

Our value story

Our value story

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Governance overview

Linking governance to purpose

The Board's integrated application of King IV's principles and recommended practices aims to achieve the intended governance outcomes of an ethical culture, good performance, effective control and legitimacy.

These outcomes are pivotal to the delivery of the Group's purpose – to deliver the best and safest care – and support the Group's achievement of the international sector-specific objectives of the **Quadruple Aim**.

As a framework for healthcare system improvement, the **Quadruple Aim** underpins Netcare's essential contribution to the effectiveness of the national healthcare system it serves and is the ultimate expression of the Group's commitment to good corporate citizenship.

The Board is committed to a transparent and effective governance process that provides stakeholders with a high degree of confidence that the Group is being managed ethically, within acceptable risk parameters and in compliance with all applicable laws and international best practices.

The Board considers sound corporate governance as pivotal to delivering on Netcare's purpose.

To create and protect value for stakeholders as Netcare transforms to a patient centred organisation that is digitally enabled and data driven, the Board approves strategy, sets policy, ensures capital prudence and oversees the Group's governance frameworks and control environment.

King IV principles

Ethical culture

- Principle 1: Ethical leadership
- Principle 2: Organisation values, ethics and culture
- Principle 3: Responsible corporate citizenship

Good performance

- Principle 4: Strategy, implementation and performance
- Principle 5: Reports and disclosure

Effective control

- Principle 6: Role of the governing body
- Principle 7: Board composition
- Principle 8: Committees of the governing body
- Principle 9: Performance evaluation
- Principle 10: Delegation of management
- Principle 11: Risk and opportunity governance
- Principle 12: Technology and information governance
- Principle 13: Compliance governance
- Principle 14: Remuneration governance
- Principle 15: Assurance

Legitimacy

- Principle 16: Stakeholder inclusion



Governance overview continued



King IV outcome: ethical culture

Principles 1, 2 and 3

Ethics management

The Board assumes ultimate responsibility for the Group's ethical performance. Its oversight of strategy rests on an ethical foundation and directors hold one another accountable for acting in the best interests of the Group. The Board ensures awareness around Netcare's commitment to doing business ethically, and monitors compliance with Netcare's Code of Ethics and business ethics programme, including strict adherence to laws and regulations relating to anti-bribery and corruption, fraud, and anti-money laundering.

Netcare's Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. We take a zero-tolerance

approach to theft, fraud and corruption, discrimination and racism. All employees are expected to fulfil our commitment to high moral, ethical and legal standards, and the code, principles and values of the Health Professions Council of South Africa (HPCSA).

Mechanisms, including an anonymous Fraud and Ethics Hotline enable our employees and the public to report irregularities and unethical behaviour; including unethical medical behaviour. Training interventions and fraud awareness campaigns entrench the Code's principles and help us maintain a values-based culture beyond compliance.

Key Board activities for FY2022

- **Board:** oversaw various initiatives to embed an ethical and values-driven culture.
- **Consistency of Care Committee:** monitored doctor conduct to ensure strict adherence to professional ethics and Netcare's values and behaviours.

Board opinion

The Board is satisfied with the Group's implementation of the King IV principles relating to ethical leadership and recommended practices, as well as the various best practice risk mitigating approaches undertaken by management.

Key objectives for FY2023

- Address areas of improvement identified in the fraud maturity risk assessment conducted in FY2022.
- Enhance the annual declaration of interest process.

Key outcomes for the Group

- Refresher training on ethical leadership and anti-bribery and corruption was undertaken by the Board, Executive Committee and the procurement team.
- An independent fraud maturity risk assessment was done from the perspective of employees, which demonstrated a high level of anti-fraud and anti-bribery and corruption awareness and compliance.
- 113 incidents of alleged fraud and irregularities were reported (FY2021: 182), 105 were investigated and closed at year-end and the balance are still under investigation. Most incidents were reported directly to Forensic Services and 13 were reported through the whistle-blowing hotline. The majority of incidents related to either theft, fraudulent payments or medical aid fraud with most perpetrated by third parties.
- A new clinical governance framework was developed to identify, manage and minimise operational and clinical risks impacting patient safety (see page 101 – *our patients*).

Responsible corporate citizenship

The Board supports Netcare's intention to be a powerful force for social good, and is committed to creating and preserving value for current and future generations of South Africans. The Social and Ethics Committee monitors overall corporate citizenship performance, and oversees the Group's commitment to social and economic development, fair labour practices and environmental responsibility.

Netcare considers the United Nation's (UN) Universal Declaration of Human Rights, the principles of the International

Labour Organization and other voluntary codes, including the principles of the UN Global Compact, of which we are a member, as part of our commitment to good corporate citizenship.

We do not make, and have not made, contributions to political parties, government affiliates or candidates, whether in cash or in kind.

Key Board activities for FY2022

- **Board:** monitored the implementation of various initiatives to enhance the Group's consistency of care, social and environmental performance.
- **Social and Ethics Committee:** reviewed the Group's B-BBEE initiatives and progress against the FY2022 employment equity plan.
- **Social and Ethics Committee:** reviewed the Group's enterprise and supplier development opportunities.
- **Social and Ethics and Remuneration Committees:** noted the King IV guidance papers on corporate failures and lessons learned, responsibilities of governing bodies in responding to climate change, and effective stakeholder engagement related to remuneration.
- **Social and Ethics Committee:** noted the Companies Amendment Bill's proposals relating to social and ethics committees.
- **Consistency of Care Committee:** oversaw the progress of the #WeCare projects developed by the attendees of the Stanford Applied Compassion Training programme for implementation across divisions.

Board opinion

The Board is satisfied with the Group's progress on its ESG priorities.

Key objectives for FY2023

- Oversee the development of the Group's 2025 employment equity plan.
- Continue to focus on ESG matters.
- Oversee the implementation of the environmental sustainability strategy.

Key outcomes for the Group

- Rolled out the governance of risk and compliance survey, which covers licensing, procurement practices, regulatory understanding and compliance, the ethical framework and IT controls, among others.
- Netcare was included in a number of external rating indices and our environmental sustainability strategy has garnered local and international accolades (see page 84).
- Netcare joined the UN Race to Zero 2050 Challenge (in 2021).
- Targets have been set to reduce measurable emissions (Scopes 1, 2 and 3) by FY2030 (see page 152 – *environmental sustainability*).
- Achieved a Level 3 B-BBEE rating (see page 123 – *society*).

Governance overview continued



King IV outcome: good performance

Principles 4 and 5

Strategy

The Board delegates to management the detailed formulation and implementation of Netcare's strategy, which it approves and oversees. Strategic priorities are set, reviewed and revised as necessary in line with opportunities, attendant risks and uncertainties relating to cyclical and structural trends in the healthcare, digital and financial services sectors.

The Board assesses both the positive and negative outcomes of the Group's business model, and monitors performance against financial and non-financial measures. It critically assesses investments (acquisitions, potential mergers and expansionary projects) to ensure they are value accretive and meet the reasonable expectations of stakeholders over time.

Key Board activities for FY2022

- **Board:** kept abreast of the progress made on Netcare's strategic projects, including any legal and compliance-related issues.
- **Board:** reviewed the business performance of NetcarePlus as well as its strategy and marketing initiatives.
- **Board:** reviewed the Netcare Diagnostics strategy.
- **Board:** reviewed the Group's new marketing strategy.
- **Board:** considered updated global, South African and Netcare-specific scenarios.
- **Board:** implemented the recommendations of the independent evaluation of Board performance and independence.

Board opinion

The Board is satisfied that the Group's business model and strategy are appropriate and that the successful implementation of the strategy will transform the business model to realise a sustainable competitive advantage.

Key objectives for FY2023

- Continue to monitor key strategic initiatives and the delivery of new business areas.
- Continue to oversee the Group's efforts to address the shortage of nurses and critical skills in the healthcare sector.

Key outcomes for the Group

- The digitisation of the Netcare ecosystem is well underway with a number of benefits starting to emerge (see page 139 – *digital transformation and data*).
- A number of key strategic projects were completed with many of the remaining projects close to completion.
- NetcarePlus and Netcare Diagnostics, the Group's growth initiatives, are starting to gain traction in their markets (see page 146 – *new business development*).
- Steady financial recovery from the COVID-19 pandemic although the Group faces headwinds in its operating environment (see page 162 – *financial capital*).

Reporting and disclosure

The Board reviews and approves the material matters which form the basis for preparing the integrated and ESG reports, and ensures that the integrated report includes sufficient forward-looking information. The Board, through the Audit Committee, ensures the necessary controls are in place to verify the integrity of the integrated report and other disclosures.

Key Board activities for FY2022

- **Board:** oversaw the Group's response to and management of matters considered material to its ability to create and protect stakeholder value (e.g. the Group's strategic projects, succession planning and the impact of nursing shortages on the Group's growth).
- **Board:** considered the proactive monitoring and thematic reports issued by the JSE.
- **Board:** oversaw the preparation of the integrated and ESG reports, including consideration and approval of the Group's material matters.
- **Board:** oversaw the fair presentation of the Group's annual financial statements and other shareholder information.
- **Audit Committee:** ensured appropriate financial reporting procedures are in place and adhered to.
- **Consistency of Care Committee:** reviewed the quality of care outcomes for public reporting.

Board opinion

The Board is satisfied that:

- The annual financial statements for FY2022 fairly present the Group's operational results and financial position.
- The integrated and ESG reports provide a fair and balanced account of the Group's strategy, performance and prospects related to material matters.

Key objective for FY2023

- Continue to ensure meaningful, material and transparent external reporting.

Key outcomes for the Group

- Published:
 - The FY2022 integrated reporting suite (prepared according to applicable reporting frameworks).
 - The FY2022 quality report.
- The 2021 Integrated Report ranked third in the EY Excellence in Integrated Reporting Awards.
- Obtained assurance on financial information and certain non-financial performance indicators in line with the combined assurance model (see page 58 – *our risks and opportunities*).
- The integrity of the Group's reports supports better decision-making both internally and for stakeholders.



King IV outcome: effective control

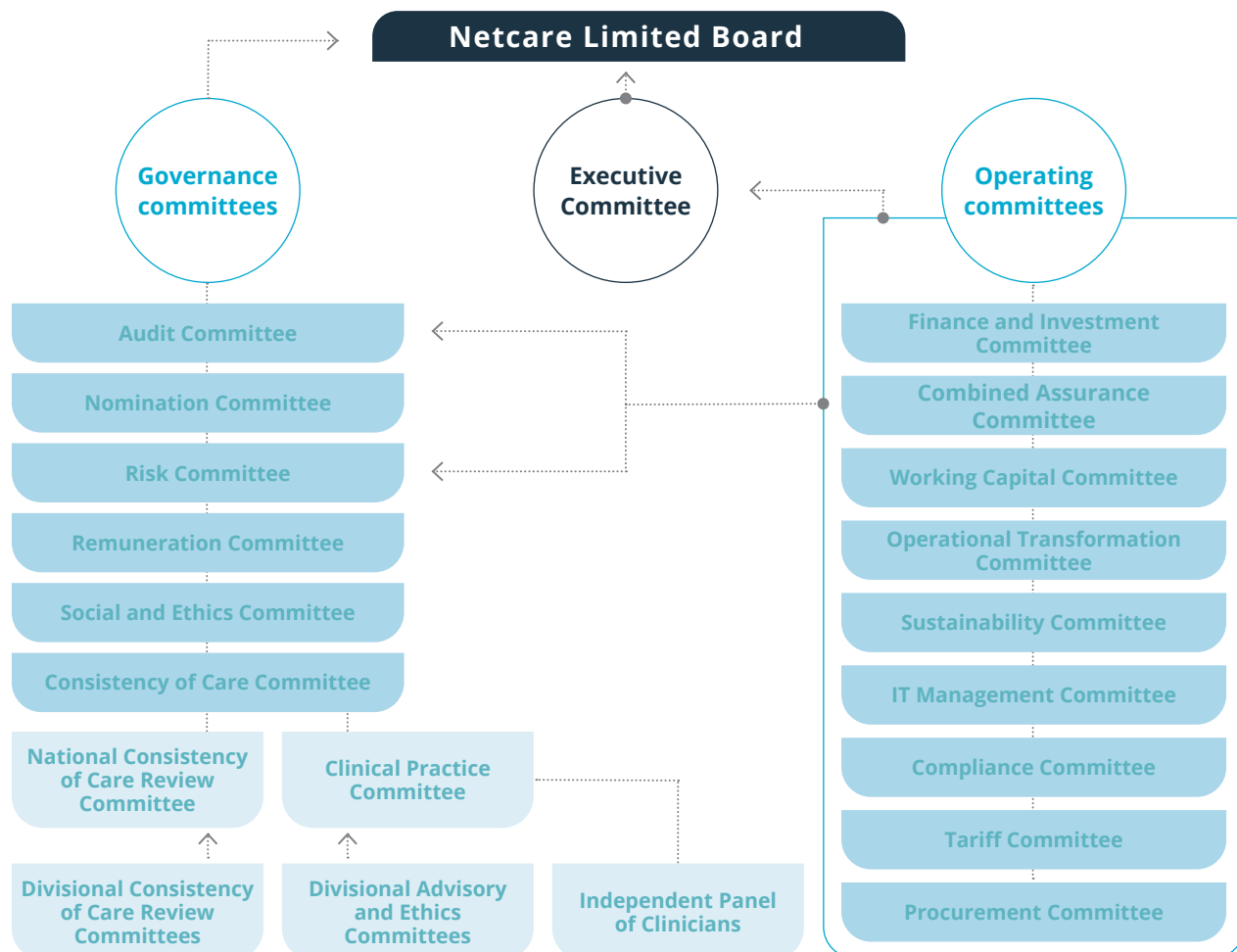
Principles 6 to 15

Board and committee performance

The composition of the Board reflects the appropriate balance of diversity, independence, professional and sector knowledge, skills and experience relevant to the nature, complexity and strategic demands of the Group. Careful succession planning ensures that the Board remains relevant to the growth opportunities the Group has chosen to pursue and responsive to the shifts in our operating environment (emerging risks, threats and uncertainties). The annual self-assessment of the Board's performance and effectiveness, as well as that of its committees and individual directors, is overseen by the Chair's Forum and Nomination Committee.

Our well-developed delegation of authority framework places the Board at the helm of the Group's governance structure and processes, which give effect to its strategic stewardship and oversight of all Group operations. Each Board committee deals with specific aspects of governance in greater depth and is chaired by an independent non-executive director. The day-to-day management of Netcare is assigned to key executives and senior management. Our operating committees support the Board committees and the Executive Committee. The Board ensures that key management functions are led by competent and appropriately authorised individuals, supported by functions that are adequately resourced.

Delegation of authority framework



Note: the Procurement Committee was reconvened during FY2022.

Governance overview continued

Key Board activities for FY2022

- **Board:** assessed its effectiveness as well as that of its committees.
- **Nomination Committee:** reviewed the composition of the Board and its committees, updating membership and appointing new chairs, where required.
- **Nomination Committee:** reviewed talent management processes across management levels.
- **Nomination Committee:** reviewed succession plans for the Board and Executive Committee.
- **Nomination Committee:** reviewed the independence of the non-executive directors.

Board opinion

The Board is satisfied with the diversity and range of relevant skills, expertise and experience of the Board. The recruitment of two new directors will invigorate the Board with new experience and perspectives. Further, the Board is satisfied that the delegation of authority framework supports the achievement of Netcare's strategy while ensuring that the Group complies with relevant legislation, demonstrates best practice governance and balances the interests of stakeholders.

Key objectives for FY2023

- Consider further appointments to the Board.
- Finalise succession plans for the Executive Committee.
- Oversee the completion of the Netcare leadership development journey.
- Conduct a detailed review of talent assessment.

Key outcomes for the Group

- Board committee memberships and chair roles were refreshed to better align skillsets with committee mandates (effective 1 January 2023).
- The Board and its committees fully complied with their terms of reference as confirmed by the Board chair and the company secretary.
- High adherence to principles of King IV.
- An appropriately skilled leadership with the experience, knowledge and capability to deliver against the business strategy (see page 28 – *Executive Committee*).
- Succession plans are in place for the Executive Committee and the Board.



Internal controls

The Board is responsible for ensuring that an appropriate system of internal controls is maintained to safeguard Netcare's assets, minimise losses, and ensure accounting records, financial statements and operating information are accurate, complete and fairly presented. These responsibilities are delegated to the Audit Committee.

The Board also has direct responsibility for the governance of risk and approves the risk policy that gives effect to our risk appetite. The policy affirms that the overarching aim of effective risk management is to protect and grow sustainable value for all stakeholders by embedding risk management into strategic decision-making. The Audit and Risk Committees assist the Board with the governance of risk, overseeing the

implementation of clearly defined processes to identify and effectively manage risks.

IT is an integral part of Netcare's business and fundamental to the Group's sustainability and growth. In addition to being an operational enabler for Netcare, it is an important strategic asset to create opportunities and gain competitive advantage. The Board, together with the Audit and Risk Committees, oversee the governance of IT and are kept comprehensively updated on the progress of the EMR and data-related implementations.

The Board, with the assistance of the Audit, Risk and Social and Ethics Committees, ensures that the Group complies with applicable laws, regulations, codes and standards. Compliance risk is monitored by the Risk Committee.

Key Board activities for FY2022

- **Board:** monitored the implementation of key digital projects and ensured that cost and schedule overruns were avoided.
- **Audit Committee:** reviewed the assertion of going concern, quality of earnings and deferred taxation assets and impairment of investments in Public Private Partnerships.
- **Audit Committee:** monitored the outputs of the combined assurance model and oversaw the external audit function and related audit fees.
- **Risk Committee:** approved the Group's top business risks.
- **Risk Committee:** reviewed the strategies to mitigate and manage ESG risks and drive ESG opportunities.
- **Board:** oversaw a cyber risk assessment and reviewed cybersecurity initiatives and disaster recovery plans.
- **Board:** reviewed the integrity of critical data and initiatives to improve data quality.
- **Risk Committee:** oversaw interventions to manage cybersecurity, information management and data security.
- **Board:** oversaw the Protection of Personal Information Act (POPIA) compliance programme, including employee training.
- **Board:** reviewed regulatory and policy updates and kept abreast of upcoming regulatory changes.
- **Risk Committee:** noted the action plans to address areas of improvement identified through the governance of risk and compliance survey.

Board opinion

The Board is satisfied that:

- A risk-aware culture is embedded at all levels of the Group, with an agile risk management process that enables the Group to quickly identify and put controls in place to manage multiple risks.
- It is appropriately informed on the top business risks facing the Group and that the Group's risk management systems and processes support its business model and strategy.
- The governance of information and technology is properly managed and aligned with business needs and strategy.
- The disaster recovery programme supports the continuity of critical business processes.
- There is no current or pending legal action that will materially affect the Group's operations.
- The Group complies with all applicable legislation.
- The Group's internal audit function is professional, established and regarded as a trusted advisor to the business.

The Audit and Risk Committees are satisfied that the external auditor for FY2022 is independent and that no non-audit services that may impair their independence were performed.

Key objectives for FY2023

- Continue to monitor the implementation of key digital and data projects.
- Continue to ensure the effectiveness of the Group's governance, risk and compliance frameworks, and that Group policies support regulatory compliance and value creation for stakeholders.
- Review business risks relating to water security, electricity supply and fire.

Key outcomes for the Group

- No material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations were incurred during FY2022.
- The Group is in a sound financial position with access to sufficient borrowing facilities to meet its funding requirements for the foreseeable future.
- No key governance or control failures were experienced in the period under review.
- A robust cybersecurity and data protection framework (see page 139 – *digital transformation and data*).

Governance overview continued

Remuneration

The Board, assisted by the Remuneration Committee, ensures that executive directors and prescribed officers, as well as employees are remunerated fairly, responsibly, transparently and in line with industry standards, to attract and retain the talent required to achieve the Group's strategy and create sustainable value. The Remuneration Committee engages proactively with shareholders on changes to the remuneration policy and the implementation report.

Key Board activities for FY2022

- **Board:** oversaw the implementation of the Single Incentive Plan.
- **Board:** approved additional special allowances to attract and retain nurses with clinical specialisation skills.
- **Remuneration Committee:** evaluated the performance of executive directors, prescribed officers and senior managers against the Group and individual balanced scorecards.
- **Remuneration Committee:** reviewed the benchmarking of non-executive director fees.
- **Remuneration Committee:** approved annual salary increase criteria and incentive payments.
- **Remuneration Committee:** approved the King IV-aligned remuneration report.

Board opinion

The Board is satisfied that the Group's remuneration policy supports the achievement of both financial and ESG-related objectives.

Key objectives for FY2023

- Oversee the implementation of the remuneration policy and associated practices.
- Benchmark the remuneration of executive and non-executive directors.

Key outcomes for the Group

- A remuneration policy and implementation process that align with the Group's strategic imperatives and stakeholder interests (see page 38 of the online shareholder report for the *full remuneration report*).
- 84.5% and 86.4% of shareholders voted in favour of the remuneration policy and the implementation report respectively (2022 AGM).





King IV outcome: legitimacy

Principle 17

Stakeholder inclusiveness

The Board monitors stakeholder management, and delegates responsibility for proactive and constructive stakeholder engagement to management. Issues of strategic concern are elevated through the Executive Committee to the Board.

Netcare's stakeholder engagement strategy drives a comprehensive and inclusive approach to our key stakeholder relationships. We apply a decentralised stakeholder

engagement model where relationship owners within the Group are responsible for ensuring that their engagement with stakeholders is effective, proactive, sufficiently frequent and aligned to our strategic priorities.

The Group's memberships in sector and business associations, relationships with trade unions and partnerships with non-governmental organisations are key underpins of its engagement with employees, government, regulators and broader communities.

Our value story

Key Board activities for FY2022

- **Board:** reviewed the principles, policies, and protocols relating to the Group's stakeholder engagement plan.
- **Consistency of Care Committee:** reviewed the strategic initiatives implemented to support focused engagement with doctors.
- **Consistency of Care Committee:** reviewed the Group's initiatives to improve patient experience and drive person centred health and care.

Board opinion

The Board is satisfied that the Group's stakeholder engagement strategy is appropriate and effective, and supports Netcare's strategy and ESG imperatives.

Key objective for FY2023

- Formulate a framework and programme for government-facing stakeholder engagement.

Key outcomes for the Group

- Stakeholder engagement was enhanced through a new patient feedback survey for the Hospital Division, the Group-wide Voice of OUR Employees engagement survey, the roll out of our compassion programme – Care4YOU – and a redesign of Netcare's website, 'One Netcare', and patient portal, MyNetcare Online.
- Participated in sector-wide engagement platforms relating to reforming SA's healthcare system and healthcare policy development.

Our context

Operating environment

A challenging economic environment and its impact on medical scheme membership

The International Monetary Fund (IMF) forecasts that more than a third of the global economy will contract in 2022 or 2023¹ on the back of persistent and broadening inflation and rising interest rates; the Russia/Ukraine war and its impact on the price of energy and food; and the frequent COVID-19 lockdowns in China which weigh heavily on global supply chains, and hamper trade and economic activity. These factors have created an international cost-of-living crisis and are making it harder for emerging economies to address major challenges such as high unemployment, poor infrastructure and a heavy reliance on natural resources and unskilled labour. For some regions, the risk of poverty and food insecurity has increased.

Key takeaways

Growth

The IMF forecasts a muted growth outlook for SA of 2.1% in 2022 and 1.1% in 2023² and the South African Reserve Bank (SARB) has revised its growth forecast downwards to 1.9% from 2.0%³. The SARB expects headline inflation to average 6.5% in 2022, and to remain above the midpoint of the inflation target range of 4.5% into 2024⁴. This, together with prolonged supply chain bottlenecks, will continue to place upward pressure on prices.

Structural changes for the private healthcare sector

- Nearly half of medical scheme beneficiaries chose network options⁵ in 2022 compared to 30% in 2016. Without macroeconomic growth and job creation, the private medical scheme market is unlikely to grow and members will continue to buy down to more affordable network options.
- The allocation of licences to new entrants in the healthcare sector has created an oversupply of facilities and beds, with new entrant market share measured in beds having grown from 16% in 2010 to 36% in 2021.
- The Competition Commission's decision to allow closed schemes to negotiate with an open scheme from 2021 is likely to have longer-term repercussions in terms of their buying power over providers.
- Outmigration, the trend of certain procedures migrating from inpatient settings to standalone day facilities and office-based settings (in doctor's rooms), is expected to continue globally in the coming years and is set to rise locally.

Regulation

SA's private healthcare market is one of the most regulated in the world from hospital build specifications and the prohibition on employing doctors to highly regulated medicine prices and caps on nursing education, among others.

1. IMF World Economic Outlook October 2022.

2. IMF: Regional Economic Outlook Sub-Saharan Africa October 2022.

3. SARB: Statement Of The Monetary Policy Committee September 2022.

4. SARB: October 2022 Monetary Policy Review.

5. Network options mean that using a hospital outside of the network requires a co-payment.

Key for this section

Our strategic pillars



Consistency of care



Disruptive innovation



Transformation of our society



Organic growth



Integration



Investment



Environmental sustainability

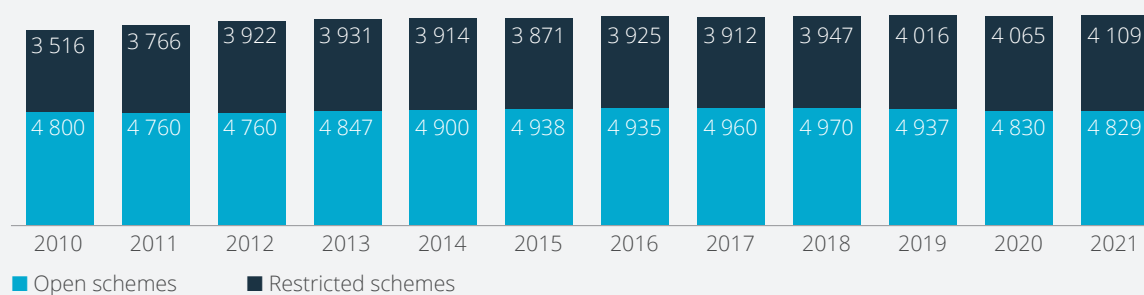
Top business risks and where to find our response

1	Economic environment and demand for private healthcare	PG 60
2	Funder regime	PG 61
4	Availability and quality of skills	PG 62
10	Sector regulations	PG 69
11	Competitor activity	PG 70

Strategic pillars that respond to this trend

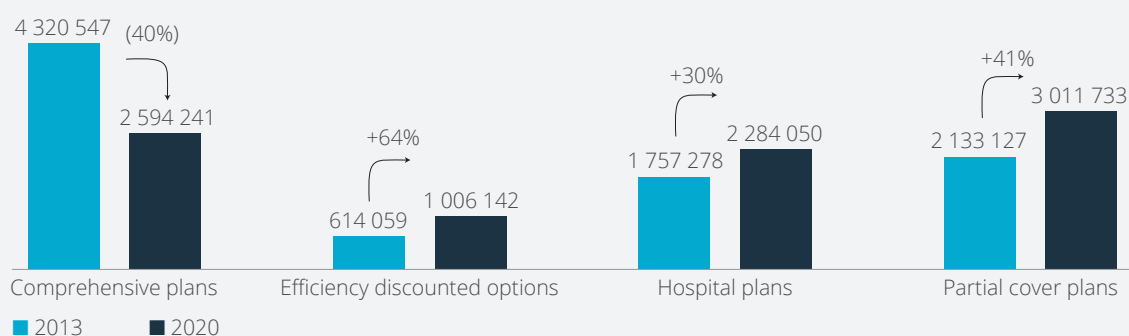


Number of scheme beneficiaries (thousands)



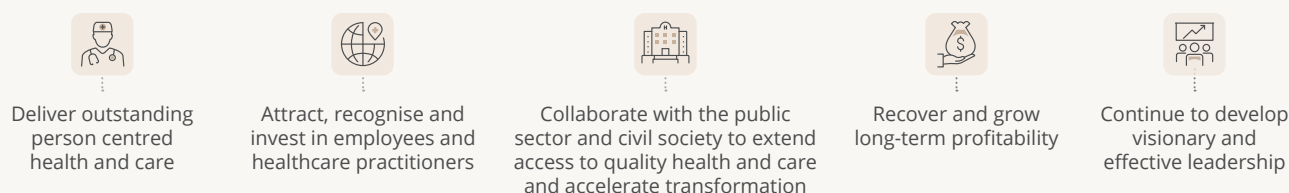
Source: The Council for Medical Schemes Industry Report 2021 – Utilisation Report.

'Buying down' trends



Source: The Council for Medical Schemes Report.

Our material matters



Our context continued

Key legislation, regulations and standards applicable to the Group's strategic pillars

Our strategic pillars	Key legislation
 Consistency of care Delivering consistently excellent clinical services, ensuring the best and safest person centred care.	• National Health Act. • Mental Health Act. • Occupational Health and Safety Act. • Waste Management Act.
 Disruptive innovation Implementing medical technologies, digitisation and data solutions for the benefit of our business and patients.	• Protection of Personal Information Act. • Electronic Communications and Transactions Act. • General Data Protection Regulation.
 Transformation of our society Continuing to invest in and develop our workforce and communities.	• B-BBEE. • Companies Act and Regulations. • Universal Declaration of Human Rights. • International Labour Organization. • United Nations (UN) Global Compact.
 Organic growth Driving strategic engagements with doctors and funders, investing to maintain the quality of our facilities and developing new products and services to promote inclusivity and access.	• Competition Act. • Long-term Insurance Act. • Short-term Insurance Act. • Financial Advisory and Intermediary Services.
 Integration Creating strategic and synergistic partnerships between all divisions and functions.	• Competition Act.
 Investment Creating economic value and optimising capacity utilisation.	• Competition Act. • FTSE/JSE Responsible Investment Index. • Organization for Economic Co-operation and Development.
 Environmental sustainability Ensuring minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment.	• National Environmental Management Act. • FTSE/JSE Responsible Investment Index. • TCFD. • UN Global Compact.

Critical shortage of specialist and nursing skills

In the wake of the high stress of the pandemic, many qualified personnel – particularly nurses – are choosing to change careers. Further, healthcare systems around the world are facing record post-pandemic backlogs, driving insatiable demand for healthcare professionals with many South African doctors and nurses electing to emigrate. Power outages are also impacting nurse retention, as nursing staff now prefer to work close to home, to make childcare and housework easier within load shedding schedules.

The doctor to population ratio in SA is on the decrease with contributing factors being the country's limited capacity to train doctors (private medical schools are prohibited), an aging specialist population, the escalating cost of professional liability insurance for specialists, emigration and uncertainty around the implementation of National Health Insurance (NHI).

The critical shortage of nurses, coupled with the low output from nursing education institutions, must be urgently addressed to meet current and future healthcare demand. In 2017, Netcare Education trained approximately 3 000 nurses; today we are training around 1 000; adversely impacted by the South African Nursing Council's (SANC) lengthy process to phase out legacy nursing qualifications and its restrictions on student intake numbers for the new nursing qualifications.

Key takeaways

Doctor to patient ratio

The SA Minister for Health reported in early 2022 that SA has 0.31 doctors per 1 000 patients, down from 0.79 in 2019 and compared to 0.93 in India, 2.32 in Brazil and 2.44 in Mexico.

Emigration

In FY2022, around 12% of the 57 specialists who left our acute facilities emigrated.

Nurse shortage

There is a current shortage of between 26 000 and 62 000 nurses in SA (both public and private) with the gap expected to grow to between 131 000 and 166 000 by 2030¹. SA's Human Resources for Health Strategy for 2030 predicts a shortage of around 34 000 registered nurses in primary healthcare by 2025. The supply-demand mismatch is driven primarily by increased demand from population growth, an ageing population, the growing disease burden, and nurse retirements and emigration outpacing the supply of new nurses.

Nursing students

In 2021, there were approximately 58% fewer nursing students in SA than in 2012². In FY2022, only 21% of the student intake we applied for was approved by SANC.

Top business risks and where to find our response

4	Availability and quality of skills.	 PG 63
6	Delivering consistently outstanding person centred health and care	 PG 65
11	Competitor activity	 PG 70

1. The Future of Nursing Workforce Planning Report for SA (November 2020).
2. Solidariteit Navorsinginstituut – Verpleegtekorte in Suid Afrika 2022.

Strategic pillars that respond to this trend



Our context continued

Burden of disease and its impact on healthcare affordability

Few people can afford the average cost per admission to an acute hospital without medical scheme cover or insurance, yet demand for acute care continues to grow as more South Africans live past the age of 60 and face increased burdens of disease. This places significant pressure on the healthcare system, which is already over-burdened, and ultimately results in unaffordable and unsustainable healthcare costs for individuals and the state. Ranked highest in SA's burden of disease are maternal, newborn and child health; HIV/Aids and tuberculosis; non-communicable diseases; and violence and injury.

Key takeaways

Ageing population

The number of older adults in SA increased from 7.2% of the population in 2002 to 7.7% in 2012 with a forecast of 9.1% of the population by 2022 – a projected increase of 70% over 20 years and compared to a 31% increase of under 60-year olds¹. The World Health Organization (WHO) projects the number of older adults in SA to increase to 15% of the population by 2050².

Disease

In recent years, SA has moved from most mortalities being a result of communicable diseases such as tuberculosis and HIV/Aids – which are often concentrated at younger ages – to most causes of death being attributable to non-communicable diseases, manifesting at late ages, such as strokes or heart disease (MCOD, 2017)³.

Access to healthcare

SA spends 8.5% of its gross domestic product (GDP) on healthcare⁴. Economic inequality is echoed in healthcare with large disparities in accessibility and quality of care between public and private sectors as well as urban and rural areas⁵.

Mental health

There is rapid growth in demand for mental health services. According to Discovery's actuarial forecast for 2022 compared to pre-COVID, mental health consultations are increasing with psychiatrist visits up 12%, psychologist visits up 36% and increased digital consultations.

Employee wellbeing

Employer demand for wellbeing services remains high and is a strategic focus for many organisations.

Top business risks and where to find our response

1	Economic environment and demand for private healthcare	PG 60
2	Funder regime	PG 61
4	Availability and quality of skills	PG 63
6	Delivering consistently outstanding person centred health and care	PG 65
10	Sector regulations	PG 69
11	Competitor activity	PG 70

Strategic pillars that respond to this trend



1. Statistics South Africa: Mid-year Population Estimates 2018.
2. WHO: World Report on Ageing and Health. Geneva: WHO; 2015.
3. Statistics South Africa: <https://www.statssa.gov.za/?p=13445>.
4. WHO: International Agency for Research on Cancer, World Health Organization: Cancer Today/Population Fact Sheets: South Africa, Globocan 2020.
5. Department of Health: National Health Insurance for South Africa: Towards Universal Health Coverage.

Digitisation and its impact on healthcare delivery

Satisfied patients feel more empowered to participate and take co-responsibility for their health and care, and feel they are receiving better care, both of which lead to better overall outcomes. Virtual healthcare plays a key role in delivering patient centric experiences and grew substantially during the COVID-19 pandemic. It comprises services such as telehealth, digital therapeutics, digital pharmacy management and remote patient monitoring. Favourable perception of care and ongoing investment are likely to drive the long-term growth of virtual healthcare.

As innovation around virtual care and EMRs advances and accurate data becomes more readily accessible, capabilities will be integrated, outcomes are likely to improve, prices will become more transparent and there will be a better understanding of care utilisation and cost trends. In addition, the availability of better data at the time that a doctor sees a patient enables more personalised care.

Medical technologies are also supporting better patient care including:

- New products and services that reduce the number of patient touchpoints needed to deliver care or extend the time between clinical touchpoints; for example, medical wearables to track blood sugar levels to prevent acute episodes and remote patient monitoring that supports home-based care.
- Shifts to lower-acuity sites of care; for example, using medical wearables to detect health issues earlier, potentially avoids hospitalisation.
- Reduced care delivery costs; for example, cardiac monitoring patches to identify arrhythmias at around 90% less cost than traditional implants.

Key takeaways

Patient centricity

Over 60% of consumers expect to be able to change or schedule a healthcare appointment, check medical records and test results, and renew a prescription online. Satisfied patients who use patient centric models report having 36% fewer visits, are 28% less likely to switch healthcare providers and are five to six times more likely to use other services from the same healthcare provider¹.

Top business risks and where to find our response

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
11 Competitor activity	 PG 70

Strategic pillars that respond to this trend



1. McKinsey & Company (May 2022): 2021 McKinsey Provider Customer Experience Survey (n = 3 311).

Our context continued

A difficult social context, dysfunctional infrastructure and climate change

A weak job market and poverty continue to deepen inequality in SA. This, together with socio-political factors, increasing frustration with local municipal failures, endemic corruption, and weaknesses in public educational and healthcare systems, are raising the risk of deteriorating social cohesion and violent protests. Meanwhile, SA's old and poorly maintained electricity infrastructure has become the single largest constraint on economic growth, business confidence and investment outlook.

In addition, should the Financial Action Task Force – the inter-governmental body that sets international standards to prevent money laundering and terrorist financing activities – grey list SA in February 2023 for failure to meet its recommendations, Intellidex estimates that the economic impact could range between 1.0% and 3.0% of GDP. A substantial increase in private sector capital outlays is only likely to occur when structural reforms are accelerated and there is policy certainty and electricity security.

Encouragingly, Eskom¹ launched three programmes in September 2022 to add over 1 000 megawatts (MW) to the grid. This is in addition to government's Risk Mitigation Independent Power Producer (IPP) Procurement Programme (an additional 2 000MW) and bid window six of the Renewable Energy IPP Procurement Programme (for a further 2 600MW of wind and solar energy).

According to the Department of Water and Sanitation, around 56% of municipal wastewater treatment works and 44% of water treatment works are in a poor or critical condition and in need of urgent rehabilitation². Long term, there are concerns around the design of SA's water system and the impact of climate change on the country's rainfall and water supply. SA is ranked as the 30th driest country in the world, with January 2022 being the second driest in 122 years. While the Nelson Mandela Bay municipality and surrounds remain in the grip of drought, in April 2022 severe flooding and landslides caused by heavy rainfall in KwaZulu-Natal caused the deaths of over 440 people, displaced over 40 000 people and affected over 19 000 households³.

Key takeaways

Unemployment

The official unemployment rate was 33.9% in the second quarter of 2022 from 35.3% in the fourth quarter of 2021. The youth (aged 15 – 34 years old) remain vulnerable in the labour market with youth unemployment at 46.5% in the second quarter of 2022⁴.

Load shedding

An estimated 4 115 gigawatt hours (GWh) of power was cut in 2022, far higher than the 1 776GWh in 2021. By October 2022, SA had endured almost the same number of disconnected hours (2 100 hours⁵) as in all of the previous eight years combined⁶.

Water scarcity

According to a Netcare study in 2015, by 2025 around 49% of our facilities are likely to be located in areas at elevated risk of regular water shortages.

Climate change

Climate change is the greatest threat to human wellbeing and public health this century. Without mitigating strategies, climate change-mediated health hazards are estimated to cause 250 000 premature deaths per year between 2030 and 2050⁷.

Top business risks and where to find our response

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

Strategic pillars that respond to this trend



1. SA's national power utility.

2. GreenCape 2022 Water Market Intelligence Report.

3. United Nations Office for the Coordination of Humanitarian Affairs: <https://reliefweb.int/report/south-africa/south-africa-africa-kwazulu-natal-floods-and-landslides-operation-update-1-emergency-appeal-no-mdrza012>.

4. Statistics South Africa: <https://www.statssa.gov.za/?p=15685#:~:text=The%20increase%20in%20both%20employment,5%25%20in%20Q2%3A2022>.

5. Eskom se Push.

6. Eskom Research, Testing and Development data (2022): <https://www.engineeringnews.co.za/article/besides-2021-more-power-was-cut-in-september-than-in-any-other-year-since-load-shedding-started-2022-10-06>.

7. World Health Organisation, Deaths from Climate Change, 2009.

Stakeholder engagement

We foster meaningful and sufficiently frequent engagement with the stakeholder groups that are the most likely to have an impact on our ability to deliver our strategy. Various engagement mechanisms help us understand stakeholder concerns and expectations, and how they link to our top business risks and strategic priorities. This enables us to respond appropriately and transparently, address concerns and provide relevant information that stakeholders need to make decisions about Netcare.

This approach provides us with the foundation to create and preserve value for our stakeholders and for Netcare, and guard against or minimise value erosion. Our strategic initiatives such as the new patient feedback survey in the Hospital Division, our digital transformation and Care4YOU, among others, are reshaping how we engage with our stakeholders, particularly our patients, doctors and specialists, funders and our workforce, supporting our purpose to provide the best and safest care. Engaging with ESG ratings agencies to understand how they assess companies will be a focus for the year ahead.



Stakeholder inclusivity: PG 37 of the shareholder report.

Our patients

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

Strategic pillars		
Material matters		
Why	Establishing long-term relationships with our patients supports our financial sustainability and strategic priority to grow market share. Meaningful, caring and understanding engagement with patients and their loved ones empowers them to be participants in their journey to health. We are dedicated to ongoing improvement in this care dimension.	
How	• Person centred care teams in each hospital. • Digital patient feedback surveys (quantitative scores and free-text responses). • EMRs will provide patients with access to their health and care data, which in time will cover the patient's interactions with Netcare across our ecosystem. • A bespoke complaint management system, CareNet. Each hospital's complaints dashboard is refreshed every 30 minutes. • The 'One Netcare' website and social media platforms that interface with CareNet. • Various digital initiatives that enhance patient experience and perception of care (Netcare appointmed™, online pre-admissions and National Renal Care's mobile app). • Patient focus groups and listening forums. • The NetcarePlus service centre and outsourced call centres.	
Topics ¹	• Seamless access to high-quality, safe healthcare free of utility and service disruptions. • An excellent patient experience delivered by competent and professional nurses and healthcare practitioners. • Access to world class doctors, equipment and services. • Fully funded and/or affordable healthcare services. • Data privacy and protection of patients' highly sensitive personal data.	
Response	This report	Detailed disclosure online
	Our patients: PG 101.	Quality report
	Doctor partnerships: PG 113.	
	Our people: PG 128.	ESG report
	Cybersecurity and privacy: PG 145.	Privacy protection policy
	New business development: PG 146.	
	Environmental sustainability: PG 152.	ESG report

1. 'Topics' includes topics of discussion as well as stakeholder concerns and expectations.

Our context continued

Our people

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

Strategic pillars	   	
Material matters	   	
Why	We place considerable importance on effective employee engagement to encourage innovation, critical thinking, proactiveness, continuous development and life-long learning to drive employee motivation and equip them to deliver on our strategic priorities and transition to a digitally and data enabled business.	
How	• Employee engagement assessments. • Onsite Workplace Transformation Committees (managers, employees and shop stewards). • Employee wellbeing programme (counselling and advice, managerial support programme and a health and wellness service). • Strategy roadshows and Leadership in Touch Forums (two-way engagement between managers and employees). • Diversity and inclusion dialogues and focus groups. • Care4YOU programme to drive compassionate care and self-compassion. • Change management interventions (change readiness surveys and emotional impact assessments). • Contract and annual salary negotiations. • Quarterly national consultative forums with trade unions (Hospital and Primary Care Divisions). • Confidential SHOUT hotline (reporting of incidents of racism, sexism, discrimination, harassment and any human rights violation).	
Topics	• A safe workplace and onsite health and safety procedures, including medical surveillance. • Assistance with high levels of stress, trauma and burnout as a result of COVID-19. • Appropriate remuneration, reward and recognition. • Engagement on career advancement. • Equal opportunities for growth and development. • An inclusive workplace free from racism, sexism and all forms of discrimination. • Organisational diversity and transformation. • Working for a well governed, ethical and socially responsible organisation. • Trusted and supportive leadership and management. • Labour unions: job preservation and fair labour practices.	
Response	 This report	 Detailed disclosure online
	Occupational health and safety: PG 111.	ESG report
	Our people: PG 128.	ESG report

Doctors

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

Strategic pillars	   	
Material matters	  	
Why	Doctors and specialists play a crucial role in attracting patients to our facilities and are therefore a key driver of revenue and our organic growth strategic priority. Doctor engagement strategies ensure that we effectively meet their needs, provide them with an attractive value proposition and build strong collaborative relationships with them.	
How	- Various structures in the Hospital Division that support the sharing of information on quality of care (Physician Advisory Boards, morbidity and mortality meetings and the personalised clinical information (PCI) tool which provides year-on-year comparative data on doctor performance etc). - Multi-disciplinary meetings between doctors to plan care for patients (enhanced through CareOn, which provides one source of patient information to aid shared decision-making). - Dedicated managers in each primary care centre and a national manager at National Renal Care responsible for building relationships with primary healthcare providers, allied healthcare practitioners and nephrologists. - Continuous professional development forums across all Netcare divisions. - Digital boards or forums to elicit doctor input on the development of our EMRs. - Our online platforms, including the 'One Netcare' website, Netcare appointmed™ and VirtualCare (telehealth platform).	
Topics	- Netcare's inclusion in restricted provider networks. - Outmigration and Netcare's response to provide a competitive offering and retain day case work within our acute hospitals. - Access to cutting-edge medical equipment and advanced technology, well maintained medical equipment and facilities, and advanced treatment protocols. - Digital platforms such as MyNetcare Online. - Clinical quality leadership and the public reporting of quality data. - Cost efficiency. - External hospital ratings. - Inconsistent doctor communication across the Netcare ecosystem (addressed in FY2022). - Better management of doctors' personal data needed for strategic projects and internal governance processes (addressed in FY2022). - Continuous professional development. - Uninterrupted supply of electricity and water to ensure the best and safest care.	
Response	 This report Our patients: PG 101.	 Detailed disclosure online Quality report
	Doctor partnerships: PG 113. Funders: PG 116.	
	Estate and medical equipment: PG 149.	
	Environmental sustainability: PG 152.	ESG report

Our context continued

Private medical funders

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

Strategic pillars	  	
Material matters	 	
Why	Our relationships and engagements with funders allow us to present competitive proposals to secure our participation in network opportunities, which in turn enables us to preserve and grow patient volumes and attract and retain doctors.	
How	• Day-to-day interventions on patient coding and case management. • Dedicated relationship managers. • Quarterly quality of care reports as per contractual agreements. • Contract and tariff negotiations.	
Topics	• Measurable quality of care and patient experience outcomes. • Utilisation trends. • Cost-effective care and our efficiency initiatives. • Participation in scheme options with restricted hospital networks. • Value-based care contracting. • A balanced service offering to satisfy member needs.	
Response	 This report	 Detailed disclosure online
	Our patients: PG 101. Funders: PG 116.	Quality report



Suppliers

Suppliers of medicines, equipment and consumables, IT systems, digital products and services and outsourced services, including consultants, and construction companies.

Strategic pillars	   	
Material matters	  	
Why	Our suppliers are a key underpin in four of our strategic priorities; consistency of care, our digital journey, the diversification of our supply chain and our environmental sustainability strategy. We engage on all of these areas with suppliers in addition to our focus on the procuring of products and services that most cost effectively meet our demand and quality requirements. Regular engagement also helps us keep abreast of potential supply chain risks that may impact quality of care.	
How	• Review meetings with key suppliers (quarterly) and strategic commodity suppliers (monthly). • Tender processes and contract negotiations. • Service level agreements. • Supplier assessments against key performance indicators. • Medical conferences, exhibitions and webinars. • Online supplier surveys.	
Topics	• Support for enterprise and supplier development. • Supply chain diversification, including preferential procurement with B-BBEE compliant and black-owned suppliers. • Local procurement. • Netcare's procurement policies. • Environmental impacts in the supply chain.	
Response	 This report	 Detailed disclosure online
	Suppliers: PG 118.	ESG report

Our context continued

Regulators and government

Authorities that regulate healthcare providers, funders and the sector.

Strategic pillars	  	
Material matters	   	
Why	Engagement with regulators centres on compliance with healthcare regulations to ensure we maintain our operating licences and gain support for our expansion into new business markets. These relationships also afford us the opportunity to contribute to the development of upcoming healthcare regulations. We engage with government directly and through our memberships in associations, mostly on structural barriers to access to healthcare for SA's people and potential solutions.	
How	• Bilateral engagements. • Submissions to draft policy and regulations. • Certification audits. • Office of Health Standards Compliance inspections. • Sector and business association memberships. • Our participation in national initiatives.	
Topics	• The shortage of nurses and doctors. • The increasing pressure on the public healthcare system. • The cost of and access to quality healthcare. • The private healthcare sector's role in the provision of universal healthcare. • Our employment equity performance and skills development. • Socioeconomic reconstruction and youth employment. • New healthcare-related regulations and their potential impact. • Compliance with protecting personal information legislation. • Disruption caused by the failing electricity infrastructure.	
Response		
	This report	Detailed disclosure online
	Operating environment: PG 40.	ESG report
	Society: PG 123.	ESG report
	Our people: PG 128.	ESG report
	Cybersecurity and privacy: PG 145.	Privacy protection policy
	New business development: PG 146.	

Investors

Shareholders and the investment community.

Strategic pillars	   	
Material matters	 	
Why	Transparent engagement with investors earns their trust and gains their support for our strategy while understanding their expectations for value creation. Balancing our objectives with their expectations, strengthens our access to capital.	
How	• Investor roadshows, including an ESG presentation at an investor healthcare conference. • Annual reporting suite and interim reporting. • SENS announcements. • Various investor healthcare conferences.	
Topics	• Unemployment, disposable income and impact on medical scheme membership. • Netcare's inclusion in restricted provider networks. • Trading activity. • Inflation and margin trajectory. • Recovery to pre-pandemic volumes. • The timing of financial recovery to pre-pandemic levels. • The percentage of fixed debt given rising interest rates. • Value-based care contracting. • The digitisation journey. • The performance of NetcarePlus and Netcare Diagnostics. • Reporting against the TCFD. • The environmental sustainability strategy. • Appreciation for the inclusion of ESG-related metrics in the balanced scorecard.	
Response	 This report Board chair's review: PG 17. Chief executive officer's review: PG 24. Operating environment: PG 40.	 Detailed disclosure online
	Remuneration overview: PG 86.	Shareholder report
	Private medical funders: PG 116. Digital transformation and data: PG 139. New business development: PG 146.	
	Environmental sustainability: PG 152.	ESG report
	Financial capital, including chief financial officer's review: PG 162.	Shareholder report

Our context continued

Society

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

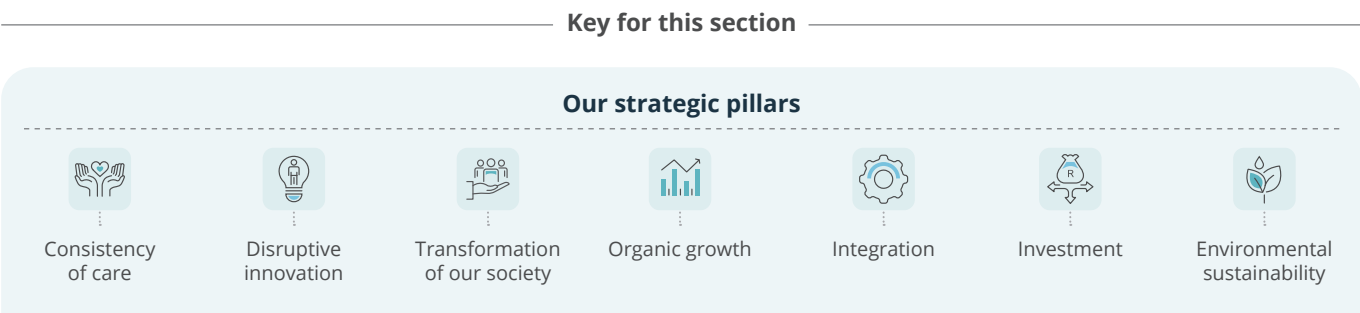
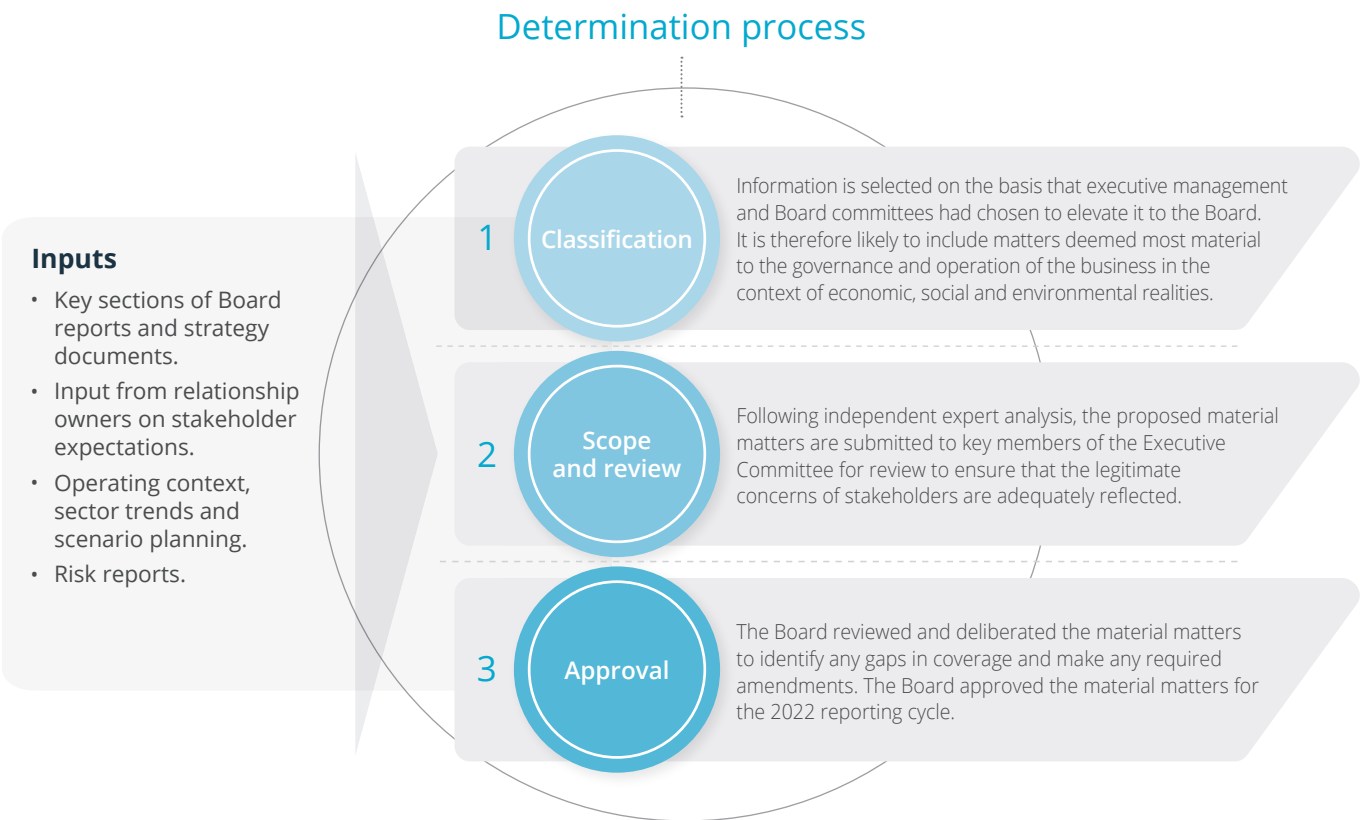
Strategic pillars	   	
Material matters	  	
Why	To meaningfully address critical societal concerns and ensure that our social and environmental programmes provide positive outcomes for society, we must find touchpoints with communities and key members of society to understand how we impact communities and how we can contribute to their upliftment. These relationships and our transformation and environmental initiatives protect our legitimacy and social licence to operate.	
How	• Sector and business association memberships. • Our participation in national initiatives. • The Netcare Foundation.	
Topics	• The cost of and access to quality healthcare. • Healthcare support for communities. • The impact of specialised skills shortage in SA on healthcare quality. • Upliftment of communities, particularly skills development and job creation. • Support for survivors of sexual assault. • Minimising negative environmental impacts.	
Response	 This report	 Detailed disclosure online
	Society: PG 123.	ESG report
	Our people: PG 128.	ESG report
	New business development: PG 146.	ESG report
	Environmental sustainability: PG 152.	ESG report

 Stakeholder inclusivity: PG 37 of the *shareholder report*.



Our material matters

Our material matters are the factors most likely to influence the conclusions our stakeholders may draw about Netcare's ability to create, preserve or guard against value erosion for them in the short, medium and long term.



Our material matters continued

Material matters

1 Deliver outstanding person centred health and care

Strategic pillars



- Consistent and measurably superior quality care:
 - Highest standards of safety and care applied.
 - Accurate and meaningful clinical data (digital and data led).
 - Targeted improvement interventions (data led).
 - Robust and rigorous preparedness plans (e.g. for COVID-19).
 - Robust and rigorous clinical governance framework.
 - Integrated and efficient person centred health and care processes (digital and data led).
 - Uninterrupted delivery of quality patient care (water and energy).
- Improved patient experience:
 - Patient centric engagement (digital and data led).
 - Solutions that support patient health and wellness (digital and data led).

2 Attract, recognise and invest in employees and healthcare practitioners

Strategic pillars



- Attraction and retention of independent doctors:
 - Effective doctor engagement and professional development.
 - Digital and data initiatives.
- Recruitment and retention of highly skilled and specialised employees (healthcare, digital and data analytics):
 - An engaging, caring, rewarding and safe working environment.
 - Optimised value proposition to attract skilled nursing staff.
 - Investment in employee growth, development and wellbeing.
 - An understanding of how roles support our purpose and delivery of strategic priorities.
 - Diversity at all employee levels and a culture of compassion, empowerment and inclusivity.
 - Support in adopting our digital initiatives.
 - Productive relationships with organised labour.

3 Collaborate with the public sector and civil society to extend access to quality health and care and accelerate transformation

Strategic pillars



- Addressing structural factors that negatively impact the healthcare sector in SA:
 - Collaboration with government to find effective solutions.
 - Access to quality healthcare for more South Africans.
 - The impact of regulatory change on the healthcare system (e.g. Certificate of Need and NHI Bill).
- Inclusive and diversified supply chains:
 - Enterprise and supplier development.
 - Local manufacturing and production.
- Employment creation:
 - Workplace-based experiential learning programmes.
 - Skills development.
 - Business development support for small businesses.

4



Recover and grow long-term profitability

Strategic pillars



- Adapt, manage and mitigate the challenges in our operating environment:
 - A diversified and resilient business model.
 - Prioritise long-term sustainability over short-term market demands.
 - An effective cybersecurity framework to safeguard data.
- Sufficient liquidity, access to funding and a strong balance sheet:
 - Optimised asset utilisation.
 - Disciplined capital investment and robust governance processes.
 - Grow revenue, earnings and ROIC.
- Achieve competitive differentiation:
 - Successful and timeous delivery of strategic projects.
 - New skillsets to facilitate digitisation.
 - Doctor adoption of our innovations, products and services.
 - A progressive environmental sustainability strategy.
- Defending and growing market share:
 - Strategic funder engagement (e.g. quantifying and commodifying clinical quality).
 - Managing the costs of delivering outstanding care.
 - Initiatives to compete and grow (e.g. network inclusion, value-based care engagements and outmigration strategies).
 - Capture new market segments with new service offerings (digital and data led).

5



Continue to develop visionary and effective leadership

Strategic pillars



- Leadership capability:
 - Diverse and empowered leaders.
 - Development programmes to build strategically relevant skillsets and behaviours (e.g. compassionate, ethical, resilient).
 - A strong succession pipeline.
- Organisational agility and effective governance procedures.
- Stakeholder engagement:
 - Board and executive responsiveness to stakeholders.
 - Decentralised stakeholder engagement model to drive proactive engagement with key stakeholders.



How we manage and respond to our material matters is broadly discussed in this integrated report, particularly on PG 58 of *our risks and opportunities*, PG 71 of *overview of our strategic progress and the performance* sections starting on PG 100.

Our risks and opportunities

Our risk management framework – embedded in our business activities and decision-making processes at all levels of the Group – ensures that the actions we take to achieve our strategic priorities fall within our risk appetite, which varies for each risk. The framework defines how we identify, understand and mitigate risks, and realise their related opportunities. The Board oversees the level of risk that the Group is willing to accept in pursuing its strategy and creating sustainable value for stakeholders.

Identifying our top business risks

Operational and executive management teams across Netcare's divisions identify the key risks affecting their operations; both business and operational risks. These risks are evaluated based on their impact, likelihood and materiality, their effect on our ability to deliver our strategic priorities, and the attention required from the Board and executive teams to manage them. Working with the Risk and Audit Committees, the risk management team identifies the top business risks for the Group, which are the risks that affect Netcare's sustainability and/or adversely impact on our most important intangible assets; the competence and commitment of our managers and employees, the competitive strength of our brands and the perceptions of our stakeholders, which collectively determine the health of our reputation. Business risks can be short, medium or long term in nature.

Board opinion

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

The Board is confident that:

Our risk management systems and processes support our strategy and business model.

Our appetite for risk is appropriate and risks are managed accordingly.

Our risk-aware culture enables relevant, informed and consistent decision-making relating to risk.

In the event of a disastrous incident, the documented and tested major incident plan, pandemic preparedness plan and disaster recovery programme support the continuity of critical business processes.

Five levels of assurance

Level 1 assurance	Level 2 assurance	Level 3 assurance	Level 4 assurance	Level 5 assurance
Assurance provided to the Board by governance committees	Non-independent assurance	Non-independent assurance	Independent assurance	Independent assurance
Audit Committee	Management	Risk Management function	Internal Audit function	British Standards Institution
Risk Committee	Quarterly statements of assurance (all operations)	Quality assurance reviews		Office of Health Standards Compliance
Social and Ethics Committee	Management self-assessments – at least three each year (all operations)	Data Council		Deloitte & Touche
Consistency of Care Committee		Clinical Data Council		

Note: not all assurance providers are covered here. However, more detail on internal and independent assurance is provided per top business risk starting on page 60.



Detailed information on risk management: *shareholder report* PG 30.

Overview of our top business risks

Top business risk

	Residual risk exposure			
	2021 rating	Change	Overall	PG
① Economic environment and demand for private healthcare	1	↑	■	60
② Funder regime	3	↑	■	61
③ Cybercrime and cybersecurity	6	→	▲	62
④ Availability and quality of skills	9	↑	■	63
⑤ Availability of electricity supply	10	↑	■	64
⑥ Delivering consistently outstanding person centred health and care	4	→	▲	65
⑦ Implementation of the digital and data strategies	5	→	▲	66
⑧ Water security	11	↑	■	67
⑨ COVID-19 pandemic	2	↓	▲	68
⑩ Sector regulations	7	→	■	69
⑪ Competitor activity	8	→	■	70

Change compared to FY2021 reporting

→ Risk exposure remained constant.

↑ Risk exposure increased.

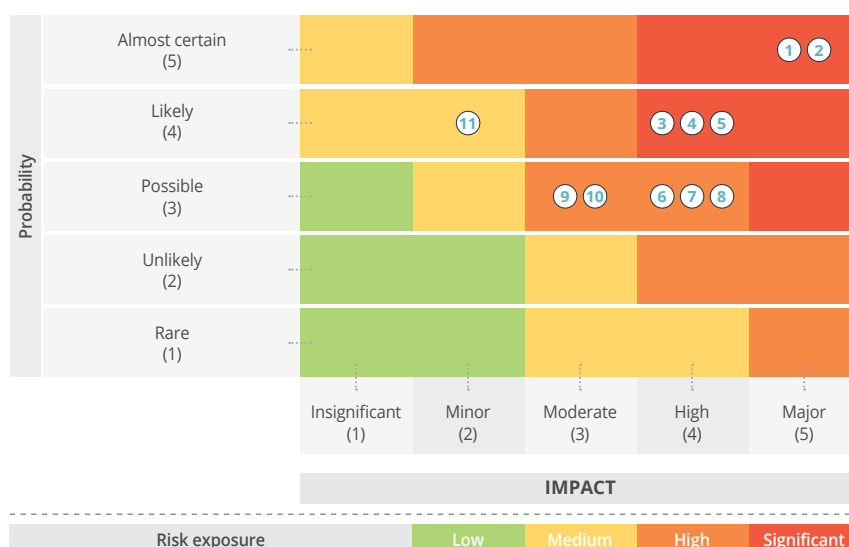
↓ Risk exposure decreased.

Overall risk exposure

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

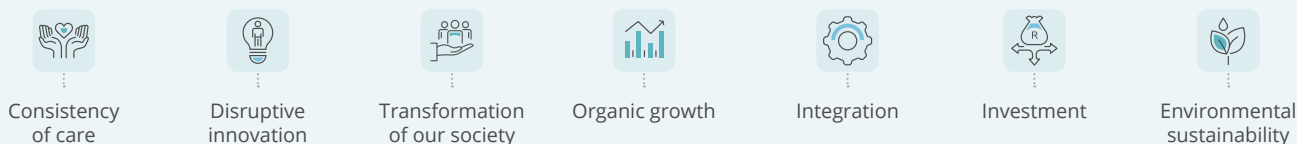
▲ Risk mitigation is being explored or implemented to minimise the risk exposure that is largely within our control.

Risk exposure heat map

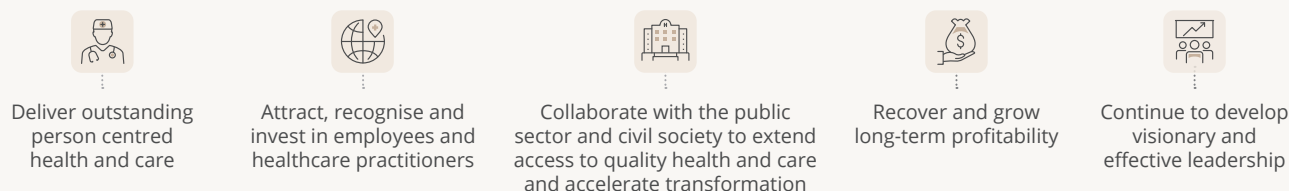


Key for this section

Our strategic pillars



Our material matters



Our risks and opportunities continued

1 Economic environment and demand for private healthcare

Since we developed our original scenarios in January 2021 there has been a deterioration in SA's macroeconomic, social and political environments, and delayed implementation of economic reforms. Economic recovery has been hampered by load shedding, the floods in KwaZulu-Natal and industrial action at SA's rail, port and pipeline company. Netcare is exposed to the current macroeconomic realities and their negative impact on employment, disposable income and lack of growth in the number of privately insured South Africans. These realities also present a risk to healthcare access as more medical aid members downgrade to lower-cost network options or discounted plans and are exposed to higher co-payments and out-of-pocket payments for certain healthcare services, which they may not be able to afford. For Netcare, these 'buy downs' mean that we may retain the same number of patients and perform the same procedures but we are not remunerated at the same level.

Opportunities and mitigation

- Deliver our strategy which is designed to create a sustainable competitive advantage.
- Attract and retain doctors (quality nursing services, high-quality healthcare infrastructure and increasing our participation in hospital networks).
- Grow new markets by increasing Netcare's exposure to the uninsured but employed market and develop new products for the insured population, including cover for non-network hospital co-payments, promoting inclusivity and reducing our reliance on the traditional medical aid market.
- Identify efficiencies to carefully manage the cost of delivering care.
- Strict working capital discipline and debt management assisted by our digital implementations.
- Optimise our capacity utilisation.
- Deliver our expansion projects.
- Regularly update our scenario analyses to evaluate the relevance and effectiveness of our strategy.
- Our major incident plan¹ in the event of civil unrest.

Capitals at risk	SRC HIC MC	Strategic pillars	   
Material matters	   	Time horizon	Medium to long term
Link to operating environment	A challenging economic environment and its impact on medical scheme membership: PG 40. Burden of disease and its impact on healthcare affordability: PG 44. A difficult social context, dysfunctional infrastructure and climate change: PG 46.		
Related information	 • Our strategy: PG 10. • Doctor partnerships: PG 113. • Digital transformation and data: PG 139. • New business development: PG 146. • Estate and medical equipment: PG 149.		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.
- Financial Sector Conduct Authority.

1. Netcare's major incident plan includes the development of specific actions to mitigate against the unique risks and challenges presented by every major incident.

2 Funder regime

Funders are negatively impacted by escalating adverse risk in scheme risk pools – that is decreasing membership or increasing buying down among younger and healthier scheme members alongside an increase in elderly and unhealthier scheme members. A deteriorating risk pool means that over time funders are faced with higher utilisation levels and a higher cost per 1 000 lives resulting in higher contributions. To contain membership fee increases and keep membership at sustainable levels, funders implement lower-cost restricted provider networks¹, stringent hospital admission protocols, targeted interventions to manage utilisation (including outmigration), collective negotiations to drive lower tariff increases (including the ability of closed schemes to negotiate with an open scheme since 2021) and criteria around quality outcomes. These interventions place increasing pressure on average tariffs, threaten patient volumes and market share, and negatively impact doctor retention should we have limited or no participation in restricted hospital networks. In addition, increasing our participation in discounted restricted network options may not always provide a commensurate volume uplift.

The global trend to value-based contracting – healthcare delivery models where healthcare providers are paid based on patient health outcomes, experience and efficiency – presents a significant shift of risk to healthcare providers in the future.

Opportunities and mitigation

- Our funder strategy reviews and evaluates all available provider network opportunities and aims to protect and grow our market share in hospital networks.
- Leverage digitisation, accurate data and best practice care interventions to improve our quality of care outcomes and patient experience (supports strategic engagements with funders).
- Identify efficiencies to carefully manage the cost of delivering care.
- Grow new markets by increasing Netcare's accessibility to the uninsured but employed market and develop new products for the insured population, including cover for non-network hospital co-payments, promoting inclusivity and reducing our reliance on the traditional medical aid market.
- Our electronic health code index (clinical coding) to ensure accurate costs per event.
- Strategies to remain competitive and contain outmigration.
- Optimise our capacity utilisation.

Capitals at risk	 	Strategic pillars	   
Material matters	  	Time horizon	Medium to long term
Link to operating environment	A challenging economic environment and its impact on medical scheme membership: PG 40. Burden of disease and its impact on healthcare affordability: PG 44. Digitisation and its impact on healthcare delivery: PG 45.		
Related information		• Stakeholder engagement: PG 47. • Private medical funders: PG 116. • Digital transformation and data: PG 139. • New business development: PG 146.	

Governance and assurance

Board oversight

- Audit, Risk and Consistency of Care Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.

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

Our risks and opportunities continued

3 Cybercrime and cybersecurity

Cybercrime is an evolving and complex technological threat. As digital connectivity and the speed of digital transformation increase so does the number of cyberattacks and incidents of organisations being held to ransom. Cyberattacks destroy value as they increase the cost of doing business as organisations are required to implement defence systems. Breaches are becoming more complex, impacting brand, reputation and financial position. Our increasing reliance on third-party service providers to support our digital transformation and data enablement is also a risk as well as greater legal and regulatory exposure from new privacy laws. Failure to secure our systems and data could result in business disruption, litigation, penalties and fines for non-compliance as well as reputational damage.

Mitigation

- Continually improve our cybersecurity control framework which is risk based, resilient and holistically deals with cybercrime threats.
- Monitor cybersecurity key performance indicators to inform our cyber risk exposure.
- Benchmark our cybersecurity performance against industry and global peers.
- Remain agile and adopt new technologies and methodologies quickly to respond to new threats.
- Our privacy framework against which compliance is rigorously monitored by the POPIA Steering Committee and working groups.

Capitals at risk	SRC HIC FC	Strategic pillars	  
Material matters		Time horizon	Short term
Link to operating environment	Digitisation and its impact on healthcare delivery: PG 45.		
Related information	 • Digital transformation and data: PG 139.		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

- Executive Committee.
- IT Management Committee.
- Compliance Committee.
- Information Security Management Committee.
- POPIA Steering Committee.
- Risk Management team.
- IT Governance Risk and Compliance team.
- Outsourced Security Operations Centre and Security Information and Event Management.
- Automated access management system.
- Privileged account management system.
- External consultants.

Independent assurance

- Internal Audit team.
- External auditors.

4 Availability and quality of skills

Competition for scarce skills in SA remains fierce whether for the specialised healthcare skills needed to provide consistently optimal care or the specialised digital and data analytics skills¹ needed to deliver our digital transformation strategy. The competition for healthcare skills is expected to intensify given the ongoing shortage of specialists and specialist registered nurses and limits on training capacity; the shortage also poses a risk for the sustainability of SA's healthcare sector.

In terms of digital and data analytics skills, not only is there fierce local competition but foreign companies are offering an attractive employee proposition, employing South Africans as part of their remote workforce.

Opportunities and mitigation

- Attract and retain doctors (quality nursing services, high-quality healthcare infrastructure and increasing our participation in hospital networks).
- Enhance strategic engagement with doctors driven by data-based evidence, information-sharing and professional development mechanisms.
- Our digital platforms that are modern, and reduce medicolegal risk for specialists and the administrative burden on nurses, enabling more time to provide care.
- A working environment that is caring, inclusive and ethical, and rewards outstanding contributions to the delivery of person centred health and care.
- The Single Incentive Plan and talent retention scheme.
- Programmes to develop employees, including our six-month in-service nursing certificate programmes to keep nurse skills current despite the constraints to training numbers.
- Programmes to support the wellbeing of our employees.
- The use of accredited nursing agencies to fill vacancies for specialist registered nurses.
- The national Future Nursing Workforce Project to influence output from nursing institutions (a Public Private Growth Initiative).
- Lobby policymakers to allow private education of healthcare practitioners and enhance healthcare skills in SA.

Capitals at risk	SRC HIC FC	Strategic pillars	   
Material matters	    	Time horizon	Medium to long term
Link to operating environment	A challenging economic environment and its impact on medical scheme membership: PG 40. Critical shortage of specialist and nursing skills: PG 43. Digitisation and its impact on healthcare delivery: PG 45.		
Related information	• Stakeholder engagement: PG 47. • Remuneration overview: PG 86. • Doctor partnerships: PG 113. • Society: PG 123. • Our people: PG 128. • Digital transformation and data: PG 139.		

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

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

Independent assurance

- South African Nursing Council.

1. Includes skills such as programming, website and application development, data engineering and data science, digital marketing, cybersecurity etc.

Our risks and opportunities continued

5 Availability of electricity supply

A stable electricity supply is needed to provide care to patients 24 hours a day, 365 days a year. Breakdowns and load shedding disrupting normal business operations can result in sub-optimal quality patient care and increase operating costs to maintain high-quality care levels. Load shedding is expected to continue for at least another five years, and may worsen in 2023 when one of Koeberg's two nuclear reactor units in the Western Cape is shut down for five months in a planned outage. Above consumer price index (CPI) tariff increases are expected up to 2025, which together with additional diesel expenses for generators, place pressure on the Group's margins.

Opportunities and mitigation

- Our 2030 environmental sustainability strategy to achieve 100% renewable energy and a further 5% energy efficiency reduction.
- Emergency generation capacity (uninterrupted power supplies and generators) to secure the supply of electricity for critical healthcare activities.
- Our major incident plan in the event of prolonged electricity disruption and blackout.

Capitals at risk	SRC NC FC	Strategic pillars	  
Material matters	 	Time horizon	Medium to long term
Link to operating environment	A difficult social context, dysfunctional infrastructure and climate change: PG 46.		
Related information	 • Environmental sustainability: PG 152.		

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

- Executive Committee.
- Sustainability Committee.
- Risk Management team.
- External consultants (for electricity supply).

Independent assurance

- No independent assurance required.



6 Delivering consistently outstanding person centred health and care

Delivering care that consistently achieves the best outcomes, and meets patients' expectations underpins our competitiveness in a fast-changing healthcare sector. Our reputation, employee morale and long-term sustainability will be adversely impacted if the care we provide is perceived negatively. The risk of further pandemics and the overuse of antibiotics can negatively impact clinical outcomes and result in higher morbidity and mortality rates in hospitals and communities. We manage these risks by adhering to strong clinical governance and safety, health, environmental and quality (SHEQ) controls across all our divisions to treat and care for those who need it most.

Opportunities and mitigation

- Leverage digitisation, accurate data and best practice care interventions to improve our quality of care outcomes and patient experience.
- Embed a culture of empathy and compassion that is felt by our patients.
- Provide virtual patient centred care delivery models that are easily accessible, convenient, streamlined and improve the patient experience.
- Patient feedback surveys that identify areas of improvement in the perception of care.
- Publication of transparent and accurate quality of care outcomes.
- Maintain a strong regulatory framework governing clinical practice.
- Develop new products for key service lines (cancer care and mental health) and integrate these offerings across the Netcare ecosystem.
- Screening programmes to aid early detection and treatment of cancer and chronic disease.

Capitals at risk	SRC HIC MC FC	Strategic pillars	    
Material matters	   	Time horizon	Short to medium term
Link to operating environment	A challenging economic environment and its impact on medical scheme membership: PG 40. Critical shortage of specialist and nursing skills: PG 43. Digitisation and its impact on healthcare delivery: PG 45. A difficult social context, dysfunctional infrastructure and climate change: PG 46.		
Related information		• Stakeholder engagement: PG 47. • Our patients: PG 101. • Our people: PG 128. • Digital transformation and data: PG 139.	

Governance and assurance

Board oversight

- Risk and Consistency of Care Committees.

Non-independent assurance

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

Independent assurance

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

Our risks and opportunities continued

7 Implementation of the digital and data strategies

Digitally transforming the Group's ecosystem of products and services is a large-scale undertaking, necessary to secure our competitive advantage in a rapidly changing healthcare environment. The key risks to our successful transformation are doctor adoption and disruption to stakeholders and our business operations. Projects of this size require disciplined capital investment, robust governance practices and new skillsets, among others. The successful implementation of the customer engagement model (CEM) to provide longitudinal representations of patients' full medical histories depends on the quality of data sourced across all our divisions.

Opportunities and mitigation

- Our digital transformation and data enablement strategies will support:
 - Enhanced clinical outcomes and patient safety, and accurate and relevant clinical data.
 - Virtual patient centred care delivery models that are easily accessible, convenient, streamlined and improve the patient experience.
 - Enhanced strategic engagement with doctors and funders.
 - The integration of Netcare's ecosystem.
 - Predictive analytics capability that supports anticipatory and proactive decision-making.
 - Automated recordkeeping, removing repetitive and administrative heavy tasks for nurses.
 - Remote monitoring adding convenience for doctors and easing their burden.
- Change management interventions to support doctor and employee adoption.
- Careful management of capital and operational expenditure to avoid cost overruns on digital projects.

Capitals at risk	SRC HIC FC	Strategic pillars	    
Material matters	   	Time horizon	Short to medium term
Link to operating environment	Digitisation and its impact on healthcare delivery: PG 45.		
Related information	 • Digital transformation and data: PG 139.		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.

8 Water security

We depend on a secure and stable water supply to provide care to patients 24 hours a day, 365 days a year. An inconsistent water supply would disrupt our normal business operations, patients could receive sub-optimal care and SA would face severe public health threats, resulting in an increased need for healthcare. SA's ageing and fragile municipal water infrastructure and the impact of climate change on the country's rainfall and water supply remain key concerns. Additional concerns include ongoing tariff increases in excess of CPI as well as the impact of load shedding on the availability of water and sanitation services as pump stations battle to operate during power cuts.

Opportunities and mitigation

- Our 2030 environmental sustainability strategy to reduce our water consumption by 20%.
- Most hospitals are equipped with at least a 24-hour water back-up supply (some have 48-hours of supply). Our water conservation mode allows us to double the period of our back-up supply should water supply be interrupted.
- Various solutions to secure the supply of water, including a desalination plant in the Western Cape, two water reservoirs in Gauteng and borehole and filtration facilities at various hospitals.
- Our major incident plan in the event of prolonged water supply disruption.
- Agreements with private firefighting services.
- Fire water designs incorporated in new hospital builds and major expansions, and fire infrastructure upgrade projects based on relevant fire risk analyses for remaining hospitals.

Capitals at risk	SRC NC FC	Strategic pillars	  
Material matters	 	Time horizon	Medium to long term
Link to operating environment	A difficult social context, dysfunctional infrastructure and climate change: PG 46.		
Related information		• Environmental sustainability: PG 152.	

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

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

Independent assurance

- No independent assurance required.

Our risks and opportunities continued

9 COVID-19 pandemic

The Omicron variant has resulted in lower hospitalisation and mortality rates compared to the Delta variant. In SA, the national state of disaster was lifted in April 2022 after having been in place for more than two years. The future impact of the pandemic on our business remains dependent on the emergence of new variants and the underlying immunity in SA. Psychological distress and mental fatigue arising out of the hardships of the last two years continue to be felt among our employees.

Opportunities and mitigation

- Implement the learnings of the past two years to improve flexibility and allow for nuanced responses to localised demand when needed.
- Our COVID-19 pandemic preparedness plan and clinical governance framework which covers operational and clinical risks associated with COVID-19.
- Work with the government and other stakeholders to assist in managing COVID-19.
- Continually improve our clinical governance and health and safety capacity.

Capitals at risk	SRC HIC FC	Strategic pillars	  
Material matters	    	Time horizon	Short term
Related information	 • Chief executive officer's review: PG 24.		

Governance and assurance

Board oversight

- Risk and Consistency of Care Committees.

Non-independent assurance

- Executive Committee.
- Consistency of Care team.
- Risk Management team.

Independent assurance

- National Institute for Communicable Diseases.
- National and Provincial Departments of Health.
- South Africa Health Products Regulatory Authority.
- Network for Genomics Surveillance in South Africa.

10 Sector regulations

Adapting to regulatory changes can alter our business model and how we operate, and require changes to our processes. Of key concern for the Group is the uncertainty brought about by the NHI Bill and its misalignment with the Medical Schemes Amendment Bill. In addition, the proposal to have 11 legislative amendments take effect when the NHI Bill is implemented may result in unintended consequences such as making medical scheme membership unaffordable, or placing the availability of certain private healthcare services to eligible users at risk during the transitional phase. These scenarios would result in an increased burden on the already stretched public healthcare system.

New regulations relating to Certificates of Need (licences) for health establishments and doctors are also expected; although the High Court has declared the sections of the National Health Act that would give rise to the implementation of these licences as unconstitutional. This is being challenged by the Department of Health and would need to be ratified by the Constitutional Court.

The Board of Healthcare Funders has applied to the Competition Commission to negotiate collectively. Netcare and the Hospital Association of South Africa (HASA) have submitted responses.

Opportunities and mitigation

- Find ways to help alleviate public sector pressure and backlogs.
- Collaborate with regulators and government and work with business and sector associations to provide constructive input on health policy formulation and the realisation of a sustainable NHI, and to find solutions to the structural challenges faced by SA's healthcare system.

Capitals at risk	SRC HIC FC	Strategic pillars	 
Material matters	   	Time horizon	Medium to long term
Link to operating environment	A challenging economic environment and its impact on medical scheme membership: PG 40. Burden of disease and its impact on healthcare affordability: PG 44.		
Related information	 • Society: PG 123.		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- No independent assurance required.

Our risks and opportunities continued

11 Competitor activity

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

Opportunities and mitigation

- Deliver our strategy which is designed to create sustainable competitive advantage.
- Attract and retain doctors (quality nursing services, high-quality healthcare infrastructure and increasing our participation in hospital networks).
- Leverage digitisation, accurate data and best practice care interventions to improve our quality of care outcomes and patient experience, and supports strategic engagement with doctors and funders.
- Embed a culture of compassionate care that is felt by our patients.
- Provide virtual patient centred care delivery models that are easily accessible, convenient, streamlined and improve the patient experience.
- Advance the integration of Netcare's ecosystem.
- Grow new markets by increasing Netcare's exposure to the uninsured but employed market and develop new products for the insured population, including cover for non-network hospital co-payments, promoting inclusivity and reducing our reliance on the traditional medical aid market.
- Identify efficiencies to carefully manage the cost of delivering care.
- Develop new products for key service lines (cancer care and mental health) and integrate these offerings across the Netcare ecosystem.
- Optimise our capacity utilisation.
- Deliver our expansion projects.

Capitals at risk	SRC HIC FC	Strategic pillars	    
Material matters	    	Time horizon	Medium to long term
Link to operating environment	A challenging economic environment and its impact on medical scheme membership: PG 40. Critical shortage of specialist and nursing skills: PG 43. Digitisation and its impact on healthcare delivery: PG 45.		
Related information	 • Stakeholder engagement: PG 47. • Doctor partnerships: PG 113. • 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.		

Governance and assurance

Board oversight

- Risk Committee.

Non-independent assurance

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

Independent assurance

- No independent assurance required.

Overview of strategic progress

The execution of the strategic projects referenced in this section remain critical to the operationalisation of our strategy, particularly the Hospital Division's EMR project. Our strong statement of financial position has allowed us to continue our planned investments in facilities and key strategic projects.

.....  Our strategy: PG 10.

Key for this section

Material matters



Deliver outstanding person centred health and care



Attract, recognise and invest in employees and healthcare practitioners



Collaborate with the public sector and civil society to extend access to quality health and care and accelerate transformation



Recover and grow long-term profitability



Continue to develop visionary and effective leadership

Quality of care performance

Strategic pillars	 Consistency of care  Disruptive innovation	
Material matters	Weighting of quality performance KPIs ¹ in Group balanced scorecard:	Capitals impacted
   	10%	SRC HIC MC FC

FY2022 performance overview

Perception of care

Objective: improve our patient satisfaction and perception of care delivered.

Strategic project Independently validated online patient feedback survey (PFS) for the Hospital Division.	Completed	As a percentage of the surveyable discharges the response rate was sustained at around 13% (improved from 8%).	✓	 PG 104
Strategic project Doctor engagement.	Completed	Doctor engagement framework reviewed, doctor survey conducted and strategic initiatives to improve engagement are being implemented.	✓	 PG 115

Quality of care

Objective: demonstrate our ability to provide accurate and meaningful quality of care measures and results, and use them to inform focused improvement initiatives.

Strategic project Infection management tool	Completed	The infection management tool went live in August 2022. Feedback from operations is positive.	✓	 PG 107
• Externally published 81 quality of care measures as part of the integrated reporting suite.			✓	Note 1
• Publicly reported the scores from the new PFS by hospital on the Netcare website.			✓	Note 2
• Automated the quarterly medical scheme reports.			✓	 PG 117
Clinical commercial				
Objective: manage the cost of delivering care and commercialise clinical quality.				
• Continued to use our clinical data and digital systems and solutions to inform focused improvement initiatives and strategically engage with funders on the technical elements of value-based care.			✓	 PG 116

Note 1: published in the online quality report.

Note 2: <https://www.netcare.co.za/Quality-Of-Care/Measures-and-results#/measures-results/general/Filters/measures/8/person-centred-care/netcare-hospitals/>.

1. Key performance indicators.

Overview of strategic progress continued

Clinical governance

Objective: improve and strengthen the regulatory framework governing clinical practice.

• Developed a new clinical governance framework, which was implemented in the Hospital Division.	✓	PG 110
• Digitised the credentialing ¹ process in the Hospital Division.	✓	PG 115
• Issued updated admitting and practising privileges to specialists and other healthcare professionals in the Hospital Division.	✓	
• Digitised the private sector inspection tools published by the Office of Health Standards Compliance (OHSC) for the Hospital Division.	✓	PG 112
• Achieved ISO 9001:2015 certification for the fifth consecutive year, including Netcare Akeso for the first time.	✓	
• Introduced comprehensive medical surveillance programmes for employees in all divisions.	✓	PG 111

#WeCare

Objective: look after our workforce and be true to the philosophy of the **Quadruple Aim**.

Strategic project Care4YOU in the Hospital Division.	Completed	Module 1 of compassion training and the digital gratitude card programme rolled out to all hospitals.	✓ ■	PG 130
• Enrolled a second cohort of 10 senior managers on Stanford University's Applied Compassion Training programme.			✓	PG 136

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.

Forward looking

- **FY2023:** roll out additional modules on compassion training to reinforce the compassion learnings.
- **FY2023:** digitise the compassion journey and continue to focus on improving the nurse compassion score.
- **FY2023:** extend the new clinical governance framework to other Netcare divisions.
- **FY2023:** develop risk-adjusted clinical data models to inform improvements.
- **FY2023:** roll out summaries of care – digital discharge summaries including electronic prescriptions and care notes.
- **FY2023:** deliver formal training to enhance capacity in all divisions to conduct formal quality improvement programmes.

Key performance indicators		FY2022 target	2022	2021	2020	
Hospital Division	Care4YOU roll out to hospitals	50	50	–	–	✓ ■
	Patient reported experience measures					
	Nurses' display of compassion when caring for patients	8.11	8.11¹	–	–	✓ ■
	Nurses communicated in an understandable way when discussing aspects of a patient's care		7.95¹	–	–	⊙
	Overall satisfaction with nursing care received		8.01¹	–	–	⊙
	Doctors' display of kindness and compassion when caring for patients		8.84¹	–	–	⊙
	Doctors communicated in an understandable way when discussing aspects of a patient's care		8.83¹	–	–	⊙
Netcare Akeso	Doctors kept patients informed about their care during their hospital stay		8.56¹	–	–	⊙
	Nurses always treat you with courtesy and respect		83.8%	79.9%	81.1%	✓
	Nurses always listen carefully		81.5%	77.5%	78.8%	✓
	Nurses always explain in a way you understand		83.0%	79.2%	81.0%	✓
	Doctors always treat you with courtesy and respect		93.8%	93.8%	94.2%	✓
	Doctors always listen carefully		92.9%	92.8%	92.7%	✓
	Doctors always explain in a way you understand		92.3%	92.1%	92.1%	✓
	Therapists always treat you with courtesy and respect		89.3%	87.6%	87.3%	✓

1. New Hospital Division PFS was measured from November 2021 to September 2022. This is an average rating on a 10-point scale.

Our patients: PG 101.
Doctor partnerships: PG 113.
Private medical funders: PG 116.

Quality report

- ✓ Positive outcome
- ⊙ Neutral outcome/target partially met (within 5% of the target)
- ✗ Negative outcome/target not met
- Linked to remuneration

Digitisation and data performance

Strategic pillars	 Disruptive innovation  Integration	
Material matters	Weighting of digitisation and data performance KPIs in Group balanced scorecard: 10%	Capitals impacted SRC HIC FC

FY2022 performance overview

Information technology

Objective: digitise the entire Netcare ecosystem and use these digital platforms to drive synergies and integration between divisions.

Strategic project Hospital Division (EMR): CareOn project	End date: FY2024	The CareOn implementation is on track; the end date has been extended slightly from December 2023 to April 2024.	✓ ■	 PG 143
Strategic project Netcare Akeso (EMR): Akeso CareOn project	Completed	Phase 2 which includes the roll out of additional modules is underway and will be complete by December 2022.	✓	
Strategic project Netcare Medicross (EMR): HEAL project	Completed	Medicross HEAL has been implemented in all targeted medical and dental centres.	✓	
Strategic project National Renal Care (EMR): nephroOn	Completed	nephroOn has been implemented in all dialysis units and the updated National Renal Care mobile app linked to the EMR platform.	✓	
Strategic project Online pre-admissions	Completed	Online patient pre-admissions now cover 38% of all non-emergency admissions.	✓	 PG 106
Strategic project Customer engagement model	End date: FY2023	Project is on track: three primary sources of data onboarded and two in progress.	✓	 PG 143
Strategic project Wi-Fi infrastructure project	Completed	Wi-Fi infrastructure and firewall upgrade rolled out across the Hospital Division.	✓	 PG 143

Data management and analytics

Objective: enhance our data management and analytics capabilities to translate data into actionable knowledge.

Used data analytics to support a number of projects, including CareOn, Care4YOU, Medicross HEAL, One Netcare website, the CEM platform, NetcarePlus and Netcare Diagnostics.	✓	
33 quality of care measures were added to the quality of care index: 10 patient feedback, 10 patient safety and 12 quality measures and one efficiency measure.	✓	 PG 107
Developed a reporting suite for the Hospital Division's new PFS to extract key insights from the survey data.	✓	 PG 143

Overview of strategic progress continued

Forward looking

- **FY2023:** implement CareOn in 17 additional hospitals covering 3 817 beds.
- **FY2023:** implement a solution to monitor the level of digital engagement among our patients across our digital platforms.
- **Ongoing:** develop solutions that use data analytics to achieve efficiencies, improve clinical outcomes, gain key insights from our patients and measure patient retention within the Netcare ecosystem.
- Develop an EMR for Netcare Cancer Care chemotherapy units.

Key performance indicators

	FY2022 target	2022		
Number of hospitals with CareOn implemented	20	21	✓	■
CareOn: adoption of e-scripts by doctors	70%	84%	✓	■
CareOn: adoption of clinical orders by doctors	70%	84%	✓	■
Combined data quality score across data domains	>80%	81.3%	✓	

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

 Quality report

- ✓ Positive outcome
- ⊙ Neutral outcome/target partially met (within 5% of the target)
- ✗ Negative outcome/target not met
- Linked to remuneration

Social performance

Strategic pillars	 Transformation of our society	
Material matters	Weighting of social performance KPIs in Group balanced scorecard: 10%	Capitals impacted SRC HIC FC

FY2022 performance overview

Employer of choice

Objective: drive a high-performance, inclusive and empowering organisational culture to attract and retain skill.

• Formally launched the Single Incentive Plan in March 2022 for executives and senior managers as well as other retention strategies.	✓	 PG 132
• Completed market-related benchmarking of salaries for nurses and IT and data skills.	✓	
• Launched a Group-wide talent identification initiative to create bench strength for senior management level and key roles across divisions.	✓	
• Directed 7% of our training spend towards our top talent pipeline and 86% to our empowerment objectives.	✓	 PG 138
• Launched The Voice of the Employee survey achieving a 70% response rate. 79% of respondents said they felt fully engaged or that they are key contributors.	✓	 PG 132

Nursing skills

Objective: retain nursing skills and lobby for the removal of barriers to nurse training numbers.

• Continued to participate in the collaborative multi-stakeholder Future Nursing Workforce Project.	✓	 PG 125
• Provided greater flexibility in remuneration structure and introduced other retention mechanisms.	✓	

Broader transformation

Objective: improve our employment diversity profile, drive skills development and employment creation, diversify the supply chain and continue to position Netcare as a force for social good.

• Of the 668 unemployed young people who successfully completed their Netcare YES4Youth programme, 89% are formally employed.	✓	 PG 134
• Awarded various tenders for medical supplies and devices to small businesses.	✓	 PG 120
• Engaged with the Department of Trade, Industry and Competition (dtic) on its black industrialist programme.	✓	 PG 120
• The overall performance of our enterprise and supplier development (ESD) beneficiaries participating in our structured ESD programme improved over FY2022.	✓	 PG 120
• Netcare 911 provided assistance during the devastating floods in KwaZulu-Natal.	✓	 PG 126
• Invested R35 million in community development interventions (sexual assault assistance, bursaries and scholarships, access to medical procedures, indigent patient assistance and community upliftment programmes).	✓	

Forward looking

- **FY2023:** ensure that talented individuals receive the development learning and coaching they need to advance within the Group.
- **FY2023:** address areas of improvement identified through the employee engagement survey.
- **FY2023:** explore a new opportunity to offer affordable short-term funding to black small, medium and micro enterprises (SMMEs) in the supply chain.

Overview of strategic progress continued

Key performance indicators	FY2022 target	2022	2021	2020	
Workforce					
Overall turnover		16.8%	15.9%	13.9%	✗
Training spend		R51 million	R49 million	R66 million	✓
Number of employees who received training		15 968	12 731	15 276	✓
Percentage of training spend directed to formal nurse training		68%	89%	72%	✗
Broad-based black economic empowerment					
B-BBEE rating	Level 4	Level 3	Level 4	Level 4	✓
Percentage of the points available for the management control pillar of the B-BBEE scorecard	64% ¹	60.2%	–	–	✗ ■
Percentage of the points available for the preferential procurement pillar of the B-BBEE scorecard	80% ¹	81.8%	–	–	✓ ■
Roll out the engagement, diversity and inclusion survey	100% sites	100%	–	–	✓ ■
Procurement spend with >51% black-owned suppliers ²	40%	51.4%	48.6%	34.1%	✓ ■
Procurement spend with >30% black women-owned ²	26%	32.6%	28.2%	21.6%	✓ ■
Procurement spend with qualifying small enterprises ²	8%	9.1%	8.0%	7.6%	✓ ■
Procurement spend with exempted micro enterprises ²	7%	4.7%	3.1%	5.6%	⊙ ■
Supplier development spend as a percentage of net profit after tax (NPAT)	2% of NPAT	2.2%	3.7%	5.9%	✓
Enterprise development spend as a percentage of NPAT	1% of NPAT	1.7%	1.0%	2.7%	✓

1. dtic targets.

2. Calculated as a percentage of measurable procurement spend.

Empowerdex: assured the Group's contributor rating according to the revised dtic Codes of Good Practice for B-BBEE. This includes the employment equity information in the table below.

% of the workforce at September						Plan (%) ²	
Key performance indicators		2018	2019	2020	2021	2022	Target 2022
Senior management	Black ¹	29.2	41.4	41.9	43.3	50.0	45.7 ✓ ■
	Black women	16.7	24.1	25.8	23.3	25.0	28.6 ✗ ■
Middle management	Black	39.9	45.2	48.9	52.9	53.1	54.7 ✗
	Black women	21.7	25.1	27.6	30.6	32.4	31.0 ✓
Junior management and skilled workers	Black	68.0	71.2	71.9	72.8	75.9	74.4 ✓
	Black women	58.9	61.9	61.8	62.3	64.6	63.0 ✓
Employees with disabilities	Overall	3.2	3.6	3.9	4.2	4.4	4.2 ✓
	Black	1.9	2.3	2.6	2.8	3.0	2.9 ✓
	Black women	1.3	1.6	1.8	1.9	2.1	2.0 ✓

Note: excludes National Renal Care.

1. Black covers African, Coloured and Indian employees.

2. Five-year employment equity plan (2021 – 2026).

Remuneration overview: PG 86.

Suppliers: PG 118.

Society: PG 123.

Our people: PG 128.

ESG report

Shareholder report

- ✓ Positive outcome
- ⊙ Neutral outcome/target partially met (within 5% of the target)
- ✗ Negative outcome/target not met
- Linked to remuneration

Environmental performance

Strategic pillars	 Environmental sustainability	
Material matters	Weighting of environmental performance KPIs in Group balanced scorecard: 10%	Capitals impacted SRC MC NC FC

FY2022 performance overview

2030 environmental sustainability strategy

Objective: maintain global and local leadership in environmental sustainability in healthcare.

Achieved cumulative operational savings of R1 086 million since 2013 through our 2023 environmental sustainability strategy (savings and cost avoidance).	✓	 PG 154
Phase 1 of our objective to reach 100% renewable energy by 2030 is underway and aims to grid wheel renewable energy to six facilities. Three solar photovoltaic systems were also installed.	✓	 PG 155
Rolled out a number of zero waste to landfill strategies, including initiatives for polyvinyl chloride (PVC), clinical glass and food waste, among others.	✓	 PG 158
National Renal Care installed 38 water efficient reverse osmosis plants.	✓	 PG 160
We are waiting for council approval to install a greywater treatment plant at Netcare Alberton Hospital.	✓	

Forward looking

- Revise our procurement strategies to reduce our Scope 3 emissions.
- Enhance our science-based targets to include Scope 3 emissions.
- FY2023:** roll out the zero waste to landfill project to all sites in the Hospital Division.
- Establish benchmark waste targets for each hospital.
- Expand the water filtration plant at the Netcare Greenacres Hospital.

Key performance indicators (projects)

	FY2022 target	2022		
Carbon emissions reduction from energy efficiency projects implemented	1 400 tCO ₂ e ¹ ▼	1 479 tCO ₂ e▼	✓	■
Reduction in water use from water efficiency and recycling projects implemented	21 900kl ² ▼	28 096kl	✓	■
Reduction in general waste to landfill in pilot projects	75%▼	79%	✓	■
	of general waste			

1. Tonnes of carbon dioxide equivalent (tCO₂e).

2. Kilolitres (kl).

Key performance indicators (2030 environmental strategy)

	Target	2022	Variance	Baseline	
Energy (kWh/bed ¹)	30%▼ by FY2023	18 448	(35%)	28 442 (2013)	✓
Scope 1 and Scope 2 emissions (tCO ₂ e)	84%▼ by FY2030	225 655	(16.4%)	269 804 (2013)	✓
Scope 2 emissions (tCO ₂ e)	Zero Scope 2 emissions by FY2030	187 592	(19.0%)	231 467 (2013)	✓
Waste to landfill (tonnes)	Zero waste to landfill by FY2030	8 110	(13.0%)	9 322 (2017)	✓
Water (litres/bed/day ²)	20%▼ by FY2030	493	(16.7%)	592 (2014)	✓

Global Carbon Exchange SA Proprietary Limited provided limited assurance on carbon emissions and energy and water usage.

1. Kilowatt hours per bed.

2. Litres per bed per day.

 Environmental sustainability: PG 152.

 ESG report

- ✓ Positive outcome
- ⊙ Neutral outcome/target partially met (within 5% of the target)
- ✗ Negative outcome/target not met
- Linked to remuneration

Overview of strategic progress continued

Financial performance and other strategic progress

Strategic pillars	 Organic growth  Integration  Investment		
Material matters	Weighting of financial performance KPIs in Group balanced scorecard: 60%	Capitals impacted SRC HIC MC FC	

FY2022 performance overview

Market share

Objective: develop new products and services and invest in high-demand service lines to increase market share.

• Netcare remains well represented in network options.	✓	PG 116
• Launched a NetcarePlus marketing campaign, including booster activities on social media platforms supported by our distribution partners.	✓	PG 146
• NetcarePlus launched a product to cover co-payments for Netcare hospitals not on a network option, and products for the uninsured in corporate and retail businesses, including ear, nose and throat acute care prepaid procedures.	✓	
• Achieved good traction on the NetcarePlus accident and trauma cover.	✓	
• Employers have provided positive feedback on NetcarePlus products.	✓	
• The Netcare Diagnostics partnership rolled out 130 blood gas analysers across our ICUs and high care units.	✓	PG 148
• Opened Netcare Alberton Hospital and the Netcare Akeso Richards Bay facility.	✓	PG 150
• Despite the significant increase in competition, Netcare continues to defend market share.	✓	

One Netcare

Objective: implement a comprehensive Group-wide marketing, communication and stakeholder engagement strategy.

Strategic project An interactive transactional website (One Netcare) – phase one	End date: December 2022	The project to consolidate all divisional websites is on track.	✓	PG 143
• Updated our 'One Netcare' branding across divisions and ensured consistency in messaging across marketing campaigns and collateral.			✓	

Capital management

Objective: ensure the most efficient capital structure, enhance shareholder returns and provide clear targets for gearing and ROIC.

• Implemented stringent cost management for the Hospital Division.	✓	
• Implemented stringent cost management and staffing optimisation in the Primary Care Division.	✓	
• Continued to focus on investing capital expenditure for future opportunities and key projects.	✓	PG 149

Forward looking

- Retain existing market share with medical schemes.
- **FY2023:** recruit 80 doctors in the Hospital Division.
- **FY2023:** expand the NetcarePlus portfolio of products.
- **FY2023:** the Netcare Diagnostics partnership will roll out a point-of-care solution to our accident and emergency departments.
- **FY2023 capital expenditure budget:** R1.6 billion, comprising R1.2 billion replacement capital expenditure and R0.4 billion for expansion, digital and other strategic projects.
- Reassess medium-term targets as the operating environment normalises and financial performance improves in FY2023 and beyond.

Key performance indicators	FY2022 target	2022	2021	2020	
Activity indicators					
Full week acute hospital occupancy ¹		59.3%	56.2%	52.8%	✓
Week day acute hospital occupancy ¹		63.9%	59.6%	56.5%	✓
Total patient days ¹		5.4%▲	6.9%▲	19.7%▼	✓
– Netcare hospitals patient days ¹		4.8%▲	6.4%▲	19.6%▼	✓
– Netcare Akeso patient days		11.5%▲	12.7%▲	21.2%▼	✓
Primary Care visits ²		4.3%▲	1.7%▲	17.6%▼	✓
Doctors granted practising privileges – Hospital Division and Netcare Akeso		146	71	113	✓
Financial indicators³					
EBITDA margin	14.6 %	16.2%	15.2%	13.6%	✓ ■
ROIC	7.7%	8.8%	7.9%	5.6%	✓ ■
Net debt to EBITDA		1.4 times	1.7 times	2.5 times	✓
EBITDA to net interest		4.5 times	4.1 times	2.9 times	✓
Cash conversion	100%	113.0%	118.8%	58.3%	✓ ■
Adjusted HEPS	63.0 cents	83.2 cents	67.4 cents	32.5 cents	✓ ■

1. Excluding Netcare Bougainville, Netcare Ceres and Netcare Optiklin hospitals (prior year numbers restated).

2. Medical and dental visits on a like-for-like basis.

3. Normalised to exclude impact of exceptional items comprising property impairments and impact of corporate tax rate change, and the termination of the Lesotho PPP in FY2021.

Investment in key strategic projects (Rm)

	Capital expenditure			Operational expenditure		
	Up to 2021	2022	2023	Up to 2021	2022	2023
Digital platforms	183	123	95	96	91	134
Data management and analytics				94	33	51
Patient-facing engagement			35	34	49	17
New business	3	1		68	53	50
Environmental sustainability	550	35	55	76	23	23
Total	736	159	185	368	249	275


 Doctor partnerships: PG 113.
 New business development: PG 146.
 Estate and medical equipment: PG 149.
 Financial capital: PG 162.


 Shareholder report
 Full annual financial statements

✓ Positive outcome
 ○ Neutral outcome/target partially met (within 5% of the target)
 ✗ Negative outcome/target not met
 ■ Linked to remuneration

Outlook and key strategic trade-offs

Our strategy, in equipping Netcare to achieve the interrelated objectives of the **Quadruple Aim** for healthcare system improvement, will enable us to generate a long-term sustainable competitive advantage. We are convinced our strategy remains more relevant than ever; in particular, that our investment in digital platforms and data competencies as fundamental business enablers will contribute meaningfully to the wellbeing of our patients, support innovation and create value for all our stakeholders over the long term.

.....  **Our strategy:**
PG 10

In the short to medium term, there is reason to be optimistic that our recovery from the longer-term effects of COVID-19 will continue as activity normalises, provided that no new virulent COVID-19 variant emerges. However, this will take place against a variety of headwinds in our operating environment.

.....  **Operating environment:**
PG 40

The two key areas of focus for FY2023 to drive recovery are the successful completion and delivery of our key strategic projects and realising growth opportunities.

The challenges we face in our operating environment and their associated risks demand balanced and defensible decisions in how we secure affordable resources, and how we allocate them between immediate necessities and longer-term strategic priorities. As we manage the inevitable strategic trade-offs, we will do so in a way that ultimately delivers positive outcomes – differentiated benefits for our patients, people and partners in the healthcare sector; growth in enterprise value for our shareholders; and effective investment in the common good of current and future South Africans.

There are many trade-offs we must make in the ordinary course of managing a healthcare business, given our high operational risks in a highly regulated sector. Beside these, we face three major strategic trade-offs at this time, which compete for our attention and investment.

Impact on capitals

 Positive impact

 Neutral impact

 Negative impact

Protecting our human capital

Balancing Netcare's financial recovery with the critical need to invest sufficiently in protecting our human capital against wellness risks and in an environment of scarce skill, regulatory constraints on nurse training and industry-wide resignations and emigration.

FC

While securing the professional and personal resilience and future relevance of our workforce is a significant cost, it generates returns across all stocks of capital in the long term, and strengthens our employee value proposition in a highly competitive and shrinking market for scarce healthcare and digital skills. Key investments to protect our human capital are the recruitment, training and retention of nurses, and appropriate support to help frontline staff, managerial teams and healthcare practitioners manage post-pandemic stress.

▼

FY2022 outcomes

SRC

Despite challenges in maintaining adequate staffing levels:

- Provided our patients with continuous access to high-quality and safe healthcare.
- Patients experienced improved levels of compassionate care.
- Doctors continued to be supported by professional nursing capability.

▲

- Delivered a number of wellness initiatives, psychosocial support and the Care4YOU compassion training.

▲

- Nurse turnover remained constant.

▶

HIC

- Provided nurse training albeit at significantly lower levels than needed due to regulatory constraints.

▼

- Delivered training programmes across all levels of employees to support upskilling, including digital skills, and career growth.

▲

Outlook

- Our digital implementations will, to an extent, shield the Group against staff constraints by improving the efficiency of available professionals.
- Our strategic choice to invest in the installed capacity of our existing acute facilities, rather than expand our bricks and mortar footprint, has proven prudent in the face of the current healthcare skills shortages.
- We have completed a market-related benchmarking of salaries for nurses and IT and data skills.

Mitigating against interruptions in water and electricity supply

Netcare, like all South Africans, will have to compensate for undependable water and electricity supply, which would otherwise have a direct impact on our ability to deliver safe and effective care. The challenges we face include continued load shedding, increasing utility services costs (electricity, water and waste), limited availability of potable water and deteriorating potable water quality.

FC

In the past year, we spent R35 million – a multi-fold increase on previous years – on diesel for generators. This not only had a significant effect on operating costs but frustrates our efforts to reduce our carbon footprint. We cannot realistically expect these costs to ease in the near term. Netcare has no choice but to invest in programmes, systems and infrastructure at significant cost, to secure access to critical utilities and reduce our consumption. We invested R35 million in our environmental sustainability strategy in FY2022. Operational expenditure amounted to R23 million.



FY2022 outcomes

SRC

Despite challenges in maintaining dependable electricity and potable water supply:

- Patients continued to receive safe and effective medical care.
- We met doctors' expectations in terms of optimal working environments free of disruptions in their treatment of patients.



- 15.6 gigawatt hours (GWh) of renewable energy generated (FY2021: 15.6GWh) and 15.0GWh of renewable energy purchased.



NC

- Scope 1 emissions remained stable at a 0.5% increase despite the increased use of diesel generators to maintain operations.



- 1 093 tonnes of waste recycled; a 17% increase compared to FY2021.



- 27 043kl of water recycled; exceeding our target of 21 931kl.



FC

- Our 2023 environmental sustainability strategy realised R41 million in cash saving and avoided R224 million in costs.



Outlook

- The cost avoidance benefits of our 2023 environmental sustainability strategy will continue growing over the next 10 years. Since its inception in 2013, the total savings (cash and cost avoidance) resulting from the strategy are expected to total around R1.3 billion by FY2023.
- Our new 2030 environmental sustainability strategy is designed to address climate change-related risks, regulatory changes and the scarcity of resources, and shield the Group against the rising cost of national utilities. As we switch towards zero-carbon energy sources and with the cost of renewable energy projected to drop markedly, we anticipate cost benefits over the long term.

Outlook and key strategic trade-offs continued

Maximising the benefits of our business strategy

We must continue to invest in our strategy while facing a looming global recession driven by supply-side factors, which will continue to raise input costs. SA's economic growth will, at best, remain stagnant. Added to this are seriously cost-conscious medical schemes which demand more efficiency from healthcare providers while also collectively negotiating to drive down tariff increases. The most cost intensive aspects of our strategy in FY2022 and FY2023 are the digital, data and environmental sustainability projects.

FC

- Healthcare providers cannot cut costs if doing so affects the safety and efficacy of treatment. Instead, we focus on:
- Investment in systems and processes that enhance both cost and care efficiency, leveraging our digital and data implementations.
 - Cost containment measures without affecting our ability to deliver outstanding care.
 - Our commitment to the principles of value-based care and evidence-based medicine.
 - Developing an integrated system that in the future will support an improved and streamlined patient experience.



FY2022 outcomes

SRC

- The Hospital Division's new patient feedback survey is providing better insight into patients' perception of care, informing solutions that improve patient experience.
- The digitisation of the credentialing process in the Hospital Division will streamline this annual process for specialists and other healthcare professionals.
- Digital and automated quality of care reports provide funders with accurate information specific to their needs.
- Dividend paid to shareholders.



HIC

- Delivered training and change management initiatives to support the adoption of our new systems, which also enhances the digital skills of our workforce.
- By the end of calendar year 2022, most of our large strategic projects will be completed with only five remaining. Of these five, three will be completed in FY2023 and the remaining two in FY2024. Our environmental sustainability and NetcarePlus strategic initiatives have longer timelines.



FC

- CareOn has already realised R37 million in total benefits and savings.
- The return on our environmental sustainability projects is in excess of 25.0% to date with similar returns expected in the future as tariffs continue to escalate.
- Maintained a strong balance sheet.

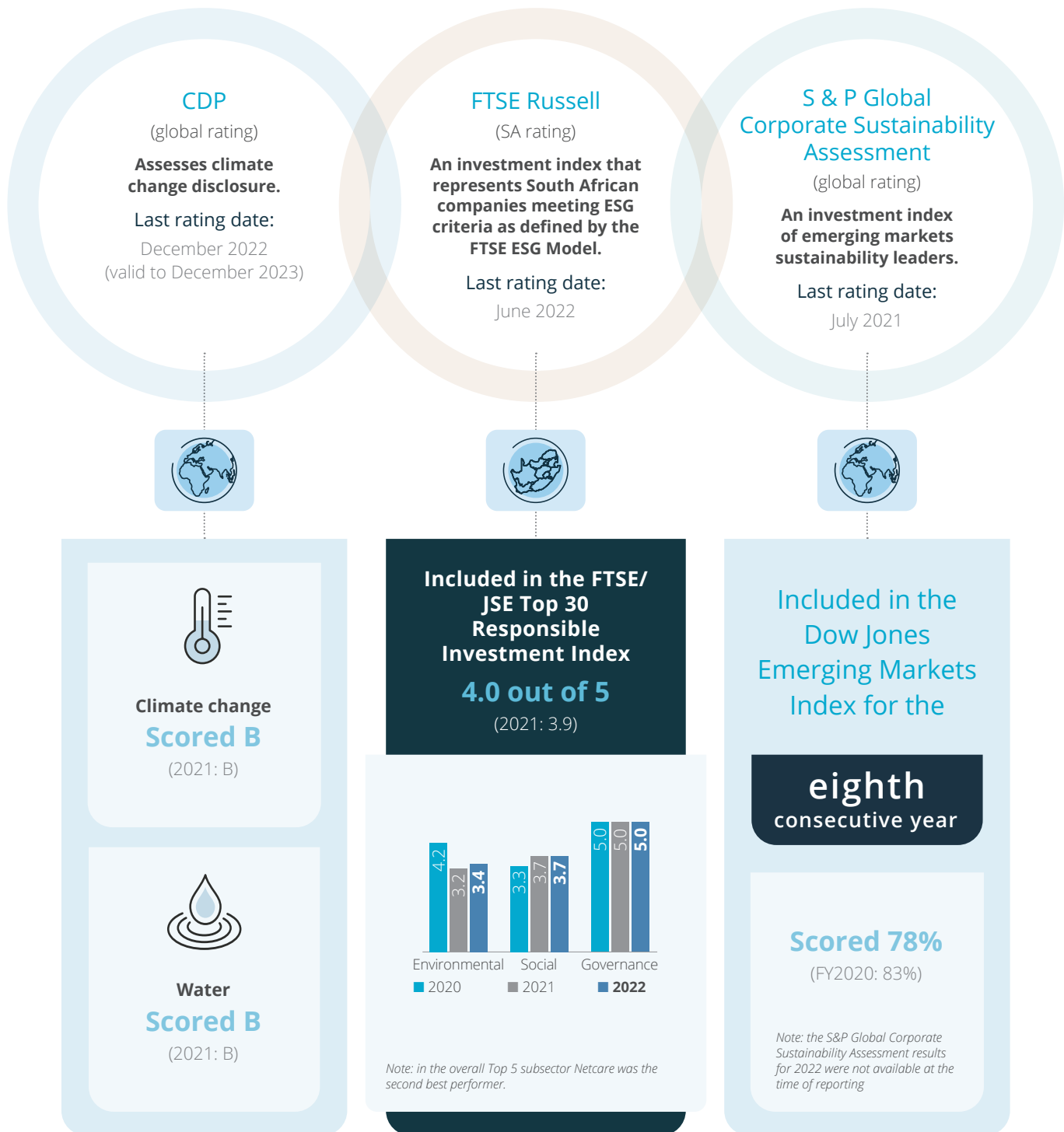


Outlook

- Successful delivery of our strategic projects will deliver multi-capital benefits to our stakeholders in the medium to long term. We will gain intellectual capital benefits from our digitised platforms and the re-engineering of our processes, and will be able to leverage our data to offer digitally enabled products to extend our service range, ultimately driving market share gains and profitability.
- Around R129 million in implementation costs will be incurred in FY2023 for the CareOn project. We expect to realise savings of approximately R55 million to R65 million in FY2023 and the project will be earnings accretive from the second half of FY2024.
- Despite the abnormally high inflationary environment, we remain confident about our ability to manage reasonable levels of inflationary risk and remain focused on optimising the cost efficiencies realised in FY2022.



ESG rating performance



United Nations

First healthcare organisation in Africa to join the United Nation's Race to Zero 2050 Challenge

Our environmental sustainability strategy is designed to reach zero Scope 2 emissions, zero waste to landfill and reduce water consumption by 20% by FY2030.



Global Green and Healthy Hospitals (GGHH)

Gold in all four categories of the 2022 Health Care Climate Challenge Awards for the third year in a row

Categories include climate resilience, climate leadership, climate mitigation (greenhouse gas reduction) and climate mitigation (renewable energy). The network promotes healthcare without harm.



MSCI ESG Research Inc.

(global rating)

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

Last report date:
July 2022

Institutional Shareholder Services

(global rating)

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

Last rating date:
February 2022



Standard Bank
We listed the first sustainability bond of R1 billion in Africa in 2021



Achieved 'AA' rating
the second highest awarded in a six-point scale

(2021: AA)

Netcare has maintained AA rating for six years.

Achieved B- rating
with a performance score of 66.44 and a very high transparency level.

(2021: B- rating)



Southern African Energy Efficiency Confederation
Awarded the Commercial Corporate Company of the Year Award in SA for our energy management programme.

MSCI ESG RATINGS



CCC B BB BBB A AA AAA



Corporate ESG Performance
RATED BY ISS ESG
Absolute Rating: D- D D+ C- C C+ B- B B+ A- A A+

UN Sustainable Development Goals

We believe that our strategic priorities are able to make a material and impactful contribution to the following global challenges identified by the United Nations' Sustainable Development Goals (SDGs).



Our ESG report: provides more detail on the specific targets related to each of the above SDGs.

Remuneration overview

In FY2022, the Group delivered a much improved financial performance while also executing extremely well on non-financial strategic priorities. The recovery in overall performance has only been possible because of our people, the heartbeat of our business. Collectively, their efforts culminated in favourable outcomes for all stakeholders including shareholders, suppliers, our employees and communities.

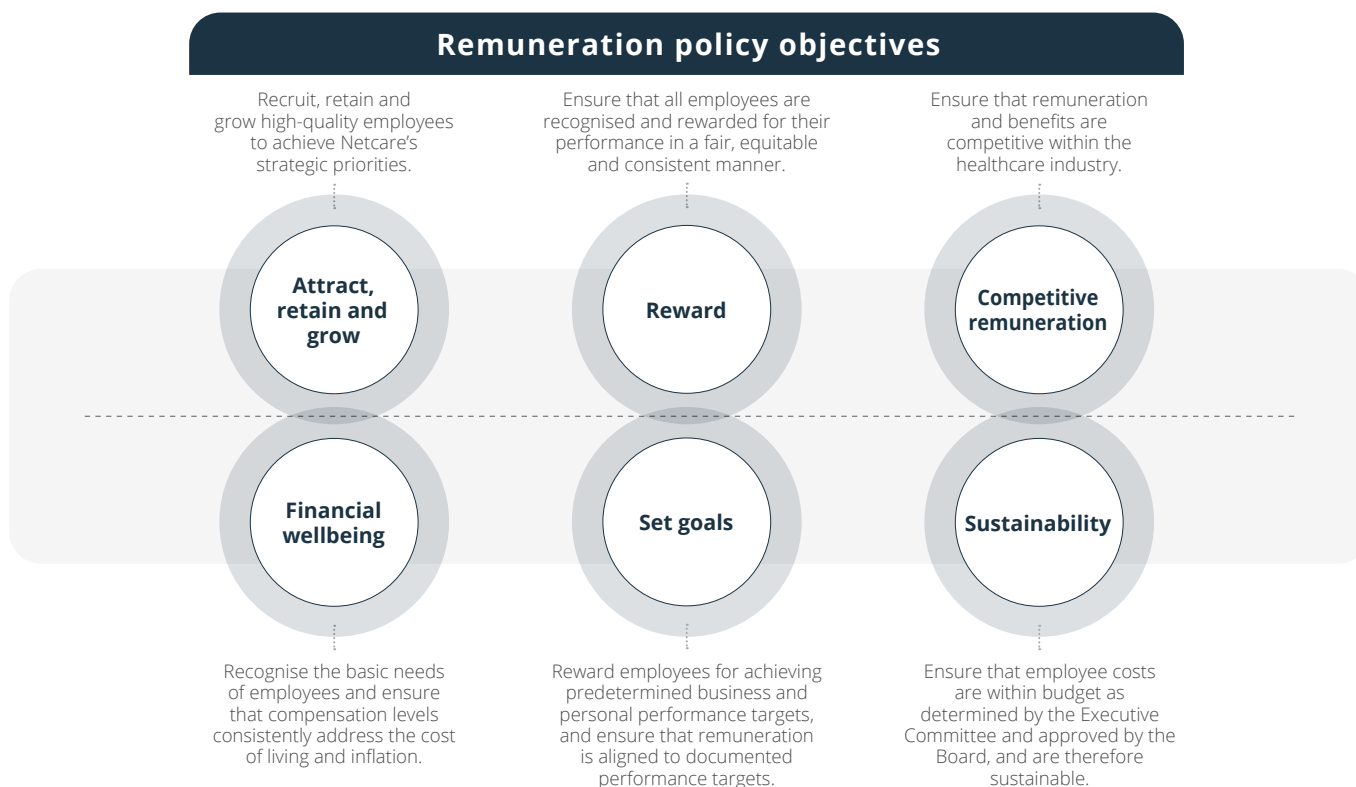
Remuneration philosophy

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

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

In turn, our remuneration policy aims to achieve a fair balance between a competitive structured package (SP), and short-term incentives (STIs) and long-term incentives (LTIs). It also includes minimum shareholding requirements and malus and claw-back clauses to mitigate the risk of adverse events that could materially harm the company and its stakeholders.

Remuneration policy summary



Our remuneration policy and practice, including salary increases, STIs, LTIs and benefits, are periodically benchmarked against the broader market and industry to ensure that our remuneration trends are internally equitable and externally competitive, and take into account factors affecting the Group's financial position, the industry and SA.

Key decisions of the Remuneration Committee in FY2022

The Remuneration Committee met twice during the year to provide strategic guidance and approvals as detailed below.

Key decisions	
2022 salary adjustments <i>Above CPI-linked salary adjustments for our employees in non-managerial roles and below CPI-linked salary increases for executives and senior managers</i>	Endorsed the award of higher salary increases to our employees in non-managerial roles. Our nursing staff received higher salary adjustments including a skills allowance, compared to non-nursing employees. The Executive Committee and senior managers received lower salary increases. This decision aligns with our objective of progressively narrowing the income gap between highest and lowest income earners.
Wage negotiations <i>Reached wage agreement with all four trade unions within mandate</i>	Considered the outcome of wage negotiations for FY2022/23. Pleasingly, these were concluded successfully and agreement was reached on terms and conditions of employment with all four recognised trade unions.
Special allowances for critical skills <i>Additional allowances awarded to nurses with clinical specialisation with a portion earmarked for SANC professional registration fees</i>	Approved additional special allowances to attract and retain nurses with specialised clinical skills. A portion of this was set aside to pay the annual professional registration fees of the SANC. From October 2022, Netcare will pay these annual fees for all practising nurses in our employ.
Non-executive directors' remuneration	Considered the results of an independent benchmarking exercise of non-executive directors' fees. The outcome informed the proposed adjustments to non-executive directors' remuneration for FY2023, which will be presented for approval at the AGM on 3 February 2023.  PG 98
Short-term incentives and long-term incentives	Reviewed and approved the Group balanced scorecard (BSC) performance for FY2022, and the BSC performance of each Executive Committee member. Based on achieved targets, the committee approved the award of incentives in line with the rules of the SIP.  PG 88
Wrapping up of Forfeitable Share Plan (FSP3)	Reviewed the performance conditions for the third performance tranche of FSP3, which were due to vest on 1 December 2022; this being the last tranche of the old FSP scheme. • Performance condition 1: average compound annual growth rate over the performance period of HEPS of at least CPI plus 4%; and • Performance condition 2: average return on capital employed (ROCE) of at least the weighted average cost of capital (WACC) plus 6% calculated over the performance period. The third tranche of FSP3 was forfeited as the three-year rolling financial targets of the measured periods (FY2020, FY2021 and FY2022) were adversely affected by COVID-19 disruptions to our operations. There were no adjustments to the formulaic vesting based on the previously disclosed performance conditions.  PG 88

Remuneration overview continued

Shareholder engagement

The Remuneration Committee is committed to enhancing Netcare's remuneration practices and ensuring that our reporting is comprehensive, transparent and meets shareholder expectations. Accordingly, select members of the Executive Committee met with shareholders in November 2021 on Netcare's new Single Incentive Plan (SIP). During these meetings, and in subsequent engagements following the 2022 annual general meeting (AGM), shareholders provided valuable feedback on the SIP, remuneration policy and implementation report.

The committee is satisfied that it has comprehensively responded to shareholder feedback and expectations.

	2022			2021		
	Votes in favour	Votes against	Abstentions	Votes in favour	Votes against	Abstentions
Remuneration policy	84.4%	15.6%	1.8%	89.8%	10.2%	0.1%
Implementation report	86.4%	13.6%	0.4%	95.4%	4.6%	0.1%
Non-executive director remuneration	94.6%	5.4%	0.2%	100.0%	0.0%	0.1%

Should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the AGM, we undertake to engage with shareholders to fully understand the reasons for dissenting votes and to address legitimate and reasonable objections raised.

Executive remuneration structure

The remuneration of Netcare executives comprises fixed remuneration (guaranteed package) and variable remuneration (STIs and LTIs). Hence, the remuneration packages for executive directors, prescribed officers and senior executives for the year ended 30 September 2022 comprised an annual guaranteed package (AGP), and STIs and LTIs awarded in line with the SIP.

Structured package (fixed remuneration)	
Objective	To reflect individual contribution and market value relative to role and to recognise skill and experience.
Basis for determination	Guaranteed pay includes salary and employee benefits. It is determined based on the complexity of the role, market value and the ongoing review of the employee's personal performance and contribution to Netcare's overall performance and values. Guaranteed remuneration is reviewed annually and increases take effect in March. Annual increases consider factors such as prevailing economic conditions, inflation, Group performance and affordability, change in responsibilities, internal and external benchmarks, and average salary increases.
Delivery	Monthly payment after deducting contributions to statutory taxes, retirement funding and medical scheme. The Group also makes contributions to group life assurance cover, funeral cover and disability insurance.

Single Incentive Plan

FY2022 marked the first year of the SIP. The SIP aims to create flexibility in Netcare's remuneration policy by ensuring that it is responsive to market volatility and remains competitive, while driving and rewarding high performance linked to the long-term delivery of our strategy and shareholder value.

The SIP ensures that the Group has annual performance targets, approved by the Remuneration Committee, that are realistic and motivational, while being appropriately stretching and linked to Netcare's long-term strategy. The scheme strikes a fair balance between annual financial and strategic non-financial targets, and aligns annual performance and incentives with shareholder and stakeholder expectations. It also presents a competitive value proposition for high-performing executives and senior managers by striking a fair balance between short-term incentives and long-term value, linked to retention and exposure to share price performance. The scheme also addresses the gap created by the deferral of FSP4 through an adjustment to the awards for FY2022 to FY2024 (catch-up awards) to ensure that the intended, market-aligned level of LTI awards are made on average over time, subject to the applicable performance conditions.

Single Incentive Plan (variable pay)

Objectives	- To reward in cash and deferred shares Group performance and individual contribution in the short term and long term. - Align with shareholder interests and other important stakeholder objectives. - Provide a competitive value proposition for loyal high-performing employees and building wealth for them over the longer term. - Achieve simplification and consistency across the organisation to enhance understanding and administration. - Develop performance criteria, which are flexible and customised, to drive the required business outcomes and performance on an annually reviewed basis, balanced across financial and non-financial performance.
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Eligibility	Executive directors, prescribed officers, senior executives and managers.
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Basis of determination	The SIP is calculated by multiplying the individual's annual cost to company (CTC) by an on-target percentage (this being the total incentive for which the individual qualifies when meeting objectives) and the performance multiplier based on BSC achievement for the measured period as illustrated below.
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The on-target percentage for FY2022 is illustrated in the table below for the various participants.

Executive leadership	On-target %	Cash %	
CEO	200%	20% of the total	Balance in deferred shares (over 5 years)
CFO and managing director (MD): Hospital Division	165%	20% of the total	Balance in deferred shares (over 5 years)
Other members of the Executive Committee	125%	20% of the total	Balance in deferred shares (over 5 years)

The performance multiplier ranges from zero if none of the threshold levels are achieved to 100% for on-target performance and up to 150% for outperformance:

- Below threshold – 0%
- Threshold – 50%
- On-target – 100%
- Outperform – 150%

Linear interpolation is applied for performance between threshold and target, and target and outperform.

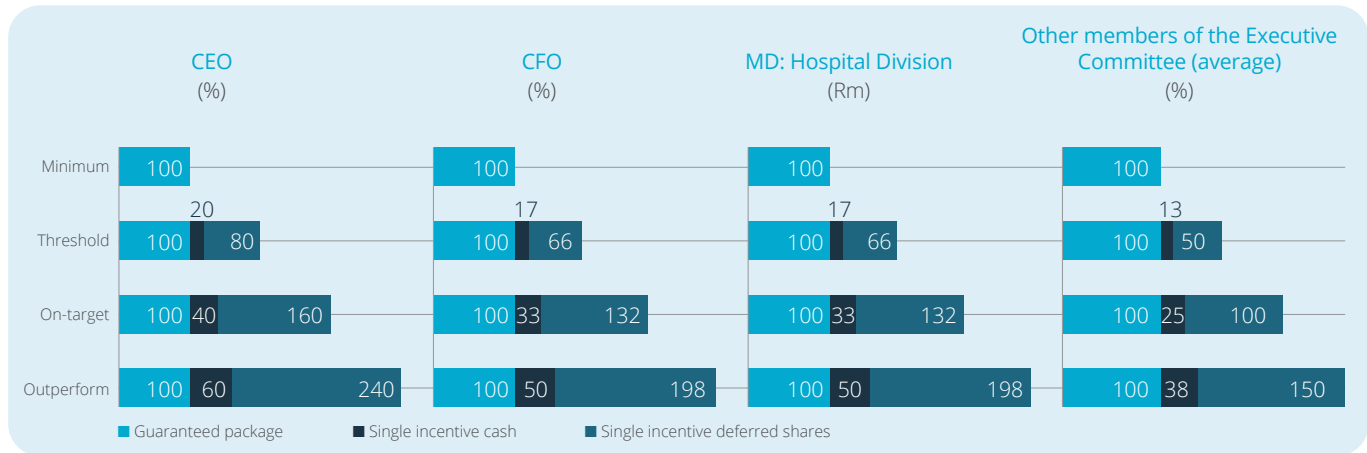
The annual value of the performance multiplier is determined based on Group and functional scorecards. This ensures that the scorecards for different roles drive the performance of the relevant entity/division/function while retaining a minimum level of exposure to Group outcomes for all participants to avoid 'silo' behaviour.

CEO	Group BSC 100%
CFO	Group BSC 80% and divisional BSC 20%
Executives (F Band)	Group BSC 60% and divisional BSC 40%

A score of 60% is required on the BSC at divisional and/or personal and business unit levels to qualify for an incentive.

Remuneration overview continued

Pay mix for the 2022 and 2023 financial years (as percentage of guaranteed package)



Single Incentive Plan (variable pay) continued

Delivery	The SIP is settled in cash and shares for executive directors and prescribed officers. The cash portion is settled annually in December each year. The balance, in deferred share awards, vest at 20% per annum over five years for the members of the Executive Committee and prescribed officers. While this formulaic determination provides the quantum of eligibility each year, the Remuneration Committee has discretion to determine the final award. The deferred awards are governed by a set of plan rules in line with the salient features described below and are issued in December each year.
Salient features of the deferred shares	- The deferred shares are forfeitable shares that are procured as soon as possible after the award date and held in escrow for the benefit of the participants. - The shares qualify for ordinary dividends and voting rights, but special dividends must be used to acquire further shares that are subject to the same terms as the underlying awards. - In the case of fault termination of employment, including resignation, retirement before normal retirement date and dismissal for disciplinary reasons, all unvested awards will be forfeited or cancelled. If the committee decides that the circumstances surrounding the termination warrant that the executive concerned is entitled to retain their deferred shares in terms of the Deferred Share Plan (DSP), then the committee may indicate in writing to such participant that they may retain their award, in full or in part, notwithstanding that they are no longer employed. - In the case of no-fault terminations of employment, including death, disability, retirement at normal retirement age and termination of employment due to operational reasons, the awards will vest on the original vesting dates, without acceleration, except in the case of death, where the awards will vest as soon as practically possible. - In the case of change of control, a portion of the awards will vest, on a time pro-rated basis to reflect the portion of the applicable vesting period served, with the balance based on the original terms or replaced by awards of similar value if this is not possible. - In the event of a change of capital structure, the committee may make changes to the awards so that they have materially the same value before and after the transaction. - The aggregate costs of the SIP were benchmarked against the costs of continuing the LTI (FSP) and STI scheme. The costs for on-target performance under the proposed SIP are broadly similar over a five-year period.
Other deferred share awards	The SIP permits the granting of awards of deferred shares that are not part of the annual SIP, including: - Sign-on awards included in the employment agreement for new employees, generally to compensate them for awards from a previous employer forfeited on resignation; and - Specific retention or counter-offer awards, which are not generally made to executive directors and prescribed officers. Such awards are motivated by the CEO and approved by the Remuneration Committee.
Discretion and safeguards	The annual single incentive is subject to the discretion of the Remuneration Committee, which is applied to reduce the overall quantum of the single incentive, unless there are exceptional circumstances: - If the aggregate value of the SIP for the year (including the cash and deferred portion but excluding the additional transition/catch-up awards) is more than 8.0% of EBIT; and - If the total number of deferred share awards for the year is more than 1.0% of shares in issue.
Procurement of deferred shares	The shares required to settle deferred share awards are purchased in the market as soon as possible after their award and no new shares or treasury shares are used for this purpose.

Group balanced scorecard FY2023

Area	Measure	Weighting	Threshold	On-target	Outperform
Financial results 60%	EBITDA margin	15.0%	FY2022 + 0.5%	FY2022 + 1.0%	FY2022 + 1.5%
	Adjusted HEPS – growth on FY2022	15.0%	CPI + GDP + 5.0%	CPI + GDP + 10.0%	CPI + GDP + 15.0%
	ROIC (measured over two-year period i.e. FY2022 and FY2023)	15.0%	WACC – 2.5%	WACC – 1.5%	WACC
	Cash conversion (measured over two-year period i.e. FY2022 and FY2023)	15.0%	100%	105%	110%
Consistency of care 10%	Patient experience: continued improvement in the nurse compassion score of the patient feedback survey (PFS) for the Hospital Division	5.0%	8.16	8.26	8.36
	Doctor engagement: improved likelihood of doctor recommendation of Netcare as the workplace of choice	2.5%	7.65	7.75	7.95
	Specialists: gross number of new specialists granted admitting privileges in the Hospital Division	2.5%	75	80	85
Digitisation 10%	CareOn EMRs: additional number of beds in the Hospital Division linked to CareOn by September 2023	5.0%	3 354	3 554	3 817
	CareOn adoption by doctors: adoption of e-scripts	2.5%	75.0%	80.0%	85.0%
	CareOn adoption by doctors: adoption of clinical orders	2.5%	75.0%	80.0%	82.5%
Environmental sustainability 10%	Energy efficiency: additional year-on-year tCO ₂ e avoidance as a result of energy efficiency projects implemented	3.0%	923	1 026	1 077
	Renewable energy: additional year-on-year tCO ₂ e avoided as a result of renewable energy generated	3.0%	965	1 072	1 126
	Water savings: reduction in overall water consumption per bed in use in the Hospital Division	2.0%	1.5%	3.0%	5.0%
	General waste: reduction in waste to landfill as % of Hospital Division waste	1.0%	35.0%	40.0%	50.0%
	Healthcare risk waste (HCRW): reduction in HCRW to landfill as % of Hospital Division HCRW	1.0%	6.3%	6.9%	7.2%
Human capital and transformation 10%	Preferential procurement: improved procurement spend on >30% black women-owned enterprises, >51% black-owned enterprises, EMES ² and QSEs ³ with overall improvement on procurement rating as % of points available for procurement on the B-BBEE scorecard	5.0%	86.0%	89.0%	93.0%
	Employee retention: reduction in voluntary labour turnover	2.5%	14.8%	14.0%	13.8%
	Management diversity and inclusivity: increase in overall representation of black managers at middle management as a % of all middle managers	2.5%	55.0%	56.5%	58.0%
		100.0%			

1. Tonnes of carbon dioxide emissions.

2. Exempted micro enterprises (EMEs).

3. Qualifying small enterprises (QSEs).

Remuneration overview continued

Financial targets

Our FY2023 financial targets show ongoing advancement in underlying business performance. The EBITDA margin targets reflect continuing improvement in a challenging market and include costs associated with the implementation of our strategy. In line with our guidance, we expect to incur strategic costs of R275 million in FY2023. A large portion of these costs is attributable to the CareOn project. Although we expect to realise savings of approximately R55 million to R65 million in FY2023, these costs will weigh on margins in the short term and mask the underlying improvement until the second half of FY2024, when the project becomes earnings accretive. In addition, we seek to mitigate the operational challenges in the market through efficiencies as reflected in continuing double digit HEPS growth. The Group remains committed to improving its ROIC in the medium term to exceed WACC. We continue to generate strong cash flows and aim to achieve a two-year cash conversion in excess of 100%.

Non-financial targets

We selected four broad categories of non-financial targets critical to the delivery of our financial metrics:

- **Consistency of care:** we continue to broaden our measurement of clinical outcomes and patient experience to ensure we deliver on our purpose of providing the best and safest care. Accordingly, our FY2023 targets drive focused interventions to improve the compassion displayed by our nurses when caring for our patients (nurse compassion score measured in our PFS). We also intend to increase the number of specialists joining Netcare, and to measure their net revenue contribution and the likelihood of growing and maintaining their practices within the Netcare ecosystem, measured through our annual doctor engagement survey.
- **Digitisation:** targets for FY2023 aim to advance our healthcare digitisation project, which will transform our business, improve critical care and safety, and deliver efficiencies once fully implemented. We intend to roll out CareOn to a further 17 hospitals with 3 817 beds in FY2023, and to drive continued adoption of EMRs by doctors and all healthcare staff.
- **Environmental sustainability:** our 2030 environmental sustainability strategy aims to achieve 100% utilisation of renewable energy, zero waste to landfill and 20% reduction in water usage. Accordingly, our FY2023 targets are aligned to this net zero strategy and build on the significant progress already made. In FY2023, we are targeting additional emissions avoidance through our energy efficiency and renewable energy projects currently underway as well as improved water usage per bed and reduced volumes of waste to landfill.
- **Human capital and transformation:** our people are the heartbeat of our business and play a pivotal role in the delivery of our strategy. In FY2023, we aim to reduce employee turnover in a context of high demand and low supply of clinical, information technology and data science skills, among others. We are targeting improved diversity and inclusion within management; and to accelerate the inclusion of black-owned and black women-owned enterprises, QSEs and EMEs in our supply chain, critical for driving inclusive economic growth, creating employment opportunities and engendering social stability.

Minimum shareholding requirements

We benchmarked our minimum shareholding requirements (MSR) against peers and effected the changes outlined below.

Netcare executives are required to hold shares in the company and retain vested shares awarded under the SIP, to ensure alignment between the interests of executives and shareholders.

The Remuneration Committee approved the MSR policy for the SIP with the following minimum shareholding targets:

Executive leadership	Minimum shareholding requirement
CEO	200% of CTC
CFO	150% of CTC
Other members of the Executive Committee	100% of CTC

The policy requires the MSR to be reached in year five from the date of approval of the SIP, or five years from the date that the committee designates executives to be eligible for the SIP.

Measurement may be reset to a further five years from the prevailing measurement date at the discretion of the committee.

Executives must build up to the target minimum shareholding, following which a new measurement date will be set, on a rolling basis, against which the target minimum shareholding will be measured.

Executives may use personal investment shares or committed shares to satisfy the target minimum shareholding. Once the target minimum shareholding has been achieved, we expect executives to maintain their level of shareholding until termination of employment.

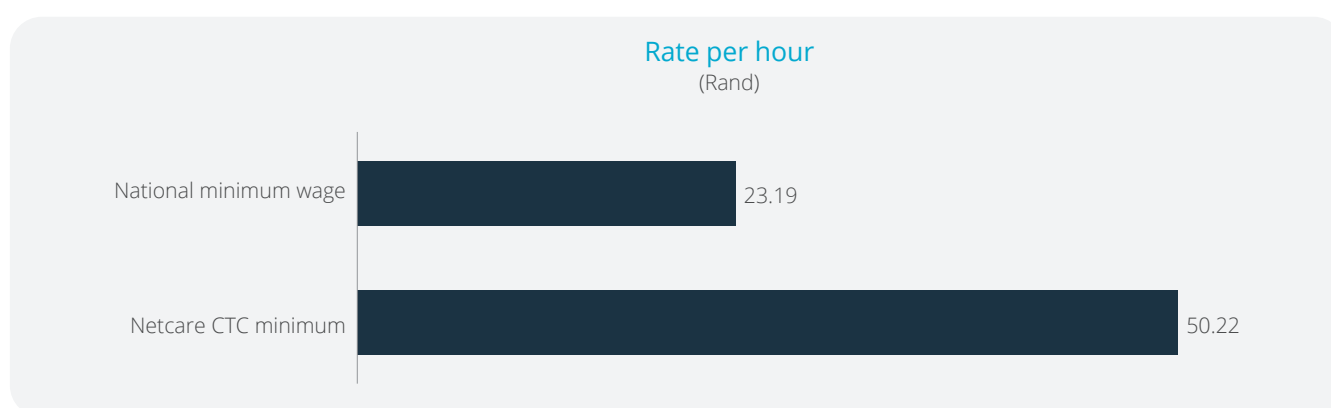
Fair and responsible employee remuneration

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

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

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

- Our minimum wage is 46% above the legislated national minimum wage.



- We offer higher annual salary increments for employees at the lower end of the pay scale compared to lower salary increments for executive directors, prescribed officers and senior executives.
- Employees at non-managerial levels are remunerated based on their structured package plus benefits. The benefits include employer contributions to retirement fund, medical aid membership, group life cover, funeral cover, as well as disability benefits.
- Permanent employees at non-managerial level receive a guaranteed 13th cheque for each completed 12-month period worked. This is paid to employees in service on 31 December of each year.
- All employees below executive level were each allocated 3 000 Netcare shares in October 2019 as part of Netcare's B-BBEE Employee Share Ownership Scheme (ESOP).
- We offer enhanced maternity and parental leave benefits compared to those prescribed in the Basic Conditions of Employment Act (BCEA).
- We offer our employees a four-month paid maternity leave benefit at 33% of structured package and allow the option of a fifth month without pay. This benefit compares favourably to the BCEA legislated four months unpaid maternity benefit.
- We also offer 10 days of paid parental leave compared to the legislated 10 days unpaid parental leave.
- We provide uniforms to our staff at no cost to them, with the uniform allocation made every 18 months.
- We provide subsidised meals to employees while on duty.

Remuneration overview continued

Remuneration policy implementation

Group balanced scorecard FY2022

Area	Measure	Weighting	Threshold	On-target	Outperform	Actual achieved	Actual score
Financial results 60%	EBITDA margin	15.0%	14.1%	14.6%	15.1%	16.2%	22.5%
	Adjusted HEPS	15.0%	56.7	63.0	69.3	83.2	22.5%
	ROIC	15.0%	6.7%	7.7%	10.7%	8.8%	17.7%
	Cash conversion	15.0%	90.0%	100.0%	110.0%	113.0%	22.5%
Consistency of care 10%	Care4YOU compassion programme: number of hospitals rolled out by September 2022	5.0%	30	50	50 by July 2022	50 by July 2022	7.5%
	Improved levels of compassion displayed by nurses as a result of Care4YOU	5.0%	8.00	8.11	8.20	8.11	5.0%
Digitisation 10%	CareOn EMRs: number of hospitals rolled out by September 2022	5.0%	15	20	21	21	7.5%
	CareOn adoption by doctors: adoption of e-scripts	2.5%	50.0%	70.0%	80.0%	84.0%	3.75%
	CareOn adoption by doctors: adoption of clinical orders	2.5%	50.0%	70.0%	80.0%	84.0%	3.75%
Environmental sustainability 10%	Reduction in carbon emissions (tCO ₂ e) through the implementation of energy efficient projects	5.0%	1 200	1 400	1 500	1 479	7.0%
	Reduction in water usage (kl) through recycling/efficiency projects	3.0%	19 900	21 900	22 300	28 096	4.5%
	Reduction in general waste to landfill percentage in pilot projects	2.0%	60.0% of general waste	75.0% of general waste	Achieve target and add four new hospitals to the pilot, improving their diversion to landfill by 20.0% from FY2021 baseline	79.0% and piloted waste project in four new hospitals, improving their waste diversion by more than 20%	3.0%
	Board and management race and gender diversity: percentage of the points available for the management control overall pillar of the B-BBEE scorecard	5.0%	60.0%	64.0%	68.0%	60.2%	2.6%
Transformation 10%	Inclusion of QSEs, EMEs and black-owned enterprises: percentage of the points available for preferential procurement in the B-BBEE scorecard	3.0%	75.0%	80.0%	85.0%	81.8%	3.6%
	Diversity and culture: number of sites engagement, diversity and inclusion survey rolled out to by September 2022	2.0%	50.0%	100.0% by September 2022	100.0% by July 2022	100.0% by July 2022	3.0%
	100.0%						136.4%

BSC performance for FY2022

The setting of appropriate financial targets for FY2022 was a difficult task given the high uncertainty that prevailed towards the end of FY2021. SA was emerging from a devastating third wave of COVID-19, normal activity had only just started to recover and the possibility of further waves of COVID-19 remained a significant threat to an accelerated and sustained recovery in FY2022.

Against this background, Netcare forecast both a fourth and fifth wave of COVID-19, with moderate recovery in between these periods. The fourth wave in December 2021 showed a significantly different pattern to the three previous waves, resulting in a 70% reduction in COVID-19 patient days. As a result, first quarter performance was substantially below original budget and target. However, activity began to improve from late January 2022 and with the fifth wave in April and May 2022 exhibiting similar characteristics, growth in elective surgery and normal non-COVID activity accelerated in the second half of the year. This resulted in a substantially better than anticipated financial performance for FY2022.

Given the relatively mild impact of the fourth and fifth waves of COVID-19 on operations, management was also able to apply additional focus to non-financial strategic imperatives. As a result, many of the strategic non-financial targets were achieved and, in certain instances, exceeded as tabled below.

The Group achieved an overall performance score of 136.4% against the maximum 150.0% possible for outperformance. This qualified for payment of the SIP (inclusive of catch-up awards intended to close the gap caused by the deferral and subsequent cancellation of FSP4) equivalent to 7.2% of EBIT including strategic costs. Without the catch-up awards, the SIP incentive amounted to 6.3% of EBIT including strategic costs.

Our Internal Audit team audited the Group BSC performance. The scores relating to the financial results are extracted from the audited annual financial statements on which Deloitte has issued an unmodified audit opinion. GCX independently verified our carbon emissions declarations and Empowerdex verified our B-BBEE scores.

Total incentive awards paid to executives and prescribed officers

Based on this performance, potential eligibility and weighted BSC results for each director, the Board, on the recommendation of the Remuneration Committee, acknowledged the extraordinary efforts of management and approved the payment of the SIP based on the formula below:

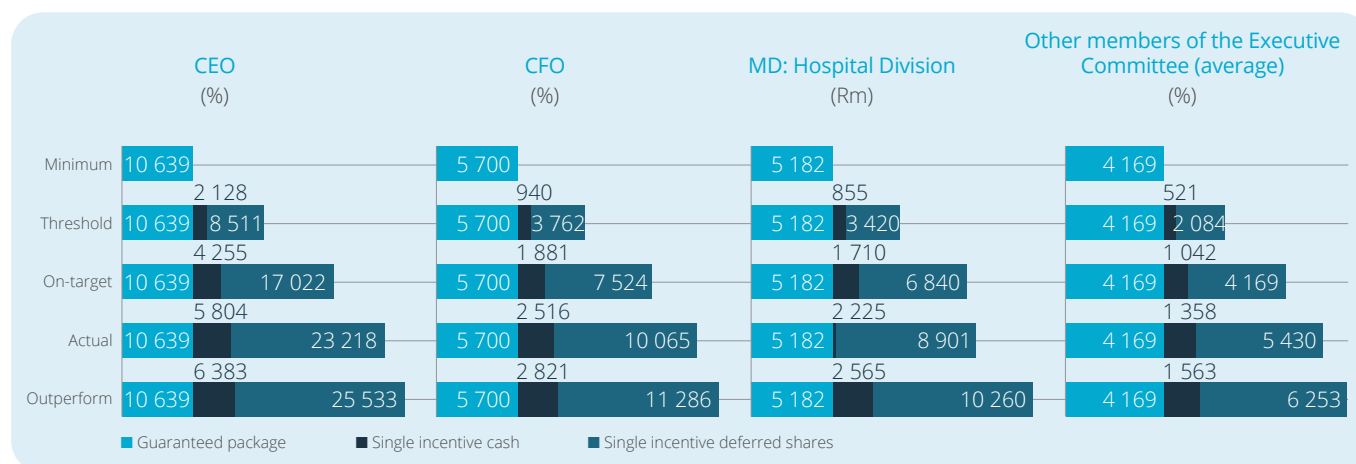
$$\text{Annual CTC} \times \text{On-target \%} \times \text{Performance multiplier (0\% - 150\%)} = \text{Annual single incentive}$$

The table below outlines the approved total SIP for executive directors and prescribed officers.

Name	Annual CTC (actual)	On-target	Performance multiplier	Annual single incentive	% cash	Cash	% shares	Shares	Vesting period
RH Friedland	10 638 690	200%	136.4%	29 022 346	20%	5 804 469	80%	23 217 877	5 years
KN Gibson	5 699 903	165%	133.8%	12 581 232	20%	2 516 246	80%	10 064 985	5 years
J Du Plessis	5 181 925	165%	130.1%	11 126 173	20%	2 225 235	80%	8 900 938	5 years
T Akaloo	3 867 966	125%	116.8%	5 649 164	20%	1 129 833	80%	4 519 331	5 years
MFS Da Costa	4 776 408	125%	135.2%	8 074 517	20%	1 614 903	80%	6 459 614	5 years
CE Grindell	3 687 429	125%	135.7%	6 255 539	20%	1 251 108	80%	5 004 431	5 years
WN Van Der Merwe	4 342 574	125%	132.1%	7 169 590	20%	1 433 918	80%	5 735 672	5 years

Remuneration overview continued

Actual single figure of remuneration for the 2022 financial year compared to the minimum, on-target and outperform performance scenarios per policy



FSP3 performance vesting

The FSP scheme ends in December 2022. Following a review of the performance conditions for tranche 3, due to vest on 1 December 2022, all shares were forfeited. The performance parameters were not met due to two of the measured trailing years falling within the COVID-19 period.

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

Remuneration of executive directors and prescribed officers

The table below provides an outline of the executive directors and prescribed officers' remuneration, in terms of total single-figure remuneration, as required by King IV and in line with the guideline note issued by the Institute of Directors South Africa and the South African Reward Association.

Annual guaranteed package			Single incentive			Single figure	Paid in 2022		
	Salary and benefits	Retirement fund savings and contributions	Guaranteed package	Cash portion	Deferred share portion	Total single incentive	Total single-figure remuneration	Incentive paid in cash	Incentive paid in deferred shares
Executive directors									
RH Friedland	10 327 566	661 739	10 989 305	5 804 469	23 217 877	29 022 346	40 011 651	5 804 469	23 217 877
KN Gibson	5 349 198	367 563	5 716 761	2 516 246	10 064 985	12 581 231	18 297 992	2 516 246	10 064 985
	15 676 764	1 029 302	16 706 066	8 320 715	33 282 862	41 603 577	58 309 643	8 320 715	33 282 862
Prescribed officers									
J Du Plessis	4 880 584	315 611	5 196 195	2 225 235	8 900 938	11 126 173	16 322 367	2 225 235	8 900 938
CE Grindell	3 465 827	247 212	3 713 039	1 251 108	5 004 431	6 255 539	9 968 578	1 251 108	5 004 431
MFS Da Costa	4 477 964	298 444	4 776 408	1 614 903	6 459 614	8 074 517	12 850 925	1 614 903	6 459 614
T Akaloo	3 621 971	257 351	3 879 322	1 129 833	4 519 331	5 649 164	9 528 486	1 129 833	4 519 331
WN van der Merwe	4 072 272	282 936	4 355 208	1 433 918	5 735 672	7 169 590	11 524 799	1 433 918	5 735 672
	20 518 618	1 401 554	21 920 172	7 654 997	30 619 986	38 274 983	60 195 155	7 654 997	30 619 986

R	Guaranteed package	Bonuses	Total
Executive directors			
2021			
RH Friedland	10 603 383	3 000 000	13 603 383
KN Gibson	5 510 001	2 000 000	7 510 001
	16 113 384	5 000 000	21 113 384
Prescribed officers			
2021			
J Du Plessis	5 008 356	1 700 000	6 708 356
CE Grindell	3 519 835	1 400 000	4 919 835
S Mhlongo	1 603 803	–	1 603 803
T Akaloo	3 739 030	1 000 000	4 739 030
WN van der Merwe	4 218 277	1 200 000	5 418 277
	18 089 301	5 300 000	23 389 301

Forfeitable shares

Number of options held by executive directors and prescribed officers at 30 September 2022.

				Shares forfeited during the year	Exercised (sold and retained)	30 Sep 2022	Market price at exercise date (cents)	Gain arising on exercise R'000
Number of options	Grant date	1 Oct 2021	Granted					
Executive directors								
RH Friedland	FSP 2: 20-Jan-16	519 028	–	(444 868)	(74 160)	–	14.08	1 044
KN Gibson		221 923	–	(190 214)	(31 709)	–	14.08	446
Prescribed officers								
T Akaloo	FSP 3: 20-Jan-18	87 500	–	(75 000)	(12 500)	–	14.08	176
J Du Plessis		177 869	–	(152 454)	(25 415)	–	14.08	358
CE Grindell		98 625	–	(81 736)	(16 889)	–	14.08	238
MFS Da Costa ¹		126 703	–	(108 598)	(18 105)	–	14.08	255
WN van der Merwe		127 082	–	(108 924)	(18 158)	–	14.08	256
		1 358 730	–	(1 161 794)	(196 936)	–		2 773

1. MFS Da Costa was designed as a prescribed officer during the financial year.

Health Partners for Life

The following share options were held by directors and prescribed officers at 30 September 2022:

Number of options	Grant date	1 October 2021	Exercised	30 September 2022	Weighted average exercise price
Executive directors					
KN Gibson	2 Oct 2006	1 041	–	1 041	
Weighted average exercise price		12.34		12.34	
Prescribed officers					
CE Grindell	25 Oct 2006	1 200	–	1 200	
Weighted average exercise price		6.42		6.42	
		2 241	–	2 241	

No share options were granted in FY2022 (FY2021: nil).

2 241 Health Partners for Life share options had vested as at 30 September 2022 (FY2021: 2 241).

Remuneration overview continued

Non-executive director remuneration

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

Fees paid to non-executive directors

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

R'000	Board	Audit	Nomination	Risk	Remuneration	Social and Ethics	Consistency of Care	Finance and Investment	2022 total	2021 total
T Brewer	1 340		179	136	126	126		252	2 159	2 117
MR Bower	685	253		136	126			252	1 452	1 399
B Bulu	685	179		193			186		1 243	1 243
L Human	685		126	136			186		1 133	1 133
D Kneale	685	179	126		195				1 185	1 176
MJ Kuscus	685			136		126	235		1 182	1 182
T Leoka	513	134		68		94			809	-
K Moroka	685		126			179			990	990
R Phillips	513					94	139		746	-
Total	6 476	745	557	805	447	619	746	504	10 899	9 240



Proposed non-executive directors' fees

The Remuneration Committee has proposed a variable increase in non-executive directors' fees (exclusive of VAT) for FY2023, informed by a PWC benchmarking exercise.

The increases remain subject to shareholder approval at the AGM on 3 February 2023. The fees that have been adjusted have been referenced accordingly, and the balance remain at current levels.

PWC has independently benchmarked the proposed fees, with the following comparators used in the benchmark:

- Publicly disclosed non-executive director fees for a comparator group of companies listed on the JSE.
- Quartile benchmarks to ensure that accurate data is provided.

Based on the findings of the PWC benchmarking, the following fee adjustments are being tabled for approval by shareholders at the 2023 AGM.

Proposed non-executive director fees

R'000	Proposed 2023	% Increase	Actual 2022	Actual 2021
Board				
Chair	1 420	6%	1 340	1 340
Member	685	0%	685	685
Audit Committee				
Chair	268	6%	253	242
Member	179	0%	179	179
Nomination Committee				
Chair	179	0%	179	179
Member	126	0%	126	126
Risk Committee				
Chair	205	6%	193	193
Member	144	6%	136	136
Remuneration Committee				
Chair	206	6%	195	186
Member	126	0%	126	126
Social and Ethics Committee				
Chair	179	0%	179	179
Member	126	0%	126	126
Consistency of Care Committee				
Chair	235	0%	235	235
Member	186	0%	186	186
Payable per meeting Ad hoc committees (including the Finance and Investment Committee)	42	0%	42	42

Note: values exclude VAT.