficiency projects.

FY2022 performance

Water

- The cost of water decreased year-on-year by 1.7% due to our water saving initiatives.
- Total water consumption increased due to an increase in patient days as business recovers post-COVID.
- All autoclaves in the Hospital Division were upgraded to the most efficient technology.
- We upgraded water supply in hospitals where there was a high risk that municipal fire hydrant water supply is insufficient.
- We are expanding our metering network to include major water consumers within the Group, such as the HVAC systems cooling towers, to better understand our water consumption per area.
- National Renal Care implemented an additional 38 indirect feed (storing all unused water) reverse osmosis plants in FY2022, which save between 50% to 70% of water depending on the unit. This brings the total number of units with these plants to 42, and together they have saved 27 043kl of water to date.

Water consumption

17%

reduction in water usage per bed per year from 216kl in FY2014 to 180kl per bed in FY2022[1].

FY2021: 167kl

Water recycled

27 043kl

water recycled.

FY2021 target: 21 931kl
FY2022 stretch target: 22 345kl

Netcare Alberton Hospital

50 000kl

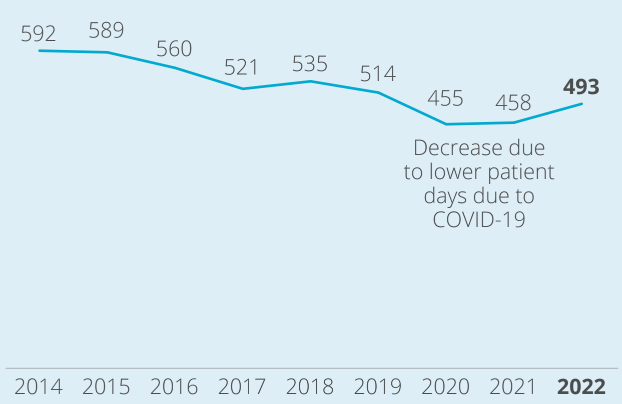
the estimated annual amount of water that can be saved by Netcare Alberton Hospital's water treatment plant. The hospital also has an attenuation pond to capture rainwater and four boreholes with both sources feeding into the treatment plant. Provision has also been made to treat blackwater with minimal adjustment to the water treatment plant should the need arise.

1. *The 20% reduction refers to actual water used per bed (from 500 to 400 litres). The water intensity figure reported above (17%) refers to the ratio of total water consumed for the Group divided by the number of registered beds (calculated as total consumption/registered beds).*
2. *Reported for the first time in FY2022.*

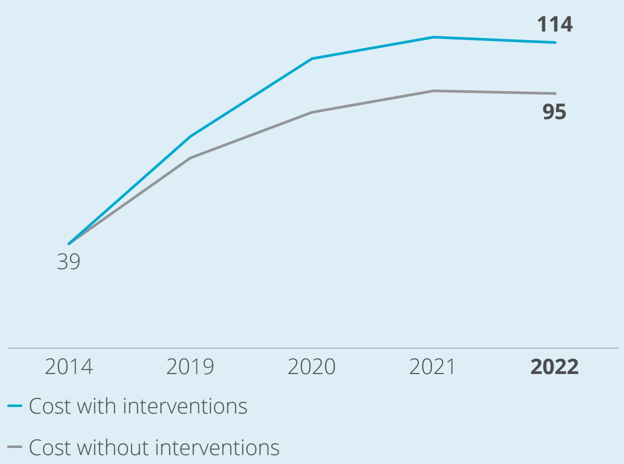
Water	Unit	2022	% change	2021	2020	Baseline (2014[3])
Municipal water consumption	kl	**1 953 678**	3.1%	1 895 020	1 878 400	2 035 101
Ratio of total water to:						
– Revenue	kl/Rm	**90**	1.1%	89	100	125
– Registered beds	kl/bed	**180**	7.8%	167	166	216

Note: excludes re-use and borehole water. All facilities have water meters with more than 800 components installed since 2015. Data covers SA and Lesotho up to FY2021 and thereafter only covers SA.
3. Rebased from 2013 to 2014 when initiatives were implemented.

Water reduction
(litres per bed per day)



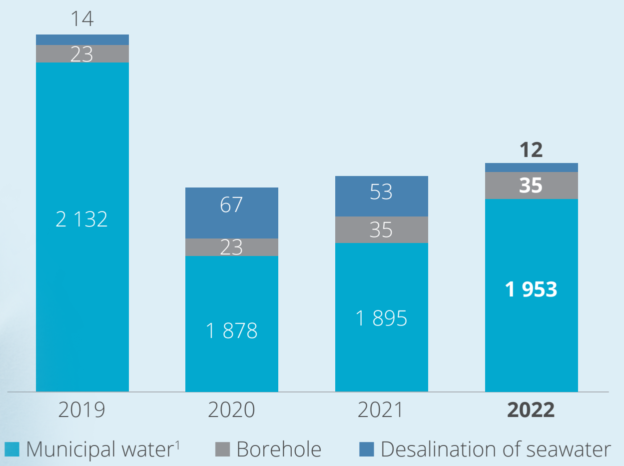
Optimisation impact from water saving initiatives
(Rm)



Looking ahead

Investigations are underway to expand the water filtration plant at the Netcare Greenacres Hospital to treat recycled greywater or blackwater. This will allow us to recycle up to 75% of the water consumed from the boreholes and municipal supply. Boreholes will also be drilled at more of our facilities.

Water consumption
(megalitres)



1. *Includes Lesotho up to FY2021.*

Financial capital

Chief financial officer's review

Value delivered in FY2022

The value we create for our investors	Value created, preserved or eroded		
• FC A defined framework for optimal capital structure, disciplined capital allocation and granular measurement of returns. • SRC/HIC Access to an experienced Board and leadership team. • SRC/HIC Solid track record of operational excellence over time. • FC A strong balance sheet to support business continuity and growth. • SRC/HIC A digitisation strategy that will deliver a sustainable competitive advantage.	• Ongoing **recovery in financial performance** as operating environment normalises • Robust **operating leverage** driven by improved occupancy and cost efficiencies • Stronger statement of **financial position allows for continued investment** in facilities and key strategic projects	**Revenue** R21 636 million ▲ 3.0%	✓
		EBITDA[1] R3 496 million ▲ 9.5%	✓
		EBITDA margin 16.2% ▲ 100 basis points	✓
		Cash conversion ratio 113.0%	✓
	R728 million **FY2021:** Rnil	**Distributed to ordinary shareholders** • Interim dividend – 20.0 cents • Final dividend – 30.0 cents • Total dividend – 50.0 cents	✓
	23.4% increase	In adjusted headline earnings per share (HEPS) to 83.2 cents (FY2021: 64.7 cents).	✓
	R19 743 million **FY2021:** R23 312 million	**Market capitalisation.**	×
	8.8% **FY2021:** 7.9%	**Return on invested capital** (ROIC).	✓
	R4 875 million **FY2021:** R5 331 million	**Net debt** with a net debt to EBITDA ratio of 1.4 times (FY2021: 1.7 times).	✓
	AA- **FY2021:** AA-	**Credit rating long term** and A1+ short term by Global Credit Ratings Co.	⦿

1. Earnings before interest, tax, depreciation and amortisation (EBITDA).

Our strategy: PG 10.
Overview of strategic progress: PG 71.
Digital transformation and data: PG 139.

✓ Value created
⦿ Value preserved
× Value eroded

“Since the fourth wave subsided in January 2022, Netcare enjoyed a period free from COVID-19 disruptions, which allowed the Group’s recovery to gain traction. The improving performance trend continued through the second half, resulting in a better financial performance for the 2022 financial year.”

Keith Gibson

Introduction

The 2022 financial year was a story of two halves. During the fourth wave of COVID-19, in December 2021 and January 2022, the correlation between the rate of community transmission and hospitalisation decoupled. Consequently, exceptionally low occupancies were experienced in the months of December 2021 and January 2022, creating a notable dent in first half performance.

However, after the fourth wave subsided, demand for private healthcare services began to strengthen, and occupancy levels improved steadily for the rest of the year. In combination with cost efficiencies, this generated pleasing operating leverage.

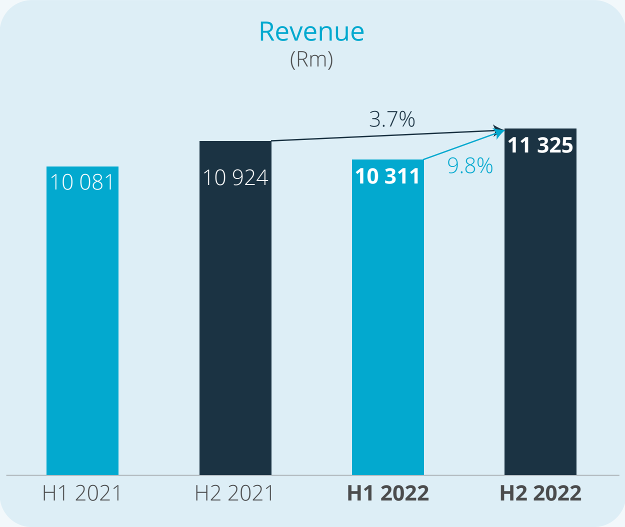
The business maintained its healthy statement of financial position and generated strong cash flows during the year, with a cash conversion ratio of 113.0% (FY2021: 118.8%).

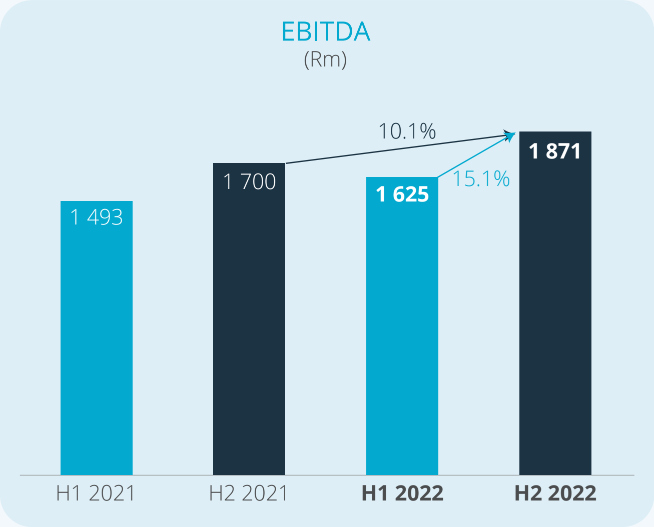
Strong cash generated allowed further debt reduction, with net debt down to R4.9 billion. At 30 September 2022, the Group had cash resources and committed undrawn facilities of R3.5 billion available for any future funding and liquidity requirements.

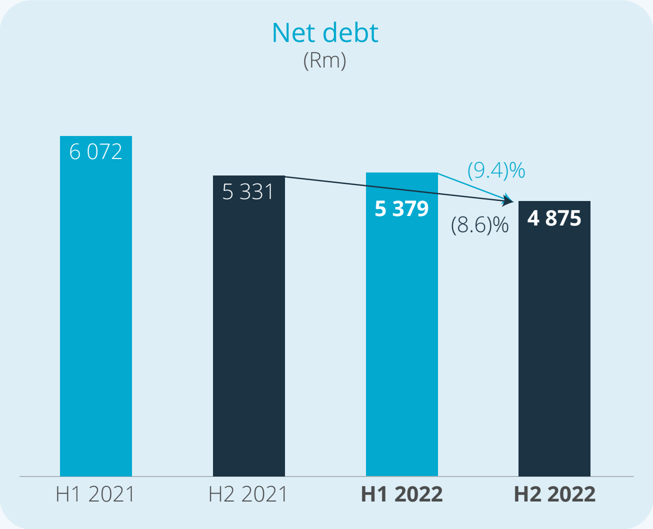
Our focus will remain steadfast on maintaining an optimal capital structure, supported by disciplined capital allocation and measurement of returns in full view of our priority to recover profitability, and achieve balanced value creation for all our stakeholders.

Chief financial officer's review continued

H1 and H2 comparison for FY2022 and FY2021







Shareholder returns

We distributed R728 million in dividends to external shareholders in the 2022 financial year. This was in respect of last year's final dividend and this year's interim dividend. A final dividend of 30.0 cents per share was declared subsequent to financial year-end. The total dividend for the 2022 financial year was 50.0 cents per share, up 47.1% from 34.0 cents per share declared for the prior year.

The Group's strong cash generation and conservative gearing enabled the Board to approve the total dividend for the year towards the mid-range of our dividend policy, at 60% of adjusted headline earnings.

Disciplined capital management approach

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

Our policy

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

1 Investment strategy

Identifying opportunities linked to Group strategy.

Application

- Digitisation
- New business lines

Our investment strategy guides the search for new growth opportunities aligned to the Group strategy. All opportunities must meet one or more of the Netcare litmus test criteria, namely, growth above the market, differentiating our patient experience and growing margins and improving returns.

2 Deployment of capital

Using decision models to select investments with highest NPV.

Application

- Expand and digitise business
- Maintain and upgrade operations

We apply robust decision models to evaluate and select capital investments with the highest expected NPV. Financial discipline when allocating capital requires that return on capital must safely exceed the cost of capital. We disinvest where returns do not meet our hurdle rates, such as the disposal of under-performing facilities.

3 Cash generation

Measuring performance through ROIC and economic profit.

Application

- Strong cash generation target of 100% cash conversion

Sound capital investment decisions drive good cash generation. We use economic profit and ROIC as key metrics to monitor and drive Netcare's intrinsic value. These measures have been implemented at hospital level to ensure behaviours that will ultimately increase long-term cash generation.

4 Capital distribution

Maintaining optimal capital structure and returning surplus capital to shareholders.

Application

- Dividend policy to return 50% – 70% of adjusted headline earnings to shareholders

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

As our operating environment normalises, we will continue to favour investments in strategic projects that will drive revenue growth, operational excellence and cost efficiency in line with our asset light strategy. During the year, the Group invested capex of R159 million and incurred operational costs of R249 million (FY2021: R172 million) on strategic projects.

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

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

Group ROIC for the 2022 financial year was 8.8% (FY2021: 7.9%). We expect higher activity levels and the early benefits of our strategic projects to drive further margin expansion, generating improved earnings and higher ROIC in the medium term.

Analysis of financial performance

To aid comparability, the commentary that follows excludes exceptional items unless otherwise indicated.

Rm	**30 September 2022**	30 September 2021	% change
Normalised revenue[1]	**21 636**	21 005	3.0
Normalised EBITDA[1]	**3 496**	3 193	9.5
Normalised operating profit[1]	**2 293**	2 025	13.2
Normalised profit before taxation[1]	**1 545**	1 284	20.3
Normalised taxation[1]	**(460)**	(380)	(21.1)
Normalised profit after taxation[1]	**1 085**	904	20.0
Exceptional items:			
Lesotho PPP termination		(35)	
Impairment of properties	**(11)**	(73)	
Change in corporate tax rate	**(24)**		
Taxation on exceptional items		(36)	
Profit for the year	**1 050**	760	38.2
Adjusted HEPS (cents)	**83.2**	67.4	23.4
ROIC (%)	**8.8**	7.9	

1. Normalised to exclude the impact of exceptional items comprising property impairments and corporate tax rate change, and the termination of the Lesotho Public Private Partnership (PPP) in FY2021.

- Normalised Group revenue increased by 3.0% to R21 636 million (FY2021: R21 005 million).
- Normalised Group EBITDA improved by 9.5% to R3 496 million (FY2021: R3 193 million).
- Higher activity levels in H2 2022, coupled with lower COVID-19 costs and ongoing efficiencies, provided strong operating leverage and drove Group EBITDA margin up 100 basis points to 16.2% from 15.2% in FY2021.
- Normalised operating profit increased by 13.2% to R2 293 million (FY2021: R2 025 million).
- Net interest paid, excluding interest on lease liabilities, declined to R359 million (FY2021: R413 million) reflecting the benefit of a lower level of average net debt during the year, partially offset by a higher average cost of debt.
- The contribution to earnings from associates and joint ventures declined to R21 million from R45 million in FY2021, primarily due to the termination of the Lesotho PPP in August 2021.
- Normalised profit before taxation increased by 20.3% to R1 545 million (FY2021: R1 284 million).
- The normalised taxation charge (excluding the deferred taxation impact of the change in the statutory tax rate from 28% to 27% with effect from FY2023) amounted to R460 million (FY2021: R380 million), reflecting an effective tax rate of 29.8% (FY2021: 29.6%).
- Normalised profit after taxation increased by 20.0% to R1 085 million (FY2021: R904 million) and adjusted HEPS increased by 23.4% to 83.2 cents (FY2021: 67.4 cents).
- Exceptional items amounted to R35 million, comprising provisions for impairment of property assets of R11 million and R24 million relating to the change in the statutory corporate tax rate.

Operational performance

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination[1]	Total
30 September 2022						
Statement of profit or loss						
Revenue	**19 733**	**1 291**	**21 024**	**634**	**(22)**	**21 636**
EBITDA	**3 211**	**111**	**3 322**	**163**	**—**	**3 485**
Depreciation and amortisation	**(929)**	**(183)**	**(1 112)**	**(91)**	**—**	**(1 203)**
Operating profit	**2 282**	**(72)**	**2 210**	**72**	**—**	**2 282**
Additional segment information						
Impairment of property, plant and equipment	**(13)**	**2**	**(11)**	**—**	**—**	**(11)**

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

1. Relates to revenue earned in the Hospital and emergency services segment.

Chief financial officer's review continued

Hospital and emergency services

This segment is disaggregated into hospital and pharmacy operations, covering our private acute hospital network and day clinics, and non-acute services. The non-acute services include the provision of emergency services, the operation of private mental health facilities, cancer care, diagnostics services and the sale of healthcare products and vouchers.

Revenue of R21 024 million increased by 2.0% against R20 617 million in the prior year. However, as set out in note 11 of the annual financial statements, a non-recurring revenue of R195 million was recognised in the prior year arising from the early termination of the Lesotho PPP agreement. Excluding this once-off revenue benefit, normalised revenue for FY2021 amounted to R20 422 million. Normalised revenue for the segment increased by 2.9% to R21 024 million (FY2021: R20 422 million).

Total patient days increased by 5.4% in FY2022, with acute hospital patient days improving by 4.8% on the prior year. Mental health patient days showed a strong recovery, improving by 11.5% compared to FY2021, with the new 36-bed Netcare Akeso Richards Bay mental health facility contributing 1.3% of the increase.

For FY2022, full week occupancy in acute hospitals increased to 59.3% from 56.2% in FY2021. The normalising operating environment was particularly evident in higher acute hospital occupancies in H2 2022 of 63.0% (H1 2022: 55.7%), with 66.4% occupancy in September 2022, the highest level since the onset of the pandemic and ahead of September 2019 occupancy of 64.2%.

Mental health occupancies showed strong improvement, increasing to 68.1% in FY2022 from 62.1% in FY2021. Occupancy in H2 2022 was 71.8% (72.4% excluding Richards Bay), improving from 64.2% in H1 2022.

EBITDA for the segment increased by 6.5% to R3 322 million from R3 120 million in FY2021. However, excluding property impairments of R11 million (FY2021: R73 million) and the net benefit of R124 million arising in the prior year on the early termination of the Lesotho PPP agreement, normalised EBITDA of R3 333 million grew by 8.6% from R3 069 million in FY2021.

Improved activity levels are reflected in the EBITDA margin for the full year, which increased to 15.8% from 15.1% in FY2021. Normalised EBITDA margins improved from 15.0% to 15.9%.

Primary Care

The Primary Care Division maintained a solid performance with revenue increasing by 6.6% year on year, driven by a 4.3% increase in patient visits.

EBITDA for FY2022 of R163 million increased by 31.5%, due to stringent cost management that delivered an EBITDA margin of 25.7% from 20.8% in FY2021.

Statement of financial position

Rm	**30 September 2022**	30 September 2021
Assets		
Property, plant, equipment, goodwill and intangible assets	**15 312**	14 721
Right of use assets	**3 770**	3 600
Deferred tax assets	**1 040**	987
Other non-current assets	**710**	718
Current assets	**3 939**	4 139
Cash and cash equivalents	**1 499**	1 456
Total assets	**26 270**	25 621
Equity and liabilities		
Total shareholders' equity	**10 944**	10 589
Borrowings	**6 374**	6 787
Lease liabilities – long and short term	**4 488**	4 096
Deferred tax liabilities	**319**	309
Other liabilities	**4 145**	3 840
Total equity and liabilities	**26 270**	25 621

At 30 September 2022, total assets had increased to R26 270 million from R25 621 million in the previous year.

Total capex, including strategic projects, amounted to R1.4 billion for the year, of which R369 million related to expansionary projects, including the completion of the new 427-bed Netcare Alberton Hospital.

Working capital has been well managed and inventory levels continued to normalise, with a further reduction of R78 million in inventory balances since September 2021.

Total shareholders' equity increased to R10 944 million from R10 589 million. The Group's ROIC improved to 8.8% (FY2021: 7.9%), below historical norms due to the COVID-19 pandemic.

Net debt

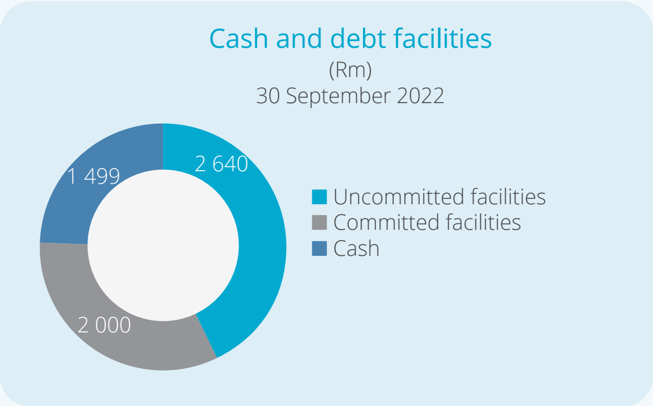
Rm	**30 September 2022**	30 September 2021
Gross debt	**6 374**	6 787
Cash	**(1 499)**	(1 456)
Net debt	**4 875**	5 331
Net debt to EBITDA[1] (times):		
Bank debt only	**1.4**	1.7
Bank debt and IFRS 16 lease liabilities	**2.7**	3.0
Cost of debt (%)	**7.7**	5.9
EBITDA[1]/net interest (times)	**4.5**	4.1
Interest cover[1] (times)	**3.0**	2.6

1. Normalised to exclude impact of exceptional items.

At 30 September 2022, the Group's cash resources and available undrawn committed facilities amounted to R3.5 billion. Group net debt (exclusive of IFRS 16 lease liabilities) reduced to R4.9 billion from R5.3 billion at 30 September 2021.

The decrease in net debt during FY2022 is due to higher operating profit and improved working capital, partially offset by ongoing capital expenditure and the payment of ordinary and preference dividends.

The net debt to EBITDA ratio at 30 September 2022 was 1.4 times, improving from 1.7 times at 30 September 2021. EBITDA/net interest cover remains strong at 4.5 times (FY2021: 4.1 times).



1. Promissory notes, commercial paper and bank loans.

Our debt tenure reflects a manageable and appropriately staggered debt repayment profile, with R1.1 billion maturing in FY2023.

Chief financial officer's review continued

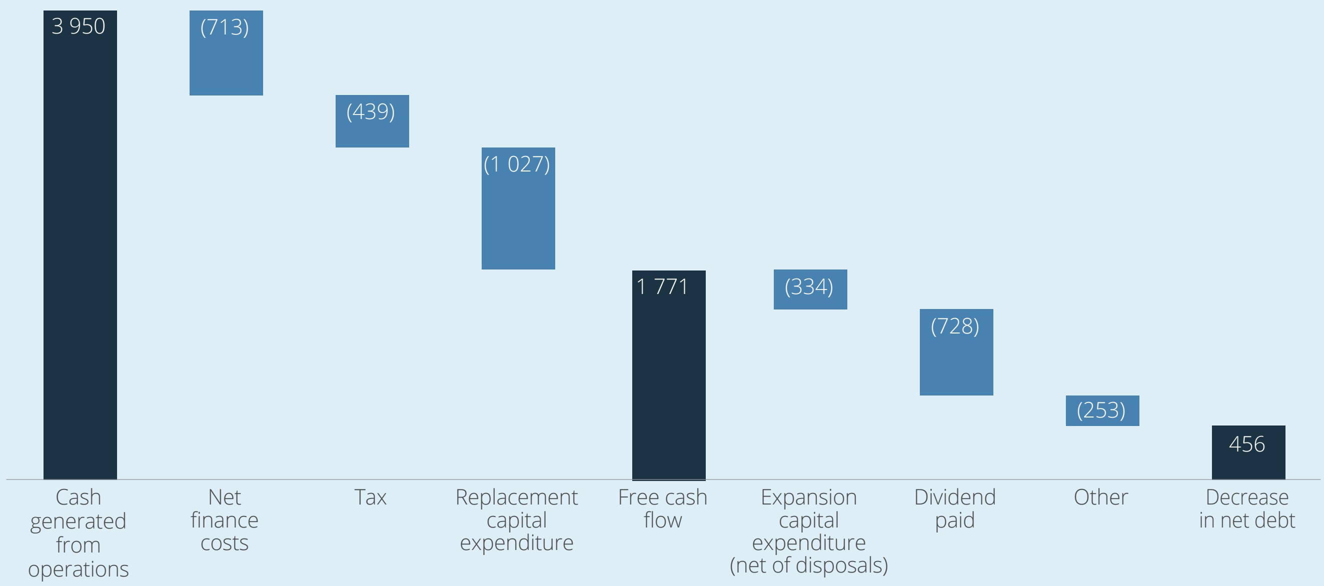
Statement of cash flows

Rm	2022	2021
Cash generated from operations	**3 950**	3 794
Interest paid on debt	**(419)**	(441)
Interest paid on lease liabilities	**(409)**	(371)
Taxation paid	**(439)**	(618)
Ordinary dividends paid by subsidiaries	**(25)**	(19)
Ordinary dividends paid	**(728)**	—
Preference dividends paid	**(38)**	(39)
Distribution paid to beneficiaries of the HPFL B-BBEE[1] trusts	**(8)**	(1)
Net cash from operating activities	**1 884**	2 305
Net cash from investing activities	**(1 248)**	(1 026)
Net cash from financing activities	**(597)**	(1 269)
Net increase in cash and cash equivalents	**39**	10
Cash and cash equivalents at the beginning of the year	**1 456**	1 446
Cash and cash equivalents at the end of the year	**1 495**	1 456

1. Health Partners for Life broad-based black economic empowerment.

Cash generated from operations showed solid growth of 4.1% to R3 950 million (FY2021: R3 794 million), at a cash conversion ratio of 113.0% (FY2021: 118.8%).

Analysis of cash flow
(Rm)



Outlook

We expect ongoing improvements in operational and financial performance in FY2023 and beyond, as the Group emerges from the COVID-19 pandemic and the operating environment continues to normalise.

The COVID-19 pandemic has had, and may still have, an adverse impact on the Group's financial performance. Any future impact of the pandemic on our business depends on the emergence of new variants, as well as underlying immunity in SA. However, we are encouraged by the sustained improvement in activity. As long as Omicron remains the dominant variant, there is reason for optimism that we can manage COVID-19 as an endemic disease, enabling us to operate in a normalised environment.

Although our macroeconomic environment remains difficult, with the national power crisis, global supply chain constraints, higher inflationary pressures, and high levels of unemployment, we have a number of measures in place to mitigate these challenges.

In the absence of further severe COVID-19 waves in FY2023, the Group expects revenue growth of between 9.0% and 12.0%. Total patient days are expected to grow by between 6.5% and 7.5%. The increased activity will drive further margin expansion, improved earnings and ROIC.

We will maintain an optimal capital structure, and a strong balance sheet. The ongoing improvement in operational performance will continue to support dividend payments in line with our dividend policy.

Appreciation

I extend my gratitude to our finance staff across the Group for their skill and dedication to ensuring we are able to produce quality reporting in a challenging environment.

Keith Gibson
Chief Financial Officer

Financial capital

Five-year review

Rm	2022	2021	2020	2019	2018
Summarised statement of financial position					
Assets					
Property, plant and equipment	**13 469**	12 915	12 665	12 541	12 098
Right of use assets	**3 770**	3 600	3 755	–	–
Goodwill and intangible assets	**1 843**	1 806	1 804	1 781	1 749
Deferred taxation	**1 040**	987	812	512	447
Other non-current assets	**710**	718	858	1 057	1 006
Total non-current assets	**20 832**	20 026	19 894	15 891	15 300
Total current assets[1]	**5 438**	5 595	6 050	5 524	5 464
Total assets	**26 270**	25 621	25 944	21 415	20 764
Equity and liabilities					
Total shareholders' equity	**10 944**	10 589	9 799	10 235	10 415
Long-term debt	**5 265**	4 936	6 761	5 061	5 114
Long-term lease liabilities	**3 906**	3 588	3 546	–	–
Financial liabilities	**–**	32	64	44	21
Deferred taxation	**319**	309	288	238	210
Other non-current liabilities	**555**	545	469	541	582
Total non-current liabilities	**10 045**	9 410	11 128	5 884	5 927
Total current liabilities[2]	**5 281**	5 622	5 017	5 296	4 422
Total equity and liabilities	**26 270**	25 621	25 944	21 415	20 764
Summarised statement of cash flows					
Cash generated from operations before working capital changes	**3 723**	3 560	2 887	4 516	4 570
Working capital changes	**227**	234	(1 395)	372	(343)
Cash generated from operations	**3 950**	3 794	1 492	4 888	4 227
Interest paid on debt	**(419)**	(441)	(580)	(602)	(729)
Interest paid on lease liabilities	**(409)**	(371)	(367)	–	–
Taxation paid	**(439)**	(618)	(601)	(967)	(916)
Ordinary dividends paid by subsidiaries	**(25)**	(19)	(11)	(21)	(23)
Ordinary dividends paid	**(728)**	–	(860)	(1 454)	(1 388)
Special dividends paid	**–**	–	–	(542)	–
Preference dividends paid	**(38)**	(39)	(54)	(54)	(55)
Distributions to beneficiaries of the HPFL[3] trusts	**(8)**	(1)	(11)	(26)	(21)
Net cash from operating activities	**1 884**	2 305	(992)	1 222	1 095
Net cash from investing activities	**(1 248)**	(1 026)	58	(1 125)	(3 087)
Net cash from financing activities	**(597)**	(1 269)	653	265	884
Increase/(decrease) in cash and cash equivalents	**39**	10	(281)	362	(1 108)
Translation effects on cash and cash equivalents of foreign entities	**–**	–	–	–	(81)
Cash and cash equivalents at beginning of year	**1 456**	1 446	1 727	1 365	2 525
Cash and cash equivalents related to assets held-for-sale	**–**	–	–	–	29
Cash and cash equivalents at end of year	**1 495**	1 456	1 446	1 727	1 365

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

	Compound growth %[1]	2022	2021	2020	2019	2018
Summarised income statement						
Continuing operations						
Revenue	1.1	**21 636**	21 200	18 843	21 589	20 717
Operating profit before items listed below	(10.1)	**2 282**	2 076	1 393	3 640	3 486
Profit on disposal of investment in associate		**–**	–	522	–	–
Share-based payment expense on B-BBEE transaction		**–**	–	(348)	–	–
Realisation of foreign currency translation reserve		**–**	–	–	128	–
Impairment of contractual economic interest in the debt of BMI Healthcare		**–**	–	–	–	(1 544)
Operating profit		**2 282**	2 076	1 567	3 768	1 942
Net financial expenses		**(769)**	(786)	(893)	(486)	(327)
Attributable earnings of associates and joint ventures		**21**	(114)	56	75	73
Profit before taxation		**1 534**	1 176	730	3 357	1 688
Taxation		**(484)**	(416)	(291)	(879)	(682)
Profit for the year from continuing operations		**1 050**	760	439	2 478	1 006
Discontinued operations						
Loss for the year from discontinued operations		**–**	–	–	–	(467)
Profit on loss of control		**–**	–	–	–	4 205
Profit for the year		**1 050**	760	439	2 478	4 744
Attributable to:						
Owners of the parent		**975**	730	392	2 393	4 885
Preference shareholders		**38**	39	54	54	55
		1 013	769	446	2 447	4 940
Non-controlling interest		**37**	(9)	(7)	31	(196)
		1 050	760	439	2 478	4 744
Divisional analysis						
Revenue						
Hospitals and emergency services	1.3	**21 024**	20 617	18 250	20 904	20 000
Primary Care	(3.0)	**634**	595	611	701	717
Inter-segment elimination		**(22)**	(12)	(18)	(16)	–
	1.1	**21 636**	21 200	18 843	21 589	20 717
Operating profit						
Hospitals and emergency services		**2 210**	2 040	1 403	3 577	3 427
Primary Care		**72**	36	(10)	63	59
Operating profit before item below		**2 282**	2 076	1 393	3 640	3 486
Profit on disposal of investment in associate		**–**	–	522	–	–
Share-based payment expense on B-BBEE transaction		**–**	–	(348)	–	–
Realisation of foreign currency transaction reserve		**–**	–	–	128	–
Impairment of contractual economic interest in the debt of BMI Healthcare		**–**	–	–	–	(1 544)
		2 282	2 076	1 567	3 768	1 942

1. Compound annual growth rate for the period 2018 to 2022.

Financial capital

Five-year review continued

		Compound growth %[1]	2022	2021	2020	2019	2018
Key performance indicators							
Ratios							
EBITDA margin[2]	%		**16.2**	15.3	13.6	20.3	20.3
Operating profit margin[2]	%		**10.6**	9.8	7.4	16.9	16.8
Interest cover[2]	times		**3.0**	2.6	1.6	7.5	10.7
Effective tax rate[2]	%		**31.6**	35.4	43.7	27.2	28.0
Return on invested capital	%		**8.8**	7.9	5.6	20.1	20.0
Current ratio	:1		**1.0**	1.0	1.2	1.0	1.2
Invested capital							
Property, plant and equipment			**13 469**	12 915	12 665	12 541	12 098
Right of use assets			**3 770**	3 600	3 755	–	–
Intangible assets			**237**	200	198	175	135
Deferred lease assets			**17**	12	32	28	25
Deferred taxation			**1 040**	987	812	512	447
Current assets			**4 338**	4 003	4 446	3 444	3 748
Inventories			**562**	640	1 206	564	589
Trade and other receivables			**3 288**	3 251	3 102	2 837	3 124
Taxation receivable			**28**	112	138	43	35
Current liabilities			**(3 990)**	(3 225)	(3 291)	(3 485)	(3 350)
Trade and other payables			**(3 521)**	(3 207)	(3 230)	(3 462)	(3 288)
Taxation payable			**49**	(18)	(61)	(23)	(62)
			18 942	18 492	18 617	13 215	13 103
Shareholder returns							
Basic earnings per share	cents		**72.3**	54.6	28.3	176.7	357.7
Continuing operations	cents		**72.3**	54.6	28.3	176.7	68.5
Discontinued operations	cents		**–**	–	–	–	289.2
Headline earnings/(loss) per share	cents	10.7	**74.0**	61.5	(3.6)	165.9	49.3
Continuing operations	cents		**74.0**	61.5	(3.6)	165.9	68.8
Discontinued operations	cents		**–**	–	–	–	(19.5)
Adjusted headline earnings per share	cents	(14.0)	**83.2**	67.4	32.5	171.2	152.1
Continuing operations	cents		**83.2**	67.4	32.5	171.2	171.6
Discontinued operations	cents		**–**	–	–	–	(19.5)
Total dividends per share	cents		**50.0**	34.0	–	111.0	144.0
Ordinary dividends per share	cents		**50.0**	34.0	–	111.0	104.0
Special dividend per share	cents		**–**	–	–	–	40.0
Dividend cover[3]	times		**1.7**	2.0	–	1.5	1.1
Net asset value per share	cents		**818**	792	733	761	764

1. Compound annual growth rate for the period 2018 to 2022.
2. Based on continuing operations and excluding extraordinary items.
3. Adjusted headline earnings per share divided by total dividends per share

		2022	2021	2020	2019	2018
Key performance indicators continued						
Operational performance indicators						
Acute hospitals						
Number of hospitals[1]		**49**	53	53	55	57
Registered beds		**9 903**	10 005	9 986	10 046	10 187
Theatres		**343**	349	349	350	360
Hybrid theatres, catheterisation and electrophysiology laboratories		**34**	34	34	33	34
Day clinics		**12**	12	15	–	–
Increase/(decrease) in patient days[2]	%	**4.8**	6.4	(19.6)	(1.4)	1.7
Average length of stay	days	**4.27**	4.78	4.27	3.88	3.83
Mental health						
Number of facilities		**13**	12	12	12	12
Registered beds		**935**	891	891	891	834
Increase/(decrease) in patient days		**11.5**	12.7	(21.2)	17.9	25.8[3]
Average length of stay		**12.09**	12.64	12.22	12.23	12.08
Emergency Services						
Netcare 911 sites		**87**	82	82	83	80
Cancer Care						
Number of cancer care centres providing radiation treatment		**9**	9	9	9	9
Number of haematology centres		**8**	8	8	8	7
National Renal Care						
Renal dialysis facilities		**71**	69	68	67	63
Renal dialysis stations		**971**	956	979	936	867
Primary Care						
Primary healthcare centres and travel clinics		**65**	67	68	75	83
Sub-acute facilities		**1**	1	2	2	3
Registered sub-acute beds		**30**	31	46	46	66
Day clinics		**–**	–	–	15	15
Total number of visits – millions		**1.7**	2.1	2.1	2.7	2.9

1. *Owned and managed entities.*
2. *Excludes Netcare Bell Street, Netcare Bougainville, Netcare Ceres, Netcare Optiklin, Netcare Rand, Port Alfred and Settlers hospitals.*
3. *Year-on-year growth.*

Five-year review continued

		2022	2021	2020	2019	2018
Key performance indicators continued						
Social performance indicators						
Total employees[1]		**18 245**	18 346	19 214	20 193	22 165
Employee turnover		**16.8**	15.9	13.9	14.6	12.1
Gender split						
Male	%	**19.2**	18.8	18.4	17.9	17.5
Female	%	**80.8**	81.2	81.6	82.1	82.5
Employees trained		**15 968**	12 731	15 276	16 314	13 693
Training costs	Rm	**51**	49	66	84	70
Black (African, Coloured and Indian) employee representation	%	**81.3**	79.7	79.0	78.3	77.0
Unionised employees	%	**48.6**	50.9	52.8	52.7	50.8
Corporate social investment[2]	Rm	**35**	31	18	31	35
Environmental performance indicators						
South Africa and Lesotho						
Energy usage	gigajoules	**925 719**	954 692	956 560	983 418	961 802
Water usage	kilolitres	**1 953 678**	1 895 020	1 878 400	2 132 022	2 072 375
Carbon dioxide equivalent (CO_2e) emissions	tonnes	**283 102**	306 304	272 920	275 613	256 469
Scope 1 and Scope 2 CO_2e per R1 million revenue		**10.43**	11.65	12.73	11.36	10.99

1. Includes PPPs.
2. Inclusive of bursaries.

		2022	2021	2020	2019	2018
Key performance indicators continued						
Ordinary share statistics						
Shares in issue	million	**1 439**	1 439	1 439	1 452	1 471
Shares in issue net of treasury shares	million	**1 338**	1 337	1 335	1 345	1 363
Weighted average number of shares	million	**1 338**	1 336	1 336	1 345	1 362
Diluted weighted average number of shares	million	**1 348**	1 344	1 343	1 358	1 378
Market capitalisation[1]	R million	**19 743**	23 312	18 592	25 483	35 613
JSE statistics						
Market price per share						
at 30 September	cents	**1 372**	1 620	1 292	1 755	2 421
highest	cents	**1 730**	1 738	2 132	2 762	3 161
lowest	cents	**1 276**	1 130	1 154	1 481	2 144
weighted average	cents	**1 506**	1 416	1 676	2 123	2 632
Number of share transactions		**318 239**	508 997	730 041	761 431	570 951
Value of share transactions	R million	**15 117**	17 076	30 711	26 233	31 499
Volume of shares traded	million	**1 003.5**	1 205.7	1 832.5	1 235.5	1 196.8
Volume traded to issued	%	**69.7**	83.8	127.3	85.1	81.4
Market performance ratios						
Earnings yield[2]	%	**5.4**	3.8	(0.3)	9.5	2.0
Distribution yield[2]	%	**3.6**	2.1	–	6.3	4.3
Price:earnings ratio[2]	times	**18.5**	26.3	(358.9)	10.6	49.1

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

How we performed

Summarised Group annual financial statements

for the year ended 30 September 2022

These summarised Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2022 that were approved by the Netcare Board on 17 November 2022. The summarised Group annual financial statements do not contain sufficient information to allow for a complete understanding of the results of the Group, as would be provided in the complete audited Group annual financial statements. These summarised Group financial statements, and the audited Group financial statements from which they have been derived, were compiled under the supervision of KN Gibson CA(SA), Chief Financial Officer of the Group.

The summarised consolidated annual financial statements comprise:

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

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

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

Operating activities

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

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

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

Going concern

The directors have reviewed the Group and Company budget and cash flow forecasts and have satisfied themselves that the Group and Company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

On the basis of this review, the Netcare directors have concluded that there is a reasonable expectation that the Group will continue to meet its financial covenants and meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements. The directors consider it appropriate to adopt the going concern basis in preparing the Group and Company annual financial statements.

Accounting policies

The accounting policies and methods of computation applied in the preparation of the Group annual financial statements are in accordance with IFRS. All policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2021.

Report of the independent auditor's

These summarised Group annual financial statements for the year ended 30 September 2022 have been extracted from the complete audited Group annual financial statements on which the auditors, Deloitte & Touche, have expressed an unmodified audit opinion and communication of a key audit matter.

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

Summarised Group statement of profit or loss

for the year ended 30 September

Rm	2022	2021
Revenue[1]	**21 636**	21 200
Cost of sales	**(11 085)**	(10 748)
Gross profit	**10 551**	10 452
Other income	**435**	330
Administrative and other expenses	**(8 524)**	(8 518)
Impairment of financial assets	**(180)**	(188)
Operating profit	**2 282**	2 076
Investment income	**115**	116
Finance costs	**(885)**	(903)
Other financial gains – net	**1**	1
Attributable losses of associates	**(23)**	(147)
Attributable earnings of joint ventures	**44**	33
Profit before taxation	**1 534**	1 176
Taxation	**(484)**	(416)
Profit for the year	**1 050**	760
Attributable to:		
Owners of the parent	**975**	730
Preference shareholders	**38**	39
Profit attributable to shareholders	**1 013**	769
Non-controlling interest	**37**	(9)
	1 050	760
Cents		
Basic earnings per share	**72.3**	54.6
Diluted earnings per share	**71.7**	54.3

1. Refer to segment report on page 20 for detail on the disaggregation of revenue.

- Improved H2 2022 resulting in FY2022 revenue exceeding pre-pandemic revenue (FY2019).

R249 million strategic project costs
(2021: R172 million)

Lower average net debt offset by higher average cost of debt

R24 million impact of change in corporate tax rate

Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	2022	2021
Profit for the year	**1 050**	760
Items that will not subsequently be reclassified to profit or loss	**(21)**	(25)
Remeasurement of defined benefit obligation	**—**	1
Fair value adjustment on equity investments	**(21)**	(26)
Items that may subsequently be reclassified to profit or loss	**62**	75
Effect of cash flow hedge accounting	**85**	104
Amortisation of the cash flow hedge accounting reserve	**43**	103
Change in the fair value of cash flow hedges	**42**	1
Taxation on items that may subsequently be reclassified to profit or loss	**(23)**	(29)
Other comprehensive income for the year	**41**	50
Total comprehensive income for the year	**1 091**	810
Attributable to:		
Owners of the parent	**1 016**	780
Preference shareholders	**38**	39
Non-controlling interest	**37**	(9)
	1 091	810

Summarised Group annual financial statements continued

Summarised Group statement of financial position

at 30 September

Rm	2022	2021
ASSETS		
Non-current assets		
Property, plant and equipment	**13 469**	12 915
Right of use assets	**3 770**	3 600
Goodwill	**1 606**	1 606
Intangible assets	**237**	200
Equity-accounted investments, loans and receivables	**594**	643
Financial assets	**99**	63
Deferred lease assets	**17**	12
Deferred taxation	**1 040**	987
Total non-current assets	**20 832**	20 026
Current assets		
Loans and receivables	**59**	132
Financial assets	**2**	4
Inventories	**562**	640
Trade and other receivables	**3 288**	3 251
Taxation receivable	**28**	112
Cash and cash equivalents	**1 499**	1 456
Total current assets	**5 438**	5 595
Total assets	**26 270**	25 621
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	**4 297**	4 297
Treasury shares	**(3 504)**	(3 557)
Other reserves	**473**	413
Retained earnings	**8 980**	8 780
Equity attributable to owners of the parent	**10 246**	9 933
Preference share capital and premium	**644**	644
Non-controlling interest	**54**	12
Total shareholders' equity	**10 944**	10 589
Non-current liabilities		
Long-term debt	**5 265**	4 936
Long-term lease liabilities	**3 906**	3 588
Financial liabilities	**—**	32
Post-employment healthcare benefit obligations	**533**	503
Deferred taxation	**319**	309
Provisions	**22**	42
Total non-current liabilities	**10 045**	9 410
Current liabilities		
Trade and other payables	**3 521**	3 207
Short-term debt	**1 105**	1 851
Short-term lease liabilities	**582**	508
Financial liabilities	**20**	38
Taxation payable	**49**	18
Bank overdrafts	**4**	—
Total current liabilities	**5 281**	5 622
Total equity and liabilities	**26 270**	25 621

Summarised Group statement of cash flows

for the year ended 30 September

Rm	2022	2021
Cash flows from operating activities		
Cash received from customers	**21 522**	20 702
Cash paid to suppliers and employees	**(17 572)**	(16 908)
Cash generated from operations	**3 950**	3 794
Interest paid on debt	**(419)**	(441)
Interest paid on lease liabilities	**(409)**	(371)
Taxation paid	**(439)**	(618)
Ordinary dividends paid by subsidiaries	**(25)**	(19)
Ordinary dividends paid	**(728)**	—
Preference dividends paid	**(38)**	(39)
Distribution paid to beneficiaries of the HPFL B-BBEE[1] trusts	**(8)**	(1)
Net cash from operating activities	**1 884**	2 305
Cash flows from investing activities		
Advances to associates	**(30)**	(12)
Advances from/(to) joint ventures	**17**	(9)
Payments for acquisition of property, plant and equipment	**(1 382)**	(1 132)
Payments for additions to intangible assets	**(14)**	(12)
Proceeds on disposal of property, plant and equipment and intangible assets	**35**	36
Payments for investments and loans	**(8)**	(105)
Acquisition of business[2]	**—**	—
Interest received	**115**	116
Dividends received	**19**	92
Net cash from investing activities	**(1 248)**	(1 026)
Cash flows from financing activities		
Proceeds on disposal of treasury shares	**29**	1
Acquisition of treasury shares	**(29)**	—
Debt raised	**1 903**	1 000
Debt repaid	**(2 325)**	(2 108)
Payment for acquisition of non-controlling interests	**—**	(1)
Proceeds from issue of shares to non-controlling interests	**2**	9
Payment of principal elements of lease liabilities	**(177)**	(170)
Net cash from financing activities	**(597)**	(1 269)
Net increase in cash and cash equivalents	**39**	10
Cash and cash equivalents at the beginning of the year	**1 456**	1 446
Cash and cash equivalents at the end of the year	**1 495**	1 456
Consisting of		
Cash on hand and balances with banks	**1 499**	1 456
Bank overdrafts	**(4)**	—
	1 495	1 456

1. Health Partners for Life Broad-based Black Economic Empowerment.
2. Below R1 million.

Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
Balance at 1 October 2020	4 297	(3 851)	(106)
Sale of treasury shares	—	2	—
Transfer[2]	—	292	—
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Other reserve movements	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE[1] trusts	—	—	—
Tax recognised in equity	—	—	—
Changes in equity interests in subsidiaries	—	—	—
Total comprehensive income for the year	—	—	75
Profit for the year	—	—	—
Other comprehensive income	—	—	75
Balance at 1 October 2021	**4 297**	**(3 557)**	**(31)**
Sale of treasury shares	**—**	**82**	**—**
Purchase of treasury shares	**—**	**(29)**	**—**
Acquisition of subsidiaries	**—**	**—**	**—**
Transfer[2]	**—**	**—**	**—**
Share-based payment reserve movements	**—**	**—**	**—**
Preference dividends paid	**—**	**—**	**—**
Ordinary dividends paid	**—**	**—**	**—**
Other reserve movements	**—**	**—**	**—**
Distributions to beneficiaries of the HPFL B-BBEE[1] trusts	**—**	**—**	**—**
Tax recognised in equity	**—**	**—**	**—**
Changes in equity interests in subsidiaries	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**62**
Profit for the year	**—**	**—**	**—**
Other comprehensive income	**—**	**—**	**62**
Balance at 30 September 2022	**4 297**	**(3 504)**	**31**

1. Health Partners for Life Broad-based Black Economic Empowerment.
2. Transfer of treasury shares and share-based payment reserve in respect of vested shares.

Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total share-holders' equity
889	7 894	9 123	644	32	9 799
—	—	2	—	—	2
(471)	179	—	—	—	—
26	—	26	—	—	26
—	—	—	(39)	—	(39)
—	—	—	—	(19)	(19)
—	(6)	(6)	—	8	2
—	(1)	(1)	—	—	(1)
—	(1)	(1)	—	—	(1)
—	10	10	—	—	10
—	705	780	39	(9)	810
—	730	730	39	(9)	760
—	(25)	50	—	—	50
444	**8 780**	**9 933**	**644**	**12**	**10 589**
—	**(53)**	**29**	**—**	**—**	**29**
—	**—**	**(29)**	**—**	**—**	**(29)**
—	**(1)**	**(1)**	**—**	**17**	**16**
(42)	**42**	**—**	**—**	**—**	**—**
41	**—**	**41**	**—**	**—**	**41**
—	**—**	**—**	**(38)**	**—**	**(38)**
—	**(728)**	**(728)**	**—**	**(25)**	**(753)**
(1)	**8**	**7**	**—**	**—**	**7**
—	**(8)**	**(8)**	**—**	**—**	**(8)**
—	**(2)**	**(2)**	**—**	**—**	**(2)**
—	**(12)**	**(12)**	**—**	**13**	**1**
—	**954**	**1 016**	**38**	**37**	**1 091**
—	**975**	**975**	**38**	**37**	**1 050**
—	**(21)**	**41**	**—**	**—**	**41**
442	**8 980**	**10 246**	**644**	**54**	**10 944**

Headline earnings

for the year ended 30 September

Rm	2022	2021
Reconciliation of headline earnings		
Profit for the year	**1 050**	760
Adjusted for:		
Dividends paid on shares attributable to the Forfeitable Share Plan and HPFL B-BBEE[1] Trust units	**(8)**	—
Preference shareholders	**(38)**	(39)
Non-controlling interest	**(37)**	9
Profit for the purposes of basic and diluted earnings per share	**967**	730
Adjusted for:		
Recognition of impairment of intangible assets in equity accounted earnings	**—**	13
Net loss on disposal of property, plant and equipment and intangible assets	**9**	5
Recognition of impairment of property, plant and equipment in operating profit and equity accounted earnings	**13**	75
Recognition of impairment of investment in associate	**3**	—
Profit on disposal of property, plant and equipment and intangible assets	**(2)**	(1)
Headline earnings	**990**	822

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

Rm	2022	2021
Adjusted headline earnings		
Headline earnings	**990**	822
Adjusted for:		
Amortisation of cash flow hedge accounting reserve	**8**	14
Fair value gains on derivative financial instruments	**(2)**	(3)
De-designation of portion of hedging instrument	**—**	1
Impairment of financial assets	**40**	—
Ineffectiveness losses on cash flow hedges	**2**	1
Reversal of loan impairment	**—**	(11)
Recognition of impairment of loan to joint venture	**1**	9
Restructure costs	**2**	—
Net impact of Lesotho PPP[1] termination	**—**	35
Impairment of associate loans	**48**	—
Tax rate change	**24**	—
Tax effect of adjusting items	**—**	32
Adjusted headline earnings	**1 113**	900
Cents		
Headline earnings per share	**74.0**	61.5
Diluted headline earnings per share	**73.4**	61.2
Adjusted headline earnings per share	**83.2**	67.4
Diluted adjusted headline earnings per share	**82.6**	67.0

1. Public Private Partnership.

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

Summarised segment report

for the year ended 30 September

Hospital and emergency services

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

Primary Care

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

Rm	**Hospital and pharmacy operations**	**Non-acute services**	**Hospital and emergency services**	**Primary Care**	**Inter-segment elimination[1]**	**Total**
30 September 2022						
Statement of profit or loss						
Revenue	**19 733**	**1 291**	**21 024**	**634**	**(22)**	**21 636**
EBITDA[2]	**3 211**	**111**	**3 322**	**163**	**—**	**3 485**
Depreciation and amortisation	**(929)**	**(183)**	**(1 112)**	**(91)**	**—**	**(1 203)**
Operating profit	**2 282**	**(72)**	**2 210**	**72**	**—**	**2 282**
Additional segment information						
Impairment of property, plant and equipment	**(13)**	**2**	**(11)**	**—**	**—**	**(11)**

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

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