



ANNUAL INTEGRATED REPORT

It's only together, that we  
can weather the storm.

**THANK YOU**

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Topic key: ● Strategy ● Environmental, social and governance (ESG) focus ● Remuneration

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**ONLINE:** Available on our investor relations website at [www.netcare.co.za/Netcare-Investor-Relations/Reports/-Annual-integrated-reports](http://www.netcare.co.za/Netcare-Investor-Relations/Reports/-Annual-integrated-reports)

#### Financial performance

- Complete Group annual financial statements, including the report of the independent auditor

#### Governance

- Full corporate governance report and the King IV\* application register

#### Quality data

- Full clinical outcomes data sheet

#### Non-financial performance

- GRI report, including our B-BBEE scorecard

#### Shareholders

- Notice of annual general meeting and proxy form

#### Hospital listing



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# Our report

The Netcare Annual Integrated Report (integrated report) provides material information on the Group’s strategy to create sustainable competitive advantage and deliberate social, economic and environmental value. Given the pervasive impact of the Coronavirus disease 2019 (COVID-19) pandemic on Netcare, which required that we pivot the entire organisation to deal with the pandemic, our report this year provides full and complete detail on how the execution of our strategy was affected, and how we plan to recover growth, profitability and returns in these highly uncertain times. While we have tried to be as concise as possible, our value story is comprehensive and our report to stakeholders is considerably longer than normal. We believe this is justified given the unprecedented circumstances of this most extraordinary period in Netcare’s 23-year history.

## Scope and boundary of reporting

This report provides a holistic overview of our business, how we create value, how we run our business and how we performed in the period 1 October 2019 to 30 September 2020. It covers our operating subsidiaries, joint ventures and key associates in South Africa (SA) and Lesotho, unless otherwise stated. Non-financial information includes data for joint ventures where we have management responsibility, specifically those that are co-located at our facilities, as well as our public private partnerships (PPPs) in SA and Lesotho. The report also covers the risks and opportunities arising from our operating context, stakeholder concerns and outcomes beyond the financial reporting boundary insofar as they materially affect our ability to create value in the short, medium and long term. As such, material information up to the date of Board approval of the report is included.

## Our stakeholders

Our report is addressed to all our stakeholders in our sector and society, with whom we partner and to whom we account in creating value. We define our key stakeholders as those groups most likely to have an impact on our ability to deliver on our strategic priorities. Their concerns and how they relate to our material matters, are set out from page 60.


- **Patients:** medically insured, public, self-pay and foreign government-funded.
- **Employees:** nurses, paramedics, pharmacists, IT specialists, the teams that facilitate our operational management systems, contract staff, and the labour unions that represent them.
- **Healthcare practitioners:** specialists across all clinical disciplines, general practitioners (GPs), dentists, psychologists, radiologists, pathologists and therapists.
- **Private medical funders:** national and international, together with the Compensation Fund for Occupational Injuries and Diseases.
- **Suppliers:** companies that provide medicines, equipment and consumables, IT systems, digital products and services and outsourced services, including consultants.
- **Regulators and government:** authorities that regulate providers and funders in the healthcare system, and public sector partners.
- **Business associations:** provide forums for multi-lateral and evidence-based engagement, policy advocacy and consolidated responses to national objectives.
- **Investors:** shareholders and the investment community.
- **Society:** the aggregated interests of current and future generations (media and academia being proxy for these interests), communities, sponsorship partners and non-profit organisations.

While we have not enhanced our stakeholder engagement model as envisaged given the distraction of COVID-19, engagement across all stakeholder groups was ramped up on issues concerning the pandemic; demonstrating the quality of our relationships and in some cases strengthening them. We have not abandoned this initiative, and will implement a more formal stakeholder engagement and escalation model in due course.

 Stakeholder engagement approach: page 19 of the full corporate governance report.

## Materiality and material matters

Matters that have the potential to substantively affect our ability to create value for stakeholders in the short (one to two years), medium (three to five years) and long term (beyond five years), and which are likely to influence their decisions in assessing this ability, are considered material. Our material matters are determined through an iterative process involving a qualitative analysis of selected documents that identifies material matters for consideration. These are submitted to key members of the Executive Committee for review to ensure adequate coverage, and finally to the Board for approval. Our material matters (listed below), mapped to the Group’s strategic priorities, informed the preparation of and are discussed throughout the integrated report.

 Our material matters: page 60.

## Material matters

-  Deliver outstanding person-centred health and care.
-  Recognise, protect and invest in our employees, doctors and allied healthcare practitioners.
-  Drive broader access to healthcare, and strengthen partnerships to facilitate inclusive growth and socioeconomic transformation.
-  Recover, defend and grow long-term profitability.
-  Continue to develop visionary and effective leadership.

## Reporting structure

We aim to continually improve the quality of our reporting, specifically its usefulness to our stakeholders. Our 2019 Integrated Report ranked fourth in the EY Excellence in Integrated Reporting awards, and first in the mid-cap category in the Chartered Governance Institute of Southern Africa/JSE Integrated Reporting Awards. These are welcome acknowledgments that we are on the right path. No major changes have been made to the structure of our report this year, barring the addition of a section on how we manage COVID-19. Readers will note the addition of 'stakeholder in action' disclosure, to illustrate our extensive engagement on COVID-19.

## Reporting frameworks

The reporting frameworks used to prepare the report include:

- South African Companies Act No 71 of 2008.
- JSE Limited (JSE) Listings Requirements.
- King Report on Corporate Governance for South Africa (King IV).
- International Integrated Reporting Framework published in December 2013 and the Consultation Draft amendments proposed in May 2020.
- International Financial Reporting Standards (IFRS).
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides.

We also report in accordance with the Global Reporting Initiative's (GRI) Standards core option. The online GRI report covers our approach to human capital, environmental, supply chain and transformation management, as well as the GRI Standards content index and indicators.

## Assurance

Assurance on financial and certain non-financial performance indicators has been obtained in line with our combined assurance model, with feedback provided to the Risk and Audit Committees and the Executive Committee. Non-financial information is assured by Internal Audit on a cyclical basis.

Other assurance provided includes:

- **The British Standards Institution:** in the process of reauditing our ISO 9001:2015 certification.
- **Healthcare Information and Management Systems Society<sup>1</sup>:** we will use their Analytics Electronic Medical Record Adoption Model to score our electronic medical record system in the Hospital division.
- **Empowerdex:** assured the Group's contributor rating according to the revised Department of Trade, Industry and Competition's Codes of Good Practice for Broad-based Black Economic Empowerment (B-BBEE).
- **Global Carbon Exchange SA Proprietary Limited:** independently assured (limited level) our carbon emissions and energy and water results for the purpose of reporting to the CDP<sup>2</sup> and in accordance with the principles of the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting Standard, 2nd Edition, 2004<sup>3</sup>, and with international standard ISO 14064-3 (2006).

- **Deloitte & Touche:** provided unmodified assurance on the Group annual financial statements. The summarised annual financial statements, starting on page 219, are an extract from the audited Group consolidated annual financial statements.

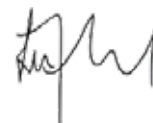
## Approval

The Netcare Board acknowledges its responsibility to ensure the integrity of the 2020 Integrated Report. Executive management is responsible for the preparation and presentation of the report, which has been reviewed by a specially convened Review Panel. The panel has recommended the report to the Board for approval.

In the Board's opinion, this report provides a fair and balanced account of the Group's performance on those material matters that we believe have a bearing on the Group's capacity to create value over time and provides a balanced and appropriate overview of the Group's strategy, risks, performance and prospects. The material matters and the annual financial statements of the Group for the year ended 30 September 2020 were approved by the Board on 19 November 2020 and are signed on its behalf by:



**Thevendrie Brewer**  
Non-executive Board Chair



**Dr Richard Friedland**  
Chief Executive Officer

## Disclaimer

For important information on forward-looking statements in this report, refer to the inside back cover.

## Feedback

We welcome feedback on our integrated report and the supplementary information we provide. Please email your feedback to [ir@netcareinvestor.co.za](mailto:ir@netcareinvestor.co.za)

1. A not-for-profit organisation.  
2. CDP, formerly the Carbon Disclosure Project – an organisation that aims to make environmental reporting and risk management a business norm.  
3. World Business Council for Sustainable Development and World Resources Institute.

# Who we are

## Our purpose

Providing **YOU** with the best and safest care

## Our promise

We promise to care for you, and about you, in a manner that places you and your family at the centre of everything we do. We recognise that you are an individual with unique needs and expectations. We recognise the importance of your family and loved ones in your healing process. We are here to ensure that we provide you with the best and safest care, when you need it and in a way that we would wish for our loved ones.

### Our irrevocable commitment to care defines the value we create, today and for the future.

We are committed to pushing out the boundaries of healthcare and playing a meaningful role in the lives of more South Africans, more often. We combine compassion, expertise and technology to support each and every person with the **best and safest patient care**, giving them the confidence they need when they need it most. We call it **person-centred health and care, digitally enabled and data driven**.

We serve people in their time of need, who are looking for clarity, confidence and a healthcare partner who has the empathy to reassure them and the expertise to give them the **best quality care along every stage of their life journey**. We help them make good health decisions every day and we care for them on some of the most important days of their lives.

In all we do, we are guided by our irrevocable commitment to care. Our values and our strategy make **care for people and society** intrinsic to all our decisions and actions.

**This is how we create value for our stakeholders and for the healthcare system of which we are an integral part, now and for the future.**

**Come what may, we believe care will always be the strongest protector of the sanctity of life and the richness of the human experience, on which all our aspirations are built.**

## Our values


Our core value is **CARE**. We care about the **DIGNITY** of people and all members of the Netcare family. We care about the **PARTICIPATION** of our people and healthcare partners in everything that we do. We care about the **TRUTH** in all our actions. We are **PASSIONATE** about quality care and professional excellence. We listen with empathy and respond with acts of **COMPASSION**.





# Our business

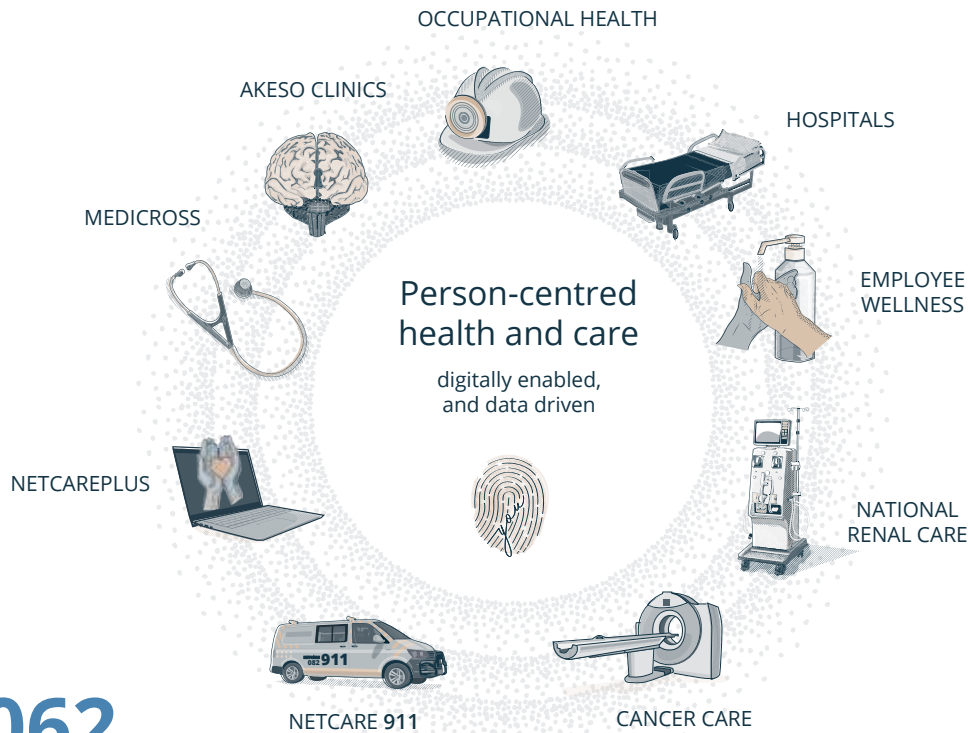
- 04 [What we do](#)
- 06 [Our geographic footprint](#)
- 08 [Managing the COVID-19 pandemic](#)



Come what may, we believe care will always be the strongest protector of the sanctity of life and the richness of the human experience, on which all our aspirations are built.

# What we do

The Netcare Group is a leading provider of private healthcare services in SA. We provide acute services across our national network of hospitals. We also provide acute mental health, emergency, cancer care, primary care and renal care services as well as occupational health and wellness services.



**20 062**  
employees,  
including PPPs  
and Lesotho.

Netcare  
**appointmed™**  
Over **29 000**  
appointments facilitated<sup>1</sup>.

## PRIVATE HOSPITALS ►



**54**  
acute hospitals with  
**10 411**  
beds, including PPPs  
and Lesotho.  
**15**  
cancer care centres.  
**15**<sup>2</sup>  
day clinics.

- Multi-disciplinary acute medical institutions, including centres of excellence, day clinics for non-acute procedures and care, and emergency and trauma departments.
- Institutional pharmacies for direct supply, management and dispensing of medicine.
- Rape crisis centres.

### Differentiator:

26 accredited trauma units<sup>3</sup> with Netcare Milpark, Netcare St Anne's and Netcare Union hospitals being the only accredited Level 1<sup>4</sup> trauma hospitals in SA.

Full list of accredited facilities: page 127.

**12**  
mental health  
hospitals with  
**891 beds.**

- Dedicated acute mental health facilities.

### Differentiator:

An approach rooted in multi-disciplinary integrated care focusing on dialectical behavioural therapy delivered in groups and individual therapy for mental health patients.



1. Netcare **appointmed™** is our free telephonic appointment service.  
 2. Three day clinics were closed just after financial year-end.  
 3. Trauma Society of South Africa.  
 4. Capable of providing leadership and total care for every aspect of injury, from prevention through rehabilitation, and have 24-hour availability of all major specialities with a trauma surgeon as director.



**EMERGENCY SERVICES** ▶

**82**  
emergency bases with  
**211**  
ambulances and  
emergency response  
vehicles.

The Emergency Operations  
Centre manages over  
**400 000**  
calls a year.

- Pre-hospital emergency services, including specialised helicopter ambulances, intensive care unit (ICU) ambulance service (patient transfer between medical facilities) and an ICU-configured jet ambulance service (national and international patient transfer).
- National Emergency Operations Centre with geolocation capabilities.
- Contracted services to industrial clients and corporates for health, safety and risk management.
- Contracted to manage the emergency services of client medical schemes.

**Differentiator:**

The only emergency service in Africa that is fully digitised (see page 162).

**PRIMARY CARE** ▶

All the quality care  
you need.

**70**  
primary healthcare  
facilities.  
**109 000**  
lives covered by  
occupational health  
services.

- Family medical and dental clinics providing access to GPs, dentists, radiology, pathology, pharmacy and allied healthcare practitioners.
- Sub-acute and rehabilitation hospitals.
- Occupational health, travel and wellness services to contracted employer groups.

**Differentiator:**

The largest primary healthcare provider in the private sector with a national footprint, providing a comprehensive basket of primary care services.

**RENAL CARE** ▶

**68**  
renal dialysis facilities.  
**979**  
dialysis stations.

- Dialysis services to patients with compromised kidney function.

**Differentiator:**

Largest provider of dialysis services in SA.

**TRAINING FACILITIES** ▶

**5**  
nursing education  
colleges.  
**2**  
emergency and critical  
care colleges.  
**4**  
National Renal Care  
training academies.

**13**  
National Renal Care facilities accredited  
to train clinical technology students.  
**18**  
National Renal Care facilities accredited  
to train nephrology nursing students.

**Differentiator:**

The largest private provider of training for healthcare workers in SA. We train nurses and paramedics for the private and public sectors.



Over **1 000** GPs.

- Trusted partner network across the country supporting NetcarePlus vouchers for GP consultations.



Over **600** clients.

- Leading provider of employee health and wellness programmes covering over 700 000 lives.

# Our geographic footprint



## Netcare Hospitals

PROVINCE	FACILITIES	BEDS
Eastern Cape	2	489
Free State	4	408
Gauteng	29	5 699
KwaZulu-Natal	10	2 012
Limpopo	1	200
North West	1	211
Western Cape	6	967
	53	9 986
Lesotho	1	425
<b>Total</b>	<b>54</b>	<b>10 411</b>

 Hospital listing.

## Netcare Cancer Care

PROVINCE	FACILITIES
Gauteng	9
KwaZulu-Natal	3
Western Cape	3
<b>Total</b>	<b>15</b>

## Netcare 911

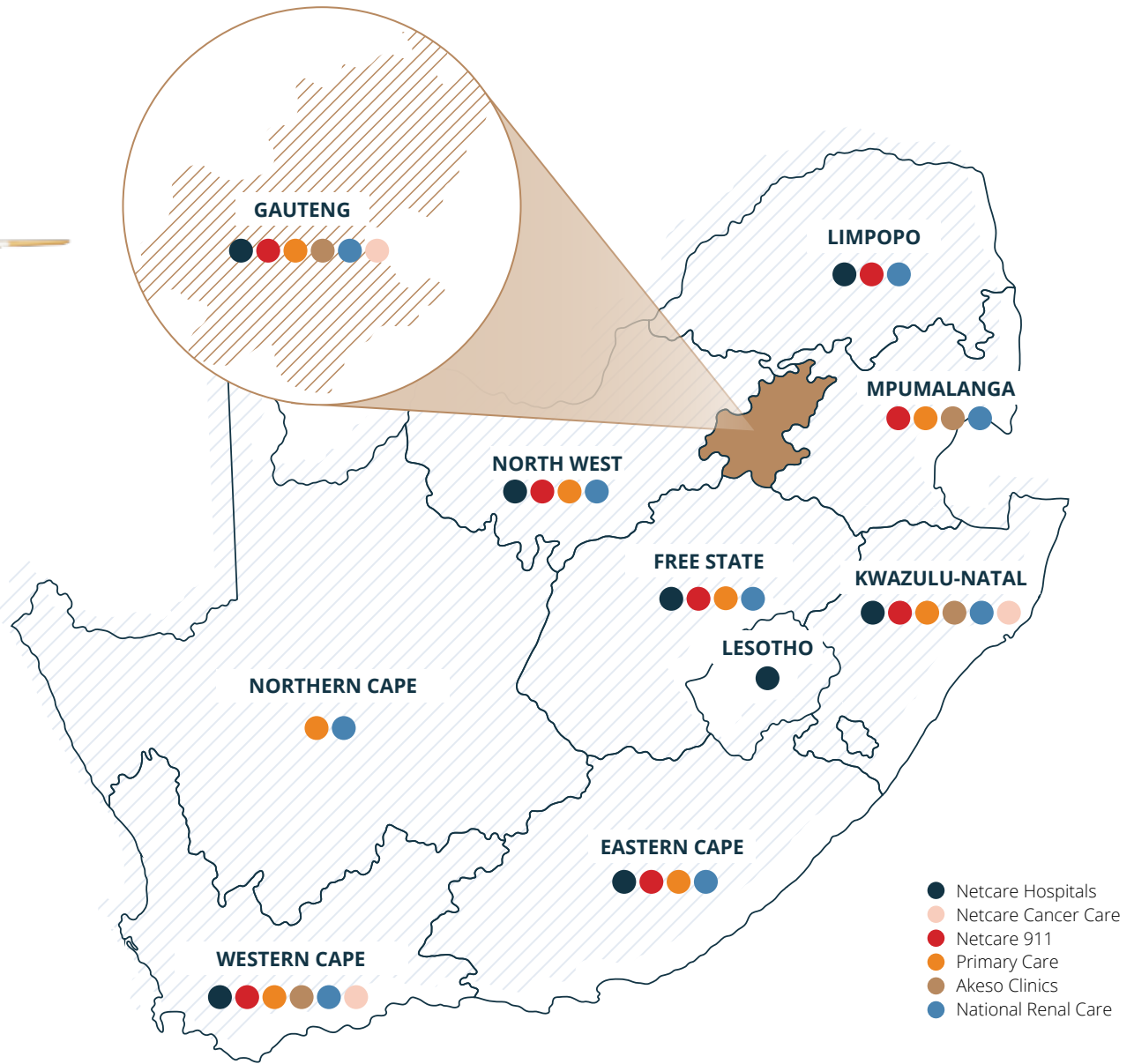


PROVINCE	FACILITIES
Eastern Cape	2
Free State	2
Gauteng	26
KwaZulu-Natal	9
Limpopo	9
North West	10
Mpumalanga	19
Western Cape	5
<b>Total</b>	<b>82</b>

## Primary Care



PROVINCE	FACILITIES
Eastern Cape	6
Free State	1
Gauteng	22
KwaZulu-Natal	15
Mpumalanga	2
Northern Cape	2
North West	2
Western Cape	20
<b>Total</b>	<b>70</b>



## Akeso Clinics



PROVINCE	FACILITIES	BEDS
Gauteng	4	415
KwaZulu-Natal	2	140
Mpumalanga	1	75
Western Cape	5	261
<b>Total</b>	<b>12</b>	<b>891</b>

**Three new facilities approved for development** in Polokwane, Richards Bay and Port Elizabeth.

## National Renal Care



PROVINCE	FACILITIES	DIALYSIS STATIONS
Eastern Cape	11	194
Free State	3	21
Gauteng	22	306
KwaZulu-Natal	13	216
Limpopo	3	33
Mpumalanga	1	12
North West	2	18
Northern Cape	1	10
Western Cape	12	169
<b>Total</b>	<b>68</b>	<b>979</b>

Hospital listing.



# Managing the **COVID-19** pandemic

## The ABC of pandemic preparedness

President Cyril Ramaphosa announced a national lockdown from 27 March 2020 to give SA's healthcare system time to prepare for the inevitable surge of COVID-19 infections. This was effective in flattening the pandemic curve to within system capacity – an outcome of the nation's sacrifice and unrelenting work by those charged with pandemic preparedness. When Netcare activated its pandemic preparedness plan in January 2020 – a little more than two months before the declaration of a national state of disaster (15 March 2020) – little was known about the virus. We knew the plan would have to be flexible and implementation would need to be agile. Ultimately, during the first wave of the pandemic, there were times when circumstances shifted so rapidly that our response plan was rewritten and new protocols communicated daily.

Doctors and nurses are taught to follow the 'ABC' when assessing an emergency. Airway, breathing, circulation – often including 'D' for disability and 'E' for exposure – is a systematic approach to the immediate assessment and treatment of critically ill or injured patients. But no such approach existed to help hospital teams prepare for a pandemic that threatened to overwhelm several of the world's most expansive hospital networks in Europe, the United Kingdom (UK) and America. Sudden demand for respirators and ventilators pitted procurement managers across the world against one another in frenzied bidding wars, while doctors struggled through unpublished and often conflicting research studies and literature to try to understand how best to treat COVID-19.

The closest we had to an ABC was the World Health Organization's (WHO) *Hospital Preparedness for Epidemics guidelines*, last updated two years ago. It fell on Netcare's management team to complement existing guidelines with clinical knowledge and news emerging from those countries that faced COVID-19 before we did. When we started planning, there was still no clarity about airborne transmission, the value of measures as basic as masks were under debate, and politicians muddied clinical waters with unscientific pronouncements.

From daily observation and continual learning, a new ABC emerged. Again, it started with 'A' for air. It soon became clear that high-flow oxygen, rather than intubation and invasive ventilation, was the most effective means of delivering vital oxygen therapy. This demanded that we secure, and continuously monitor, the delivery of massive amounts of the gas to our hospitals and required an extensive upgrade of our oxygen reservoirs and delivery systems. An oxygen calculator was designed by the engineering team, providing data 24/7 on oxygen consumption (number of patients receiving oxygen therapy, the mode of

oxygen delivery and the protocol applied in terms of the actual settings on the oxygen delivery equipment). The live oxygen dashboard allows us to forecast oxygen volume requirements and the time to depletion of oxygen onsite. This gave us a good understanding of our capacity to admit and treat COVID-19 patients. 'B' stood for blood thinners as it became evident, in April 2020, when blood clots emerged as one of the many mysterious symptoms attributed to COVID-19, initially thought to largely affect the lungs in the form of pneumonia. The use of readily available anti-coagulants made an immediate and significant difference. By September, 'C' finally fell into place. Corticosteroids, a mainstay anti-inflammatory and immunosuppressant, dramatically improved patient outcomes as demonstrated in various clinical trials.

Until the 'V' for vaccine becomes readily available, our hospital managers are complementing the COVID-19 ABC with measures to secure continuity of resources, especially of adequately trained professional personnel. Occupational health and intensified anti-infection control have become mainstays of daily operation. Agility in shifting beds between COVID-19 red, yellow and green zones has been honed. Protocols have been implemented that not only protect non-COVID-19 patients from infection but allow Netcare to provide the comprehensive range of services our patients rely on even as we face a second wave of infections.



## Managing the COVID-19 pandemic continued

### OUR FOCUSED APPROACH

## Fully mobilised the organisation,

and leveraged technology and data, to effectively respond to the COVID-19 pandemic during lockdown and the initial peak of the outbreak, putting all strategic projects on hold.

Comprehensively applied disaster management principles and established a command and control structure to manage and pivot the organisation to deal with the pandemic.

### PROCUREMENT

## R1.1 billion spent to enhance COVID-19 readiness

of our ICUs and high care units (including zonal allocation, oxygen capacity upgrades and ultraviolet robots for decontamination) and to purchase essential therapeutic agents and personal protective equipment (PPE) for our employees and healthcare colleagues.

 Suppliers: page 134.

 Estate and medical equipment: page 174.


### COVID-19 pandemic response strategy

The fluidity of information becoming available required a critical review of our policies and procedures. The effectiveness of our response depended on the availability of timeous, accurate and relevant information to identify areas of concern, anticipate challenges, design appropriate mitigations and efficiently communicate and consistently implement these responses throughout the Group. Our risk-adjusted approach to the pandemic has been drawn from a combination of disaster management, **Quadruple Aim** and occupational health and safety principles and was at all times aligned to the WHO's protocols and those of the Centers for Disease Control and Prevention in the United States as well as the NDoH and the National Institute of Communicable Diseases (NICD) in SA.



## TRAINING

**Re-trained over 20 500 healthcare workers, other staff members and doctors** on the correct use of PPE.

 Our patients: page 112.

## COMMITMENT TO PUBLIC PATIENTS

Assisted government by agreeing to treat public patients in Netcare facilities on a not-for-profit, cost recovery basis.

## COVID-19 related digital solutions

Communication is a key element of Netcare's pandemic response strategy. Specific digital platforms (listed below) have been developed to enhance communication with various stakeholders and track resource use. They are discussed throughout the integrated report.

▶ <b>Netcare patient communicator.</b>	Page 114
▶ <b>COVID-19 doctor communications</b> tool.	Page 130
▶ A <b>track and tracing system</b> for employees.	Page 146
▶ <b>Digital oxygen platform.</b>	Page 09
▶ <b>Zonal bed allocation</b> in real time across the Group, with an updated bed report automatically distributed every hour.	Page 18
▶ <b>Predictive model for critical care beds.</b>	-
▶ <b>Outbreak and exposure platform.</b>	-
▶ <b>Occupational health and safety digital platform.</b>	124
▶ Daily analysis of and <b>predictive model for PPE demand</b> per facility, zone, ward type, Emergency department and theatre.	-
▶ <b>Tracking the availability and usage of critical drugs</b> , including stock on hand and days on hand per facility and daily consumption.	-
▶ A scenario analysis tool, which <b>tracks the potential impact of COVID-19 on our operating performance</b> and cash flow.	Page 189



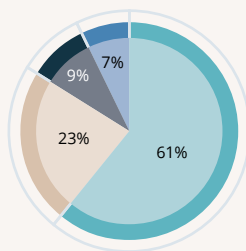
## Managing the COVID-19 pandemic continued

We developed a digital screening platform to mitigate the risk of spreading the virus in queues and by handling stationary. The tool uses mobile devices to screen people using SMS, WhatsApp and websites. We distributed 225 iPads so that facilities can register people who do not have mobile devices and to approve additional evaluations, if needed. The screening dashboard ensures that every hospital can monitor all persons on its premises at all times. The programme was further enhanced to facilitate certain categories of patients such as cancer patients.

### COVID-19 screening metrics at 30 November 2020

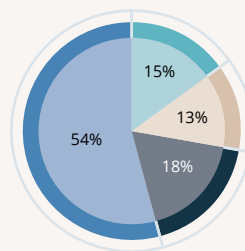
Total screened	Average screenings per day	Access granted	Required approval by SEC <sup>1</sup>	Access denied by SEC
<b>6 138 703</b>	<b>28 289</b>	<b>5 577 929</b>	<b>393 076</b>	<b>3 401</b>

#### Staff type



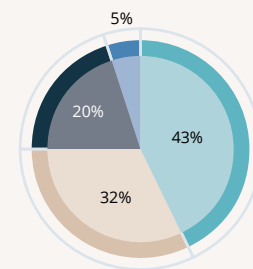
- Netcare employee
- Non-Netcare staff
- Doctor
- Allied healthcare workers

#### Patient clinical visit breakdown



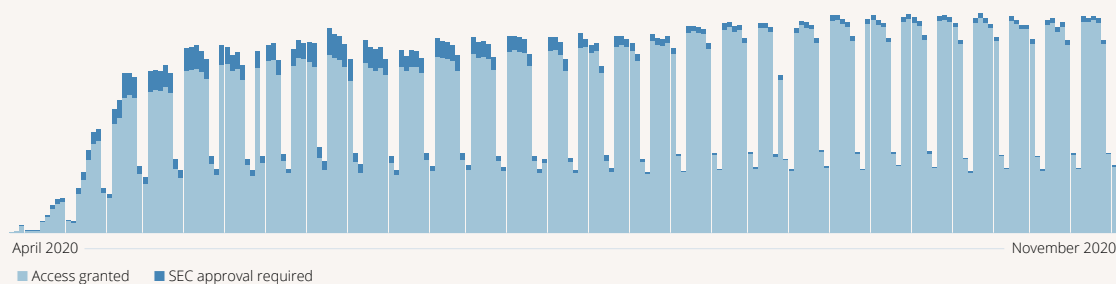
- Radiology
- Emergency department
- Main Hospital
- Medical rooms

#### Contact method



- At facility
- Other
- WhatsApp
- SMS

#### Total screened arrivals per day (screened arrivals)



Total facilities  
**243**

COVID-19 testing risk  
**19 632**

Lost sense of smell  
**35 479**

Not wearing mask  
**99 184**

Person is symptomatic  
**94 760**

PPE risk  
**4 541**

High temperature  
**27 445**

1. Screening Escalation Centre.



## Application of disaster management principles

Our pandemic preparedness plan coordinates our pandemic response, outlining the key responsibilities, authorities and mechanisms to prevent and manage a potential pandemic outbreak and to enable Netcare to recover from the impact as quickly as possible. The plan is informed by lessons learned in the Ebola Virus Disease (EVD), Middle East Respiratory Syndrome Coronavirus (MERS-COV) and Severe Acute Respiratory Syndrome (SARS) outbreaks, among others.

### Pandemic response phases

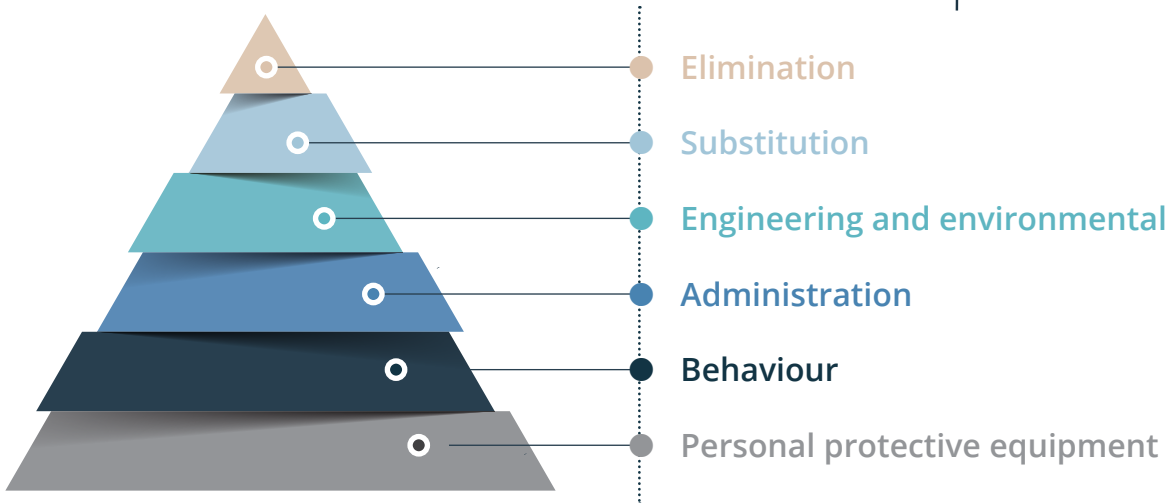
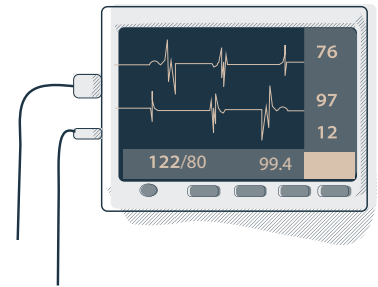
<b>PHASE</b> <b>1</b>	<b>Preparedness</b> 31 December 2019 to 4 March 2020	Prepared to receive persons under investigation (PUIs) and COVID-19 positive patients (prior to any cases in SA).
<b>PHASE</b> <b>2</b>	<b>Containment</b> 5 March 2020 to 26 March 2020	Admission of PUIs and patients who were COVID-19 positive at Netcare facilities. This phase began when SA reported its first imported case that led to local transmission.
<b>PHASE</b> <b>3</b>	<b>Outbreak (surge)</b> 27 March 2020 to 3 September 2020	Activated on detection of the first hospital-acquired COVID-19 infection in either a patient, doctor or any employee. SA was already in an outbreak phase at this stage due to community transmission. As we head into a second wave of infections in SA, we will return to this phase as is required, responding to localised and national patterns of infection.
<b>PHASE</b> <b>4</b>	<b>Recovery and business resumption</b> 4 September 2020	Began implementing to implement plans to re-establish processes to resume normal business operations under new guidelines.



## Managing the COVID-19 pandemic continued

### Application of occupational health and safety principles

#### Hierarchy of controls



#### Elimination

The most effective of all controls is elimination. To reduce the risk of COVID-19 transmission to healthcare workers and those in our care, the following decisions were taken to limit foot traffic and the introduction of COVID-19 to our hospitals:

- Strict access control and digital screening of all persons prior to entering a Netcare facility.
- Cancellation of hospital visits with the exception of paediatric and critically/terminally ill patients where visiting hours and number of visitors were restricted.
- Closure of non-essential services such as coffee shops and retail pharmacy.
- A pause in non-essential elective surgery and healthcare services and laboratory access limited to inpatients.
- Critical evaluation in terms of the timeous discharge of non-COVID-19 patients.

#### Substitution

Where a risk cannot be removed, we implement alternative interventions to mitigate the risk, including the introduction of isolation facilities for at-risk or confirmed COVID-19 patients, the cohorting<sup>1</sup> of healthcare workers looking after these patients, discharge strategies for all facilities and the replacement of normal intubation equipment with video laryngoscopy and Perspex headsets to ensure the safety of healthcare practitioners.

1. The grouping of people potentially exposed to designated diseases.

#### Engineering and environmental

Using the learnings from other countries to inform structural and procedural improvements, we redesigned our facilities, as far as possible, to reduce risk. This included dividing hospitals into zones, optimising airflow in theatres, wards, high care units and ICUs, dedicated access and egress points, improved signage on COVID-19 to raise awareness, the purchase of additional medical equipment and sterilisation and disinfection devices, and enhanced environmental cleaning and waste management practices. General Managers, Technical Support Managers and Clinical Liaison Officers in each hospital reported daily to executive management on the progress made towards readying their facilities to care for COVID-19 patients.

#### Administration

New protocols and policies were developed, and training delivered, to inform a different way of working. The structures alongside were introduced to ensure coordinated governance (decision-making and oversight) and communication frameworks.

### Netcare COVID-19 Gold Command

The Netcare COVID-19 Gold Command (Gold Command), chaired by the CEO and comprising Executive Committee members, senior management and clinical leadership, continues to oversee all aspects of the Netcare response. All national decisions relating to the pandemic were made or authorised by the Gold Command and communicated directly to management, employees and healthcare workers.

Operational Skype meetings were held seven days a week during the nationwide lockdown and initial surge to obtain feedback from operations, discuss any exposure or potential outbreak situations, and communicate key decisions and instructions. The Gold Command now meets weekly in the recovery and business resumption phase.

Adequate succession planning ensured continuation in the event of illness, incapacity or absence of key members of the Gold Command.

### National Joint Operations Centre

All communications to and from the Gold Command were directed through the national Joint Operations Centre (JOC), which in turn, liaises with and receives information from facility-specific JOCs.

The national JOC provided a 24-hour service during the containment and surge phases. During the surge phase, the JOC's responsibilities included delivering all reporting requirements to the NICD, National and Provincial Departments of Health, assessing laboratory results to centrally coordinate the tracking and tracing of contacts, coordinating patient admissions and employee transportation and accommodation for isolation purposes, and facilitating medical scheme activities.

### COVID-19 operations manual

The COVID-19 operations manual and a COVID-19 information portal are updated regularly to ensure the most effective management of day-to-day operations during the pandemic. These tools provide access to important contact information, the COVID-19 command structure, COVID-19 pandemic response, classification of worker exposure, guidelines applicable to each pandemic phase, clinical guidelines, published directives and communication, applicable legislation and the NDoH's guidelines, among others. By the end of October 2020, the operations manual had been updated eight times.

### Behaviour

Strict adherence is demanded of all Netcare employees and practising healthcare workers to comply with COVID-19 regulations, practice social distancing and hand hygiene, wear face masks and declare any travel, potential exposure and COVID-19 symptoms.

### Personal protective equipment

PPE is a critical element of prevention and control in our facilities and clear guidelines have been issued on appropriate levels of protection for administrative personnel, nursing staff and, in particular, nurses and doctors treating COVID-19 patients or PUIs. On 30 March 2020, we implemented a comprehensive PPE policy mandating the use of masks, ahead of other healthcare facilities. Thousands of cloth masks were distributed at all our facilities, including to administration workers, cleaners, and catering and security personnel, for use when not in a clinical setting. Posters were displayed for each zone, directing staff on the appropriate use of PPE in the area. This prevented unreasonable use of PPE in low-risk areas and incorrect PPE use in high-risk areas.

### Stakeholder engagement

The South African healthcare sector, both private and public, followed a collaborative approach in responding to the onset of the COVID-19 pandemic. From as early as February 2020, the NICD formed an operational collaboration with the NDoH and private sector to prepare and strengthen SA's response to COVID-19. Netcare was actively involved with the NICD in a national campaign to educate medical teams across SA with the first session already held on 5 February 2020. The NDoH and the NICD published the South African COVID-19 Outbreak Management Guidelines in July 2020. Three Netcare Gold Command team members<sup>1</sup> contributed to the guidelines; their input informed by the lessons learned through the investigation and management of exposure and outbreak incidents across Netcare's service platforms.

The Group Medical Director continues to engage regularly with peer clinical directors across the healthcare sector in SA, the NDoH, academics and thought leaders, regulators and clinical associations. Skype sessions with the doctor groupings at all Netcare hospitals were held during the containment phase and the resident doctors of each hospital were engaged on public sector contracting per province.

Central to our COVID-19 management is more frequent engagement with our key stakeholders, coordinated through a communications strategy developed for each stakeholder group. Our efforts are discussed throughout the 'how we performed' review, including our collaboration with Business for South Africa (B4SA) to formulate a national response to COVID-19 (see page 136).

1. Head of Infection Prevention and Control, General Manager of the Trauma division and the Group Medical Director.

## Managing the COVID-19 pandemic continued

### Clinical governance in action

Netcare's COVID-19 clinical governance framework governs the management of COVID-19 and ensures that guidelines, protocols and targeted interventions identify and manage the clinical risks associated with COVID-19, and that the best and safest clinical care is delivered to our patients. The framework covers all our service platforms.

Dedicated Clinical Liaison Officers, appointed at hospitals, National Renal Care sites, day theatre complexes and sub-acute care facilities and divisional Clinical Liaison Officers for Primary Care, Akeso Clinics, Cancer Care and Netcare 911, functioned as conduits for clinical oversight and communication between the Gold Command and individual facilities and divisions.

In each hospital the following management and clinical leadership structures have been implemented:

- **COVID-19 leadership team:** liaised with the hospital-specific JOC and Clinical Liaison Officer.
- **COVID-19 Clinical Committees and Surgical and Ethical Sub-committees:** attended by resident doctors, specialist representatives and hospital management to coordinate COVID-19 related activities and controls.
- **COVID-19 Lead and Deputy:** responsible for triage and decision-making in the surge phase and leading the hospital's COVID-19 clinical team. Risk factors, namely age and specific comorbidities, identified by the Critical Care Society of South Africa were considered when selecting these individuals.
- **COVID-19 clinical team:** the doctors at each hospital who care for COVID-19 patients.
- **Clinical Liaison Officer:** responsible for regular engagement with the COVID-19 Clinical Committees, the updating of COVID-19 statistics, monitoring the implementation of and compliance to policies and standard operating procedures, providing regular assurance on the facility's pandemic readiness and leading investigations on exposure and outbreak incidents.

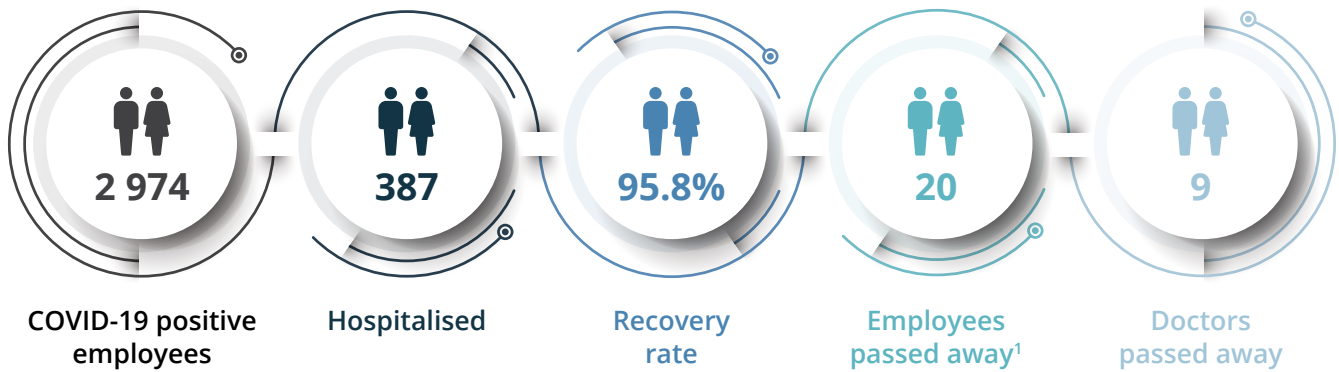
A central Netcare clinical team, comprising 16 doctors, provides 24-hour support to hospitals, service platforms and doctors and works closely with the COVID-19 Clinical Committees. The team also engages with epidemiologists, infectious disease physicians and public health specialists.

An independent clinical governance team, comprising contracted epidemiologists, infectious disease physicians and public health specialists, provides the final layer of the clinical governance structure. The team reviews our policies and procedures, evaluates potential exposure or outbreak risks, and assists with mitigation measures and exposure and outbreak investigations. In the event of an exposure or outbreak, the team provides independent assurance on the process followed and actions taken. The team continues to expand as the demand for this level of expertise and compliance increases.



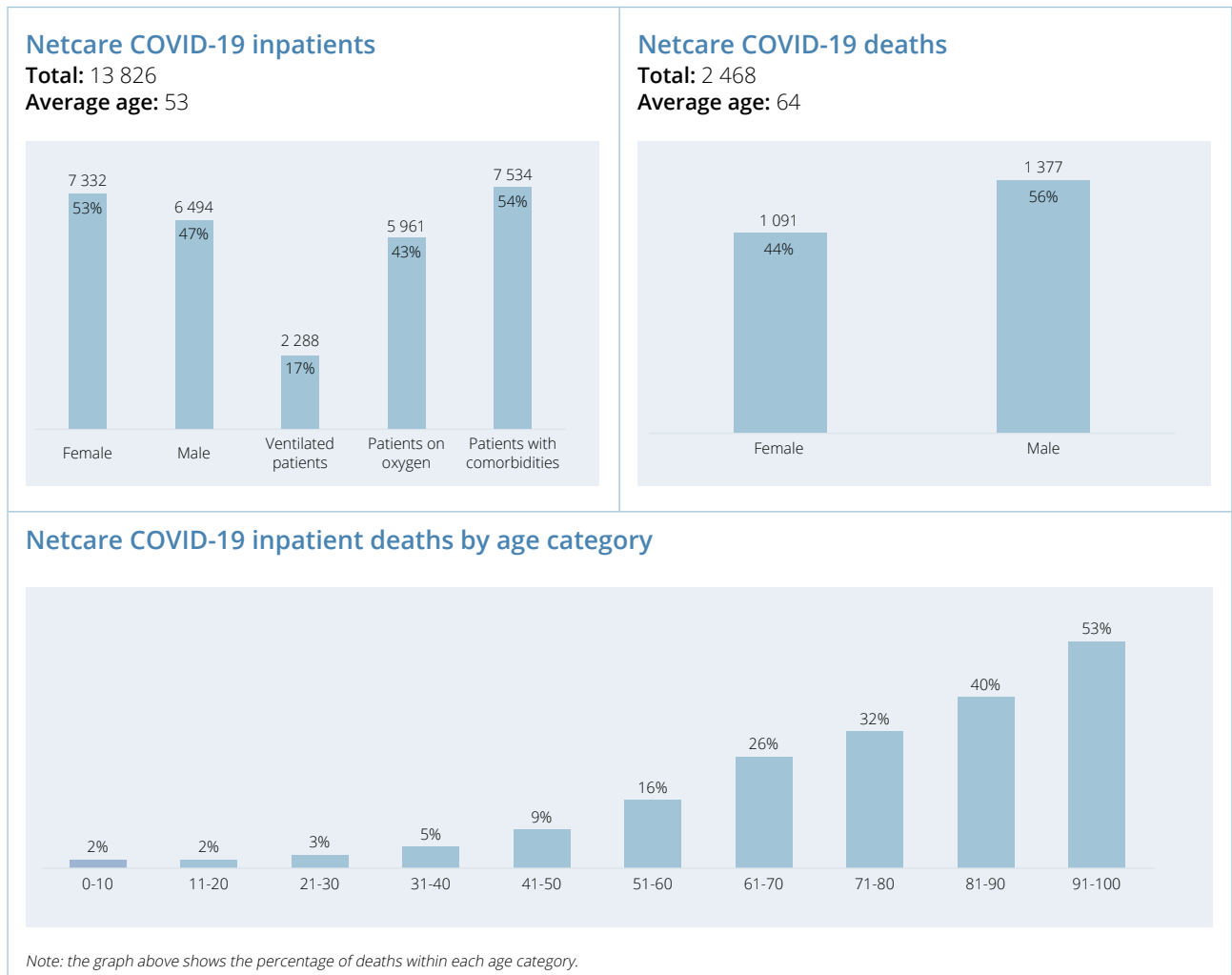
### COVID-19 metrics

Impact on our frontline employees and doctors at 30 November 2020



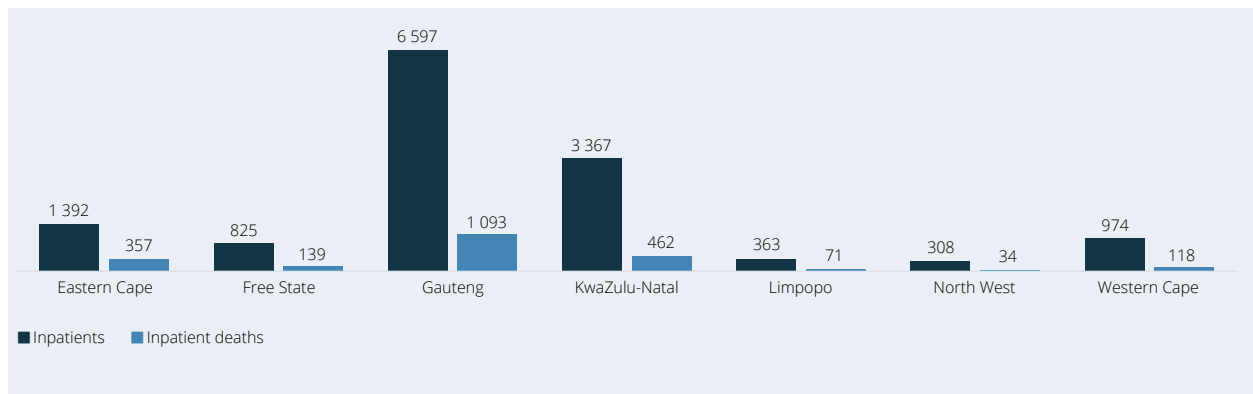
1. Four were associated staff members.

### Inpatient positive statistics between 9 March 2020 and 30 November 2020



## Managing the COVID-19 pandemic continued

Netcare COVID-19 positive cases by province

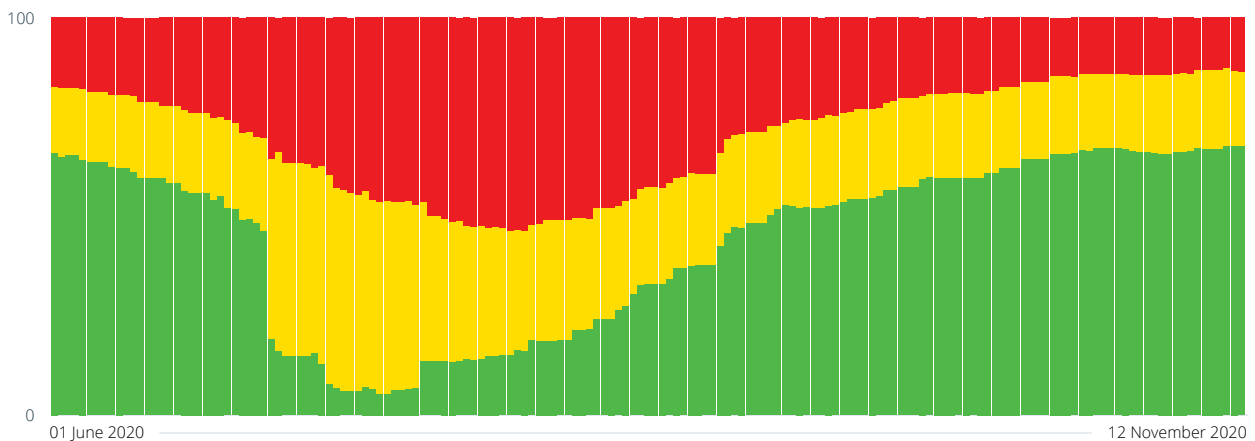


▼  
**13 826**  
 COVID-19 positive patients  
 admitted to a Netcare  
 hospital, with a mortality  
 rate of 17.6%.

▼  
**43%**  
 of COVID-19 positive  
 patient days were spent in  
 ICU and high care units.

▼  
 The average hospital  
 length of stay  
 for a positive COVID-19  
 patient has reduced from  
**22 days**  
 to seven days  
 as treatment modalities  
 improve.

Netcare adult critical care beds by zone between 1 June 2020 to 12 November 2020  
 (% of beds)



The graph above demonstrates Netcare's agile approach to gearing the Hospital division to manage the pandemic at the height of the initial surge while continuing to deliver essential services to patients who required access to care unrelated to COVID-19. Red beds (dedicated for COVID-19 positive patients), yellow beds (PUIs) and green beds for COVID-19 negative patients. During the first peak of the pandemic over 80% of all beds were dedicated to COVID-19.

## COVID-19 incident management

Patient safety management and reporting during the COVID-19 pandemic focus predominantly on managing exposure incidents and outbreaks. The team responsible for the investigation and management of these incidents continues to review and manage this on a daily basis and learnings from these incidents continue to inform decisions on policies and protocols on how we manage the COVID-19 risk. The epidemiology support and Clinical Liaison Officers play an integral role in track and trace activities and the implementation of corrective actions from learnings at site level. Healthcare worker and patient safety is guarded and guided by these teams during the pandemic.

## Top five causes of exposure

- 1 Non-disclosure of symptoms and exposure risks during the screening process.
- 2 Relatives of employees.
- 3 Positive employees symptomatic and asymptomatic.
- 4 Positive patients in the green area.
- 5 Travelling (carpool and taxi).



## FALLEN, BUT NOT FORGOTTEN

Honouring our fallen heroes and fellow South Africans who have passed away due to COVID-19

Lalani Kahle MaQhawe.



You're in safe hands



## Managing the COVID-19 pandemic continued

### Netcare St Augustine's Hospital

The most severe outbreak experienced by the Group was at the Netcare St. Augustine's Hospital in Durban, KwaZulu-Natal in April 2020. Between 9 March and 30 April 2020, 119 confirmed cases were identified at the hospital (39 patients and 80 employees). Our outbreak investigation included reviews of medical records, ward visits and interviews with healthcare practitioners and management to construct a detailed timeline of patient cases to understand the spread of the infection throughout the hospital.



Two patients were admitted to the hospital's Emergency department on 9 and 13 March 2020 respectively, at a time when it was not known that community spread was already occurring in KwaZulu-Natal. Neither patient had a history of recent international travel or known contact with a person who was COVID-19 positive. The infection then spread rapidly through the hospital facilitated by the frequent movement of patients between wards.

The investigation indicates that the main outbreak also seeded smaller outbreaks at a local nursing home (four additional cases) and at the National Renal Care outpatient dialysis unit on Netcare St Augustine's Hospital's campus (nine additional patient cases and eight additional employee cases). Sadly, fifteen of the patients infected in the main outbreak passed away, most being elderly patients with multimorbidity. We again extend our most sincere and heartfelt condolences to the patients' loved ones.

Despite our extensive infection prevention measures, the outbreak highlighted how easily and rapidly COVID-19 can spread in a building where people are brought together. From this experience, we quickly learned that we needed to reinforce our infection prevention and control (IPC) systems and practices across the Group and promote an IPC culture given that all stakeholders have a role to play. Vigilance is required to support the early recognition of a possible COVID-19 infection, especially in green zones where patients who are considered low-risk for COVID-19 have been admitted.

On detection of the outbreak in Netcare St Augustine's Hospital, the Emergency department was closed and the situation was explained to all patients being cared for in the hospital. These patients, their families, healthcare practitioners, employees and contractors who came into contact with those infected were tested and required to isolate, and those working on campus were screened daily. All screening and testing were undertaken in close collaboration with the Provincial DoH. Dedicated information and support services were set up for all patients, their families, doctors and employees. The entire hospital was decontaminated and disinfected, including the use of an ultraviolet disinfecting robot highly effective in destroying viruses, bacteria and fungal spores and we embarked on an extensive programme of contact tracing.

The Netcare clinical team worked closely with Professor Salim Karim, a special adviser to the Minister of Health, and a team of epidemiology and infectious diseases specialists from the University of KwaZulu-Natal's Research Innovation and Sequencing Platform (KRISP), to fully investigate the underlying cause and nature of the outbreak. All recommendations and interventions arising from the investigation were fully implemented, and shared across the Group, with many already having been in place. The assistance provided by these teams, individuals and the DoH is greatly appreciated.

The lessons learned from the outbreak were shared with the healthcare sector to prevent similar outbreaks in the private and public health system. The Group also continues to implement further precautionary measures as new research comes to light.



# How we create value

22	Our business model
22	Inputs and constraints
23	Activities and outcome ( <i>Quadruple Aim</i> )
24	Creating measurable value
25	Outcomes per stakeholder
34	ESG performance

A photograph of a woman lying in a hospital bed, smiling broadly. She is wearing a light blue hospital gown and has an oxygen mask over her nose. Her eyes are looking towards the right of the frame. The background is a dark blue wall with a white pillow and blanket.

In all that we do, we are guided by our irrevocable commitment to care. Our values and our strategy make care for people and society intrinsic to all our decisions and actions. This is how we create value for our stakeholders and for the healthcare system of which we are an integral part, now and for the future.

# Our business model


**INPUTS:** the quality of our relationships is determined by our management approaches, processes and facilities, and our culture; all of which are increasingly enabled by digitisation and data. Elements of intellectual capital are therefore embedded within each of the capitals outlined below.

## ► Relationship capital

- As we increasingly digitise and leverage our data assets, we improve our value propositions to our patients, our employees and our partners in the healthcare value chain.
- Our relationships with doctors and allied health practitioners, funders and suppliers allow us to deliver the highest quality person-centred health and care most efficiently.
- Establishing long-term relationships with patients enables financial sustainability and deepens our contribution to socioeconomic wellbeing through improved health outcomes.
- Constructive relationships with regulators enable relicensing of beds, accreditation of our training programmes and the introduction of new service lines, and our sector and

- business association memberships provide a platform to advocate for an enabling policy environment.
- A collaborative relationship with government determines our ability to effectively contribute to broadening access to quality healthcare.
- Our community relationships protect our legitimacy and social licence to operate, and drive our contribution to an inclusive society, economy and labour market.

**KEY CONSTRAINTS:** *balancing key stakeholder interests, ensuring consistent quality of care across our network, ability of local suppliers to provide specialised equipment, aligning the interests of healthcare funders and healthcare providers.*


 **Our report and relationship capital:** pages ifc and 112 respectively.

## ► Human and intellectual capital

- An experienced leadership team with the drive to disrupt and innovate, and continually enhance our operational management systems and patient care pathways.
- R66 million (2019: R84 million) invested to develop employees and healthcare practitioners, prepare for digitisation (change management and capacity building programmes) and instil a caring, values-driven culture – the Netcare Way.
- R7 254 million (2019: R7 206 million) paid as salaries to our skilled employees.

- 387 (2019: 468) future supervisors, managers and leaders participated in a development programme.
- Development and monitoring of quality outcomes to ensure the best, safest care.
- R76 million invested in digitising our service platforms since 2018.

**KEY CONSTRAINTS:** *attracting and retaining scarce skills in a competitive environment, user acceptance of digital offerings, resistance to changes to traditional healthcare models.*


 **Human and intellectual capital:** page 144.

## ► Manufactured and natural capital

- R999 million (2019: R1 429 million) invested in specialised healthcare facilities, advanced medical equipment, and intangible assets. R156 million invested in enhancing the readiness of our facilities in preparation for COVID-19 patients.
- R193 million (2019: R512 million) invested in expansionary projects.
- R527 million invested in environmental sustainability since 2013.
- 0.96 million gigajoules (GJ) (2019: 0.98 million GJ) consumed, excluding 13 gigawatt hours (GWh)

- (2019: 12 GWh) of renewable energy from photovoltaic installations.
- 1.88 million kilolitres (2019: 2.13 million kilolitres) of water consumed.


**KEY CONSTRAINTS:** *balancing asset heavy and asset light service provision, using scarce natural resources responsibly and securing electricity and water to provide uninterrupted care.*

 **Manufactured and natural capital:** page 174.

## ► Financial capital

- R9 799 million (2019: R10 235 million) equity capital from shareholders.
- Net debt of R6 423 million (2019: R5 114 million).
- The sale of the UK properties (R778 million) has strengthened our balance sheet.

**KEY CONSTRAINTS:** *recovering profitability in a tough economic environment, rising costs and dropping tariffs likely exacerbated by a shift to collective bargaining, retaining long-term support of providers of capital.*

 **Financial capital:** page 186.

<p><b>Our operating environment</b> Page 54</p>	<ul style="list-style-type: none"> <li>• Volatile socioeconomic conditions greatly exacerbated by COVID-19.</li> <li>• Megatrends of customer-centricity, digitisation and data driving the shift to participatory health and care.</li> <li>• Government's intention to accelerate the move to universal healthcare provision in SA.</li> </ul>								
<p><b>Our material matters</b> Page 60</p> <p><b>Our strategy</b> Page 66</p>	<p>Our purpose is to provide YOU with the best and safest health and care, by progressing our strategy to deliver person-centred health and care that is digitally enabled and data driven.</p> <div style="text-align: center;"> <p>← DIGITALLY ENABLED →</p> <table border="1"> <tr> <td>Electronic medical records across all service platforms</td> <td>Improved IT infrastructure and architecture</td> <td>Integrated and centralised systems</td> <td>Person-centred engagement channels</td> </tr> </table> <p>← DATA DRIVEN →</p> <table border="1"> <tr> <td>Customer engagement platform</td> <td>Modernised data infrastructure</td> <td>Predictive analytics tools</td> <td>Data Council</td> </tr> </table> <p>← INNOVATION →</p> </div>	Electronic medical records across all service platforms	Improved IT infrastructure and architecture	Integrated and centralised systems	Person-centred engagement channels	Customer engagement platform	Modernised data infrastructure	Predictive analytics tools	Data Council
Electronic medical records across all service platforms	Improved IT infrastructure and architecture	Integrated and centralised systems	Person-centred engagement channels						
Customer engagement platform	Modernised data infrastructure	Predictive analytics tools	Data Council						

## OUTPUTS AND ACTIVITIES

<p><b>How we performed</b> Page 101</p>	<p style="text-align: center;"><b>CARE PATHWAYS SUPPORTED BY ONGOING WELLNESS INITIATIVES</b></p> <p style="text-align: center;"><b>ACCESS TO CARE</b></p> <table border="1"> <tr> <td> Need for primary, acute, mental health or emergency care</td> <td> Book an appointment or call an ambulance</td> <td> Choose facility</td> <td> Pre-admission</td> <td> Admission</td> </tr> </table> <table border="1"> <tr> <td colspan="3" style="text-align: center;"><b>CONSISTENCY OF CARE</b></td> <td colspan="3" style="text-align: center;"><b>GUIDED CARE</b></td> </tr> <tr> <td> Diagnosis</td> <td> Treatment</td> <td> Recovery</td> <td> Discharge</td> <td> Follow-ups</td> <td> Ongoing treatment</td> </tr> </table>	Need for primary, acute, mental health or emergency care	Book an appointment or call an ambulance	Choose facility	Pre-admission	Admission	<b>CONSISTENCY OF CARE</b>			<b>GUIDED CARE</b>			Diagnosis	Treatment	Recovery	Discharge	Follow-ups	Ongoing treatment
Need for primary, acute, mental health or emergency care	Book an appointment or call an ambulance	Choose facility	Pre-admission	Admission														
<b>CONSISTENCY OF CARE</b>			<b>GUIDED CARE</b>															
Diagnosis	Treatment	Recovery	Discharge	Follow-ups	Ongoing treatment													
<p><b>Governance overview</b> Page 40</p> <p><b>How we manage risk</b> Page 84</p>	<p style="text-align: center;"><b>OPERATIONAL MANAGEMENT SYSTEMS</b></p> <table border="1"> <tr> <td>People management</td> <td>Consistency of care leadership</td> <td>Asset management</td> <td>Continuous business improvement</td> <td>Environmental sustainability</td> </tr> </table> <p>Governance, risk management and compliance frameworks, policies and controls, which align to King IV and best practice, and are well embedded at enterprise and operational levels to support our ability to fulfil our purpose ethically, responsibly and efficiently.</p>	People management	Consistency of care leadership	Asset management	Continuous business improvement	Environmental sustainability												
People management	Consistency of care leadership	Asset management	Continuous business improvement	Environmental sustainability														

## OUTCOMES

<p><b>Creating measurable value</b> Page 24</p>	<p>The <b>Quadruple Aim</b> is an international framework that aims to optimise the performance of healthcare systems. Our commitment to the framework enables us to balance the value of our services with their cost to society, recognising that our people and partnerships are fundamental to achieving this balance.</p>
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# Creating measurable value

**Integrated thinking and planning is deeply embedded in our organisation, enabling the reconciliation of our purpose with our long-term commercial objectives. We subscribe to internationally recognised healthcare models to achieve this balance. The Cleveland Clinical Model<sup>1</sup> guides our efforts to deliver health and care that is person-centred, and the *Quadruple Aim*<sup>2</sup> (shown below) drives our focus on optimising the value of our services, at a sustainable cost to society, in the context of the healthcare system as a whole.**

Creating deliberate social, economic and environmental value, and carefully managing the associated costs or capital depletion arising from our business activities, has been a priority for Netcare for many years. The COVID-19 pandemic and ensuing socioeconomic crisis have sharpened our commitment to delivering measurable social, economic and environmental returns – to being a force for good in our communities, our sector and our country.



1. Source: Cosgrove, T. (2014). *The Cleveland clinic way – Lessons in excellence*. Cleveland Clinic Quality Performance Report available at: <http://clevelandclinic.org/QPR>.  
2. Source: Bodenheimer, T., & Sinsky, C. (2014). From Triple to Quadruple Aim: Care of the Patient Requires Care of the Provider. *The Annals of Family Medicine*, 12(6), 573–576.

✓ Positive outcome (during the year) ✓ Positive outcome (looking forward) ○ Neutral outcome ✗ Negative outcome

## Value created for our patients

Access to world-class healthcare and experienced and dedicated doctors, cutting-edge medical technology, as well as specialised centres of excellence.	77% ▶	Patients surveyed in the Hospital division said our nurses always treated them with courtesy and respect (2019: 77% <sup>1</sup> ).	✓
	81% ▶	Patients surveyed at Akeso Clinics said our nurses always treated them with courtesy and respect (2019: 84%).	✓
	82 ▶	Net gain of specialists in acute hospital and mental health facilities (2019: 112).	✓
An excellent experience supported by digitisation and delivered by skilled and caring nurses, cancer navigators and employees who listen, understand and respond to their concerns.	2 235 ▶	Employees received training on <b>Caring the Netcare Way</b> , which guides interaction with patients (2019: 3 105).	✓
	Digital ▶	<ul style="list-style-type: none"> <li>• Access to medical records and information, empowering them to make decisions relating to their treatments.</li> <li>• A digitised person-centred health and care journey at no additional cost.</li> <li>• Higher accountability within the healthcare value chain.</li> </ul>	✓
High-quality clinical outcomes.	COVID-19 ▶	Accelerated the implementation of our new digitised health and safety strategy and delivered COVID-19 training and awareness to all employees.	✓
	72 ▶	Clinical outcomes published, 35 being new.	✓
	ISO 9001:2015 ▶	Quality management surveillance audits delayed due to COVID-19 but resumed in September 2020.	✓

1. Restated due to additional information received after publication of the 2019 Integrated Report.

## Value created for us

A reputation as a healthcare provider that consistently delivers the highest clinical quality outcomes and outstanding levels of care at an affordable pricepoint, supporting our strategic objective to grow market share and the size of our addressable market.

## Creating measurable value continued

✓ Positive outcome (during the year)
 ✓ Positive outcome (looking forward)
 ⊙ Neutral outcome
 ✗ Negative outcome

# Value created for our doctors and healthcare practitioners

<b>Our world-class quality management system and consistently high level of clinical outcomes, efficient procurement and inclusion in restricted provider networks.</b>	<b>COVID-19</b> ▶	Introduced a number of interventions to provide doctors with additional clinical support ranging from COVID-19 Clinical Committees and a doctor communications tool to a network of Resident Medical Officers.	<span style="color: green;">✓</span>
	<b>Over 2 000</b> ▶	Healthcare practitioners with access to their personalised clinical information to help them achieve efficiencies (engagement in 2020 delayed due to COVID-19).	<span style="color: green;">✓</span>
<b>Access to support structures such as Physician and Digital Advisory Boards, multi-disciplinary teams and excellent nursing as well as numerous mechanisms for continuous professional development.</b>	<b>Over 20 500</b> ▶	Healthcare practitioners trained on COVID-19, the correct use of PPE and respiratory care.	<span style="color: green;">✓</span>
	<b>336</b> ▶	Professional development sessions held (2019: 631 in total) augmented by numerous COVID-19 related sessions.	<span style="color: blue;">⊙</span>
	<b>699</b> ▶	Doctors and healthcare practitioners fully trained and using CareOn <sup>1</sup> in four hospitals.	<span style="color: green;">✓</span>
	<b>COVID-19</b> ▶	Commissioned a clinical research collaborative for peer reviewed articles and research studies related to COVID-19 clinical outcomes in SA.	<span style="color: green;">✓</span>
<b>The most clinically advanced and appropriate medical equipment, consumables and pharmaceuticals, as well as optimal facility infrastructure and cutting-edge digital systems.</b>	<b>Digital</b> ▶	<ul style="list-style-type: none"> <li>• Netcare VirtualCare (telehealth platform) and CareOn in two specialised wards at Netcare Milpark Hospital, enabled doctors to manage patients remotely during the initial COVID-19 surge.</li> <li>• Reduced medico-legal risk, due to the availability and application of data.</li> </ul>	<span style="color: green;">✓</span> <span style="color: green;">✓</span>
	<b>56</b> ▶	Under-utilised acute beds converted to higher demand disciplines (2019: 29).	<span style="color: green;">✓</span>
	<b>52</b> ▶	Beds commissioned for Netcare Milpark Hospital.	<span style="color: green;">✓</span>
	<b>11</b> ▶	Continuous renal replacement therapy machines purchased to manage the impact of COVID-19 on dialysis patients.	<span style="color: green;">✓</span>
	<b>R494 million</b> ▶	New medical equipment (2019: R622 million). This included R89 million for new ventilators, high flow nasal oxygen machines and other equipment required to treat COVID-19 patients.	<span style="color: green;">✓</span>
	<b>R404 million</b> ▶	Maintenance and repairs (2019: R384 million).	<span style="color: green;">✓</span>

1. The Hospital division's electronic medical record system.

## Value created for us

Our ability to attract and retain specialists and healthcare practitioners drives revenues and enables us to deepen our efficiencies and expand higher demand disciplines, supporting our profitability.

✓ Positive outcome (during the year) ✓ Positive outcome (looking forward) ○ Neutral outcome ✗ Negative outcome

## Value created for our funders

### Value created for them

World-class healthcare for their members, leading to healthy, satisfied members and their families.

Two ▶

A major funder accepted a pilot proposal for our value-based supportive care service for patients with life-threatening illnesses.



Our focused clinical improvement projects, access to our quality data and collaboration on common objectives.

Quality ▶

Continued to share knowledge and quality outcomes data, contributing to quality healthcare outcomes.



Appropriate utilisation and cost containment realised from consistency of care, automated processes and data application.

Digital ▶

- Started implementing an electronic health code index to support accurate cost per event comparisons.
- Progress our digital transformation to improve the delivery of high-quality cost-effective care.



## Value created for us

Increased patient volumes and enhanced ability to attract and retain specialists as a result of inclusion in restricted provider networks, and improved negotiating power based on measurable quality outcomes (clinical and patient experience).

52.5% ▶

Full week acute hospital occupancy (2019: 66.0%<sup>1</sup>).

19.8% ▶

Decrease in total patient days primarily due to COVID-19 (2019: 3.7% increase). This reflects a 19.6% decline in acute hospital patient days and a 21.2% decline in Akeso Clinics patient days.

1. Restated to exclude Rand, Bell Street, Port Alfred and Settlers hospitals.

## Creating measurable value continued

✓ Positive outcome (during the year)
 ✓ Positive outcome (looking forward)
 ⊙ Neutral outcome
 ✗ Negative outcome

### Value created for our people

<p><b>A work environment that provides sustainable income, fosters a caring and values-based culture and encourages, recognises and rewards outstanding contributions to the business in ways that are meaningful to our employees.</b></p>	<p><b>13.5%</b> ▶ Employee turnover (2019: 14.1%).</p>	⊙
	<p><b>79.0%</b> ▶ Percentage of the workforce who are black (2019: 78.3%). 64.2% of the workforce are black women (2019: 64.0%).</p>	✓
	<p><b>81.6%</b> ▶ Percentage of the workforce who are women (2019: 82.1%).</p>	✓
	<p><b>41.9%</b> ▶ Black representation at senior management level (2019: 41.4%).</p>	✓
	<p><b>Six</b> ▶ Employee grievances reported and resolved (2019: 14).</p>	✗
	<p><b>13</b> ▶ Alleged incidents of discrimination (2019: 17) reported. All reports were investigated and, where required, action plans were implemented. One case is still under investigation.</p>	✗
	<p><b>Engagement</b> ▶ While some progress was made towards digitising the employee engagement survey, progress was halted by COVID-19 priorities, in favour of wellbeing initiatives.</p>	⊙
<p><b>Unions</b> ▶ Transparent and proactive relationships exist between Netcare and union representatives culminating in the successful conclusion of the 2020/21 wage negotiations. Weekly meetings held with all four unions throughout the initial surge in COVID-19 infections.</p>	✓	
<p><b>Career advancement and opportunities to improve their professional development.</b></p>	<p><b>15 276</b> ▶ Employees trained over and above COVID-19 training (2019: 16 314)<sup>1</sup>.</p>	✓
	<p><b>899</b> ▶ Nurses participated in an ICU upskilling programme to manage COVID-19.</p>	✓
	<p><b>92%</b> ▶ Percentage of skills spend on black employees<sup>1</sup> (2019: 90%). R2.6 million was invested in training differently abled employees.</p>	✓
	<p><b>Performance reviews</b> ▶ Impacted by COVID-19 (2019: 79.3%).</p>	✗

1. Calculated for the skills period 1 April 2019 to 31 March 2020 as per the Health and Welfare SETA measurement year, excluding Lesotho.



✓ Positive outcome (during the year) ✓ Positive outcome (looking forward) ○ Neutral outcome ✗ Negative outcome

## Value created for our people continued

Change management programmes to help employees adapt to digitally enabled ways of working.

1 350 ▶

Employees attended CareOn Sessions which help them embrace the CareOn project by building their resilience and emotional intelligence and ability to communicate empathetically and work as a team (2019: 969).

✓

A safe clinical environment that enables our people to deliver the highest standards of care, supported by comprehensive employee wellness programmes.

R2 million ▶

Spent on assisting employees requiring COVID-19 testing, hospital treatment or quarantine facilities.

✓

COVID-19 ▶

Introduced a number of mechanisms for employees to receive support during the pandemic, ranging from a 24-hour Netcare COVID-19 Care Line to ICAS<sup>1</sup> support and free access to Akeso Clinics counsellors and therapists.

✓

12.8% ▶

Annualised individual ICAS usage of core services compared to 4.0% across all ICAS client companies (2019: 14.1%).

✓

103 ▶


Wellness training sessions delivered, reaching 739 employees.

✓

1. Independent Counselling and Advisory Services (ICAS).

## Value created for us

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

 Our people: page 144.

## Creating measurable value continued

✓ Positive outcome (during the year)
 ✓ Positive outcome (looking forward)
 ⊙ Neutral outcome
 ✗ Negative outcome


### Value created for our suppliers

<b>Fair and transparent tender and alternative review processes and negotiated contractual terms that support their businesses.</b>	<b>R11.7 billion ▶</b>	Total procurement spend (2019: R12.9 billion) of which R1.1 billion was spent to manage COVID-19.	✓
	<b>R109 million ▶</b>	Spent with local novel medical device manufacturers to bolster critical resources.	✓
<b>Preferential procurement practices and enterprise and supplier development (ESD) initiatives, aimed at advancing black businesses.</b>	<b>R11.6 billion ▶</b>	Portion of our total procurement spend that was measurable under the B-BBEE Codes of Good Practice. 86% (R9.9 billion) was with B-BBEE compliant suppliers (dtic target: 80%).	✓
	<b>R71 million ▶</b>	Invested in our ESD programme (seed and growth capital and business development support), equating to 16.2% of NPAT <sup>1</sup> (2019: R65 million).	✓

1. Net profit after tax (NPAT).

### Value created for us

A supplier base, including local suppliers, able to consistently provide products and services that meet our demand and quality requirements, most cost effectively.

 Suppliers: page 134.

 Transformation: page 138.

✓ Positive outcome (during the year) ✓ Positive outcome (looking forward) ○ Neutral outcome ✗ Negative outcome

## Value created for society

<p><b>A world-class private healthcare system able to serve the needs of employed citizens (easing the burden on public healthcare providers), enhance national healthcare infrastructure and train healthcare workers.</b></p>	<p><b>19 007<sup>1</sup></b> ▶</p>	<p>People employed who contribute to the economies where they live and work and pay personal tax (2019: 19 915). The 5% decrease is primarily the result of natural attrition, only replacing critical and clinical positions. An additional 1 055 (2019: 1 146) people are employed in our PPPs.</p>	○
	<p><b>Five</b> ▶</p>	<p>Number of jobs supported for every person employed by a member of the Hospital Association of South Africa (HASA)<sup>2</sup>.</p>	✓
	<p><b>667</b> ▶</p>	<p>Nurses and paramedics trained in excess of our needs, supporting their employability and contributing to addressing SA's healthcare skills shortage (2019: 832).</p>	✓
	<p><b>R601 million</b> ▶</p>	<p>Taxes paid to governments (2019: R967 million).</p>	✓
<p><b>Collaboration with government and our peers to find solutions that broaden access to quality healthcare in SA.</b></p>	<p><b>COVID-19</b> ▶</p>	<ul style="list-style-type: none"> <li>Involved in B4SA's health working group to identify ways the private sector could assist government and the public sector in dealing with the pandemic.</li> <li>Shared lessons learned from our hospital exposures and outbreaks with the broader healthcare sector to prevent similar outbreaks in the private and public health system.</li> </ul>	✓
	<p><b>Universal healthcare</b> ▶</p>	<p>Through various bodies, continued to engage on finding solutions that address the structural weaknesses of the healthcare sector, and specifically the development of the National Health Insurance Bill.</p>	✓
<p><b>Progressing the participation of black people in the economy and supporting initiatives to drive job creation.</b></p>	<p><b>Level 4</b> ▶</p>	<p>B-BBEE rating (2019: Level 4).</p>	✓
	<p><b>R11 million</b> ▶</p>	<p>Distributed to beneficiaries through the B-BBEE Health Partners For Life trusts (2019: R26 million).</p>	✓
	<p><b>48%</b> ▶</p>	<p>Black representation of doctors with admission privileges (2019: 46%).</p>	✓
	<p><b>97%</b> ▶</p>	<p>Percentage of the 235 learners who are gainfully employed after successfully completing their Youth Employment Service (YES) learnership or internship. 206 are permanently employed at Netcare.</p>	✓

1. Excludes National Renal Care and PPPs.

2. Per the Econex review commissioned by HASA in 2017 (the most recent study).

## Creating measurable value continued

✓ Positive outcome (during the year)
 ✓ Positive outcome (looking forward)
 ⊙ Neutral outcome
 ✗ Negative outcome

### Value created for society continued

<b>Corporate social investment (CSI) programmes that provide support to less fortunate individuals, rape victims and newborn babies, as well as fund the academic studies of specialists.</b>	<b>R18 million</b> ▶	Spent on CSI initiatives with approximately 93% of beneficiaries being black people (2019: R31 million).	✓
	<b>R27 million</b> ▶	Spent on assisting our employees and patients in dire need of care during the pandemic.	✓
	<b>R6 million</b> ▶	Portion of our CSI spend invested in entities that train and develop doctors – impacted by COVID-19 (2019: R20 million).	✗
	<b>More than 14 000</b> ▶	Rape survivors treated free of charge by our Sexual Assault Crisis Centres since 2000.	✓
	<b>688</b> ▶	Babies fed with donor breastmilk (2019: 593).	✓
	<b>Around 15 000</b> ▶	Learners across SA received school shoes made from our recycled PVC waste.	✓
<b>Reduced reliance on municipal electricity and water, freeing up resources for communities, and the prevention of public and employee health risks through the responsible treatment of medical waste.</b>	<b>R124 million</b> ▶	Saved on electricity costs (2019: R87 million).	✓
	<b>24%</b> ▶	Reduction in our energy intensity footprint since 2013, the equivalent of taking 1 700 beds (or 17% of our bed base) off the grid (2019: 21% decrease). In monitored acute hospitals, electricity used per bed has decreased 16% from the 2013 baseline of 24 457 kilowatt hours per bed.	✓
	<b>13%</b> ▶	Reduction in water consumed against the 2015 baseline of 2 148 554 kilolitres.	✓
	<b>10 238 tonnes</b> ▶	Waste generated, 9.6% less than 2019, with 141 tonnes of healthcare risk waste (HCRW) incinerated (2019: 11 325 tonnes of waste generated and 169 tonnes of HCRW incinerated).	✓
	<b>272 920 tonnes</b> ▶	Carbon dioxide equivalent (tCO <sub>2</sub> e) across Scopes 1, 2 and 3 emissions (2019: 275 613 tCO <sub>2</sub> e).	✓
<b>Recognition</b> ▶	Netcare scored a Gold medal in all four categories in the 2020 Health Care Climate Challenge Awards, the highest achievement globally.	✓	

Note: environmental data includes SA and Lesotho operations.

### Value created for us

The opportunity to inform health policy through independent research and engagement with policymakers as well as an improved B-BBEE Level rating and reduced impact on the environment support our commercial and social licences to operate.

✓ Positive outcome (during the year) ✓ Positive outcome (looking forward) ○ Neutral outcome ✗ Negative outcome

## Value created for our investors

• Defined framework for optimal capital structure, disciplined capital allocation and granular measurement of returns.

**R1 537 million** ▶

Distributed to providers of capital (2019: R2 673 million).

✗

**81.0%** ▶

Decrease in adjusted headline earnings per share to 32.5 cents (2019: 171.2 cents).

✗

**R18 592 million** ▶

Market capitalisation (2019: R25 483 million).

✗

**Strategy** ▶

Confidence that our business activities and decisions are aligned to our strategy to gain competitive advantage as well as to our governance and sustainability principles.

✓

• Access to an experienced Board and executive team.

**COVID-19** ▶

Preserved the open and vigorous dynamic between the Board and the executive team during this extraordinarily testing time. The Board met 10 times during the initial stages of the pandemic providing counsel and support to our executive team.

✓

• Solid track record of operational excellence over time.

**Engagement** ▶

Communicating clearly and openly with investors where our plans have been disrupted, and a commitment to recover and grow shareholder value.

✓

## Value created for us

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

**R1 492 million** ▶

Cash generated from operations (2019: R4 888 million).

**58.3%** ▶

Cash conversion ratio (2019: 111.4%).

**R18 843 million** ▶

Net revenue (2019: R21 589 million).

## Creating measurable value continued

### Environmental, social and governance (ESG) performance

The Group's ESG performance, which creates and protects value for all our stakeholders, is independently assessed and benchmarked annually.

#### FTSE Russell (SA)

Included in the FTSE/JSE Top 30 Responsible Investment Index.

	Total score	2020 score	2019 score
Environmental	5	4.2	3.5
Social	5	3.3	4.3
Governance	5	5.0	5.0
Overall ESG rating	5	4.1	4.3

*Note: despite an improvement in our environmental score, our overall score dropped due to a change in methodology used to assess social impact, which now includes supply chain disclosure, as well as an alignment with the United Nations Sustainable Development Goals.*

Included in the Dow Jones Emerging Markets Index for the seventh consecutive year, **achieving a score of 83%** (2019: 82%).

MSCI ESG Research Inc. (global)  
**Achieved an 'AA' rating,**  
the second highest awarded by MSCI ESG, marking us as a leader in our sector (2019: AA).


#### Institutional Shareholder Services (global)

A data-driven scoring and screening solution that helps institutional investors review a company's governance quality and assess risk. A score of 1 indicates lower governance risk.

	Sept 2020	Sept 2019
<b>Governance</b>	<b>1</b>	1
Board structure	3	3
Compensation	1	1
Stakeholder rights	1	1
Audit and risk oversight	1	1
<b>Social</b>	<b>1</b>	1
Human rights	3	3
Labour and occupational health and safety	3	3
Stakeholders and society	1	1
Product safety, quality and brand	1	1
<b>Environment</b>	<b>1</b>	1
Risk and opportunities	2	2
Carbon and climate	1	1
Natural resources	1	1
Waste and toxicity	1	2

# How we run our business

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We serve people in their time of need, who are looking for clarity, confidence and a healthcare partner who has the empathy to reassure them and the expertise to give them the best quality care along every stage of their life journey. We help them make good health decisions every day and we care for them on some of the most important days of their lives.

# Board Chair's review

**“In addressing the compounding public health and socioeconomic risks associated with COVID-19, on a scale not seen before, we are bound to act first as a healthcare provider in fulfilment of our purpose. Our challenge as leaders is to do so without relinquishing the longer-term aims of our strategy. In 2020, I believe this critical balance was achieved to the best of our ability given the circumstances.”**

– Thevendrie Brewer, Board Chair



## A tale of two halves

COVID-19 and its complex implications for Netcare and for our country changed the tenor of our value story midway through the 2020 financial year. Based on the solid progress we made in the first half of the year, I would have hoped to record gathering momentum in implementing our strategy to secure sustainable competitive advantage, market-leading innovation and higher growth – and that our strategic gains had begun to show in our operational indicators and financial results for the full year.

Instead, the most pertinent storyline in our integrated report is that the integrity of our commitment to Netcare's purpose and values anchored the organisation in a period of unprecedented uncertainty. Our report tells of the extraordinary determination that kept our people going for months on end in dealing with a novel coronavirus and its pernicious effects. It shows how the skills of our clinical and management teams gave us the flexibility to manage a highly unpredictable pandemic. Also, how a strong balance sheet and sound capital management disciplines, in place well before COVID-19, formed the foundation on which we could build our response to the pandemic and its threat to lives and livelihoods.

The commitment, calibre, resilience and agility our people and partners showed in rising to the complex challenges of COVID-19, confirmed that they are the pivot point on which we optimise the value of our services to society in line with the **Quadruple Aim** for healthcare system improvement (see creating measurable value on page 24).

In return, we remain committed to prioritising their physical and psychological safety, and protecting their wellbeing, as we deal with the fallout of the first wave of the pandemic and prepare for what is to come.

## Balancing priorities in unprecedented times

In the face of COVID-19, we re-ordered our priorities to address the immediate needs of our people, doctors, allied healthcare practitioners, our patients and the public. This also meant reconfiguring our plans to ensure we did not lose focus – and were able to catch-up as quickly as possible – on the transformational strategic projects that will underpin our longer-term ability to compete, innovate and grow value for our stakeholders.

The Board's thinking and planning as it pertains to the Group's competitiveness and growth is rooted in stewardship – of not only mitigating but deliberately improving our socioeconomic and environmental outcomes. The pandemic has only sharpened our commitment to delivering social, economic and environmental returns in a pragmatic, collaborative and measurable way, while recovering our profitability. Importantly, we do so wiser from our COVID-19 experience, as our CEO explains in his review (starting on page 102).

As a provider of health and care, our business purpose and social purpose must be – and are – reconcilable. Netcare's purpose to provide the best and safest care to the person at the centre of the healthcare value chain is the gateway



to creating value for all our stakeholders. In striving to create 'system value', we seek to compete and grow on behalf of our stakeholders in the private healthcare sector, and to return value to our shareholders. We find this to be entirely reconcilable with being a powerful force for good in how we choose to manage our resources and invest in our relationships, for the benefit of current and future South Africans.

### Hard questions between the peaks

As we finalise the integrated report, South Africa (SA) finds itself at risk of another peak in pandemic-related caseload. Whereas SA defied the odds in flattening the first curve to within the capacity of the national healthcare system, the trends in Europe and America are ominous notwithstanding positive developments in finding effective vaccines. In the eye of the storm, we face two hard questions. Given the precipitous loss in revenue we experienced this year, is Netcare strong enough to sustain repeated blows from a pandemic whose impacts will be with us for years to come? And does our strategy remain valid and valuable in a post-pandemic world?

With regard to recovering revenue, we remain cautiously optimistic that we will not be required to suspend elective procedures as we had to during the initial surge. Enhanced safety measures, expanding treatment protocols and the ability to manage capacity across our network should allow us to maintain full patient services and recover revenue if the pattern of a second wave is similar to the first.

COVID-19 did not change the megatrends shaping the future of healthcare; it accelerated their pace and importance. In answer to these trends, **Netcare's strategy aims to reinvent and optimise the way traditional healthcare systems work**, achieving sustainable competitive advantage by being the first to do so in an African context. It also explicitly commits Netcare to pursue a more just and equitable society. As such, **Netcare's strategy will create significantly higher value for our stakeholders and society in a future now redefined by COVID-19.**

### Prudence remains our watchword

COVID-19 demanded that we hold back on capital expenditure, and redouble the time and attention we invest in careful capital management. Our capital allocation and distribution policies, and how they were applied during the year, are detailed in the Chief Financial Officer's review (starting on page 186).

Suffice to say that, while we were able to return additional dividends to shareholders and repurchase shares before the onset of the pandemic, prudence demanded we suspend these distributions. Restoring net debt levels to within the parameters of our targeted capital management metrics will be a priority for the immediate future. Our dividend policy is unlikely to change in the short term and payouts will depend on our ability to raise headline earnings against the headwinds of the ongoing pandemic and socioeconomic implications. We appreciate shareholders' patience and realism in a time of uncertainty that permeates the global economy.

Prudence also demands careful and deliberate succession planning to ensure the skills and experience of the Board remain relevant to the growth opportunities we have chosen to pursue, as well as the shifts in our universe of emerging risks, threats and uncertainties. Our dependence on digital technologies and our strategic choice to provide innovatively funded healthcare products (elucidated in the Chief Executive Officer's review) demand that we complement the Board's skills with deeper expertise in these areas. This will be the key criteria in future appointments.

In addition, it remains a priority to balance experience and institutional memory with youthful energy and fresh insight. Managing the balance of tenure will, therefore, be a key consideration when planning the future composition of the Board. Preserving the open and vigorous dynamic between the Board and the executive team that has served Netcare so well in these extraordinarily testing times, will also remain key to my mandate as Chair. The governance overview (on page 40) provides further detail on how our governance structures have proven agile and effective in the face of adversity.

### Leadership beholden to care

Our directors have demonstrated both their calibre and their commitment to care; we have shown that being highly regulated, highly compliant and highly ethical does not come at the expense of moving quickly or finding enduring solutions or holding firmly to our purpose and values. Noteworthy are our decisions on remuneration this year, which considered our people's value to our stakeholders, rather than a strict measure of performance against targets set before COVID-19 demanded a drastic shift in focus. We simply cannot penalise our people for prioritising the sanctity of life, which we are professionally, legally and ethically bound to do.

## Board Chair's review continued

The Board fully supports management's decision to preserve the jobs of our people to the furthest extent possible, despite pressure to cut costs in the short term. Our decisions in this regard are detailed in the remuneration report (starting on page 204). Certainly, job preservation is as crucial for the restoration of SA's economy and the socioeconomic transformation of our society, as creating new employment opportunities.

We support government's intention to reconstruct the economy to be more inclusive of people who remain disadvantaged – black people, the youth, women and differently abled people. In our response to the pandemic, we prioritised emerging product and service providers from these sectors of society. Our support for government's call for localisation is reflected in our procurement strategy, with the proviso that local suppliers are able to meet immovable quality standards and offer good value for money.

Meaningful socioeconomic transformation and poverty alleviation depend on growth that can only be achieved by galvanising private sector confidence and investment. While government's economic reconstruction and recovery strategy indicates an appreciation of this need, our political leaders need to move more quickly and decisively to address crime and corruption, and to fast-track structural reforms that deliver regulatory and policy certainty, decrease the cost and improve the ease of doing business.

Negotiations between government and business in preparation for the pandemic showed encouraging pragmatism and collaboration that bode well for the urgent but challenging discussions that introducing universal healthcare in SA will demand. COVID-19 has only underlined the inequities that continue to impact health risks and outcomes 26 years since the advent of democracy in our country. This is not only the product of a fractured healthcare system, it is primarily due to the persistence of poverty and economic inequity. COVID-19 issued a stark warning that inequity anywhere in our society undermines the wellbeing of the whole of society.

COVID-19 also made clear the criticality of the private healthcare sector to a more unified, equitable and effective national healthcare system – the bedrock on which SA's aspirations for reconstruction and recovery can be built. The private sector's thought leadership, acuity in data analysis and modelling, and its advocacy for enabling health policy has demonstrated willingness, good faith and excellence in the design and delivery of sound and workable solutions that stand to serve SA well as we battle the pandemic and its wider impacts. The stakes could not be higher: realism and pragmatism will need to be at the centre of both the National Health Insurance (NHI) legislative processes expected in 2021, and the implementation of plans to rebuild our economy and transform our society.

## Care beyond the hospital ward

We remain determined to support the wellbeing of all South Africans, as complex as the implications of COVID-19 have become. The NHI Bill emphasises primary care and focuses on the prevention of lifestyle-induced chronic diseases. The promotion and support of health-seeking behaviour is a key ambition in our strategy and an absolute requirement for sustainable access to healthcare in SA. We commit ourselves to help the people who access our services to make choices that will allow them to live longer, healthier, more fulfilled lives.

### COVID-19 created opportunities for Netcare to contribute its expertise to business community initiatives aimed at containing the damage the pandemic has already caused.

Netcare was central to Business for South Africa's (B4SA) COVID-19 initiative, which involved collaboration between Business Unity South Africa and the Black Business Council to develop a framework and mechanisms to make private sector data, resources and capacity available to government and the public health sector. Our contributions in this regard and more broadly are detailed in the relationship capital section of our report (starting on page 136).



Netcare's commitment to be a powerful agent of socioeconomic change – even while we are coping with COVID-19 – is clear. Our integrated report details our contributions in this regard. By way of example, I am pleased to report that the diversity profile of our leadership, staff and doctors continues to improve. In addition, we have further improved the inclusion of differently abled people. Our investment in skills development, job creation for the youth, supply chain diversification, support of local manufacturing and socioeconomic development remains significant.

COVID-19 starkly exposed the role that alcohol abuse plays in gender-based violence (GBV) in SA. Netcare has treated victims of GBV throughout our history, but we have never experienced it to the extent and level of brutality we are witnessing this year. While we readily acknowledge the role alcohol plays in our economy and appreciate that only a minority of alcohol users commit alcohol-induced violence, our experience and records show that GBV rose exponentially as soon as the government lifted the restrictions on the sale of alcohol. The need for a national alcohol abuse strategy is critical as we assess what more we must do to protect our women and children.

### Appreciation and condolences

As COVID-19 continues to take lives, it has already brought profound loss to our entire generation. The Board is thankful for every life saved and mourns each life lost. Our deepest condolences go to everyone who lost someone they loved to the pandemic, within and outside of Netcare.

In the face of this risk to their lives, we have been privileged to witness the care and dedication of our clinical teams. Speaking on behalf of those of us who do not work on the frontline, it has been an honour to support you as best we could in the fulfilment of Netcare's first duty to the sanctity of life. We owe a deep debt of gratitude to you and the nation's healthcare workers for making a life and death difference at your own expense.

I am grateful for the vision and dedication of our CEO, Richard Friedland, and his management team, and acknowledge the contribution the Board made in their counsel and support of the Executive Committee. This demanded deep and ongoing engagement on strategic and operational matters. In particular, I want to thank Norman Weltman, who retired after 23 years of service, as both an independent non-executive director and, prior to that, an executive director of Netcare.

As unsettling as this year has been, it also showed that integrated thinking can never be separated from integrity of purpose and unswerving commitment to living our values. This is the hallmark of our history and it continues to guide our daily conduct and sharpen our strategic focus. Our stakeholders can be assured that we will work diligently and compassionately in reconciling our purpose, our values and our long-term commercial objectives.




**Thevendrie Brewer**  
Non-executive Board Chair

# Governance overview

Our business model, premised on realising the outcomes of the **Quadruple Aim**, is underpinned by a governance philosophy that supports the creation of measurable value for our stakeholders in the healthcare sector, and more broadly in our society. The **Quadruple Aim** challenges us to balance the value of our services with their cost to society, recognising that the quality of relationships with our patients, employees and partners are fundamental to this balance. This aligns to the King Report on Corporate Governance for South Africa's (King IV) concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting – the foundation stones of value creation and protection for all our stakeholders – protecting value.

Our governance structures have proven agile and effective in the face of the unprecedented pressures brought about by COVID-19. Due to these additional demands, the Board of directors (the Board) met 10 times during 2020, with more frequent meetings held during the period April 2020 to August 2020, to support and provide counsel to the executive team.

The Board's commitment to best practice governance drives us to constantly improve the way the business is managed and to ensure decisions are taken openly and transparently within an ethical framework. Furthermore, our intention to be a powerful force for social good requires us to not only mitigate but deliberately improve our socioeconomic and environmental outcomes.

 Board Chair's review: page 36.

## Netcare Board

Our Board plays a pivotal role in creating and protecting value by approving strategy, setting policy, ensuring capital prudence, and overseeing the Group's governance frameworks and control environment. Governance, risk and operational discussions are founded in strategic consideration and interrogation. The Board applies its diverse and relevant mix of skills and knowledge to deliberations and constructively challenges and holds executive management to account.

### Changes in Board composition

Mr D Kneale joined the Board on 1 January 2020 and is the Chair of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr N Weltman retired from the Board with effect from 30 September 2020. Mr C Vikisi was appointed as Netcare's Company Secretary with effect from 1 September 2020.

## Non-executive directors

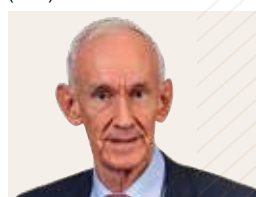
(C) ■■■



**T (Thevendrie) Brewer /48**  
BCom, PGDA, CA(SA)  
**Board Chair**  
**Tenure:** 9 years

**Skills:** general business management, global commerce, financial services, governance, healthcare, public policy, compensation, investment banking, legal, human resources.

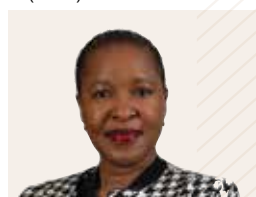
(C) ■■



**MR (Mark) Bower /65**  
BCom (Cum Laude), BCompt, BCompt (Hons), CA(SA)  
**Independent non-executive director**  
**Tenure:** 5 years

**Skills:** general business management, global commerce, financial services, governance, compensation, human resources.

■ (C<sup>1</sup>) ■



**B (Bukelwa) Bulu /43**  
BBusSci Hons, PGDA, CA(SA)  
**Independent non-executive director**  
**Tenure:** 5 years

**Skills:** general business management, financial services, investment banking, governance.

■ ■ ■



**L (Lezanne) Human /51**  
BSc Hons Operations Research (Cum Laude), MSc Applied Mathematics (Cum Laude), MBA (Cum Laude)  
**Independent non-executive director**  
**Tenure:** 1 year

**Skills:** general business management, digital, global commerce, governance, financial services.

1. Assumed the role of Risk Committee Chair from 1 October 2020.

**KEY**

- Audit Committee
- Nomination Committee
- Risk Committee

- Remuneration Committee
- Social and Ethics Committee
- Consistency of Care Committee
- C Chair

■ ■ (C)

**D (David) Kneale /66**

BA

**Independent non-executive director****Tenure:** 9 months**Skills:** general business management, governance, global commerce, financial services, healthcare, compensation.

■ ■ (C)

**MJ (Martin) Kuscus /65**

BA Cur, Dip Company Director, EDP

**Independent non-executive director****Tenure:** 12 years**Skills:** general business management, global commerce, governance, healthcare, public policy, human resources.

■ (C)

**Adv KD (Kgomotso) Moroka /66**

BProc, LLB

**Independent non-executive director****Tenure:** 14 years**Skills:** general business management, legal, governance, public policy, human resources, financial services, healthcare.

(C) ■ ■

**N (Norman) Weltman /71<sup>2</sup>**

CTA, CA(SA)

**Independent non-executive director****Tenure:** 12 years**Skills:** general business management, global commerce, healthcare, financial services, compensation, public policy, governance.

2. Retired 30 September 2020.

## Executive directors

■ ■ ■

**Dr RH (Richard) Friedland /58**

BvSc, MBBCh (Cum Laude), Dip Fin Man, MBA

**Chief Executive Officer****Tenure:** 23 years**Skills:** general business management, global commerce, financial services, healthcare, governance, compensation, human resources.

■

**KN (Keith) Gibson /50**

BAcc, CA(SA)

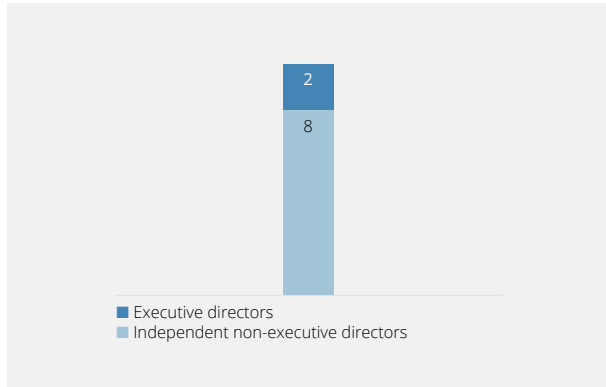
**Chief Financial Officer****Tenure:** 9 years**Skills:** general business management, global commerce, healthcare, compensation, investment banking, human resources, financial services, governance.

## Governance overview continued

### Board composition

(at 30 September 2020, including N Weltman).

#### Independence

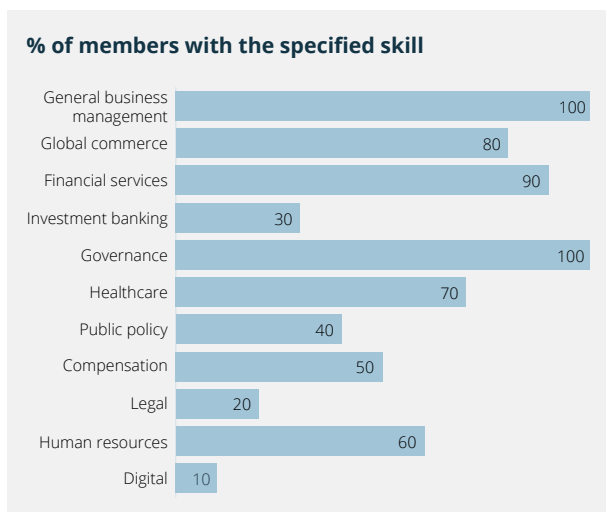


Independent non-executive directors are re-elected every three years.

#### 2020 Board opinion

Other than the CEO and CFO, all members are considered independent. Board Chair, Mrs Thevendrie Brewer, is independent and free from any conflicts of interest.

#### Skill



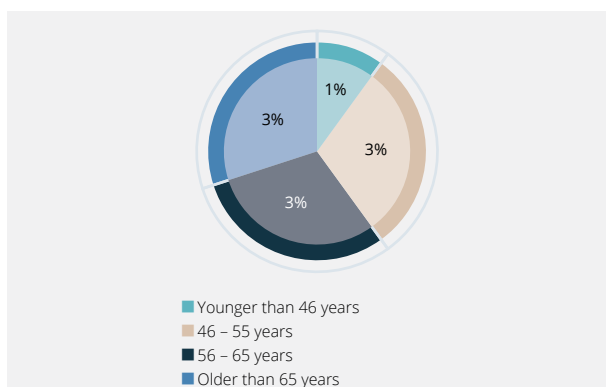
Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for matters requiring specialised guidance.

#### 2020 Board opinion

The Board possesses sufficient professional and sector knowledge, although additional skillsets related to digitisation and actuarial science will inform future appointments.

#### Age

Average age: 58



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

#### 2020 Board opinion

Board succession plans are adequate, including the interim measures in the event of an unforeseen loss of expertise or COVID-19 infection.

## Diversity

### Black South African representation

40%

2019: 40%

Target: 50%

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

### 2020 Board opinion

The requirements of the Board appointment policy have been met and exceeded in terms of gender diversity.

### Women representation

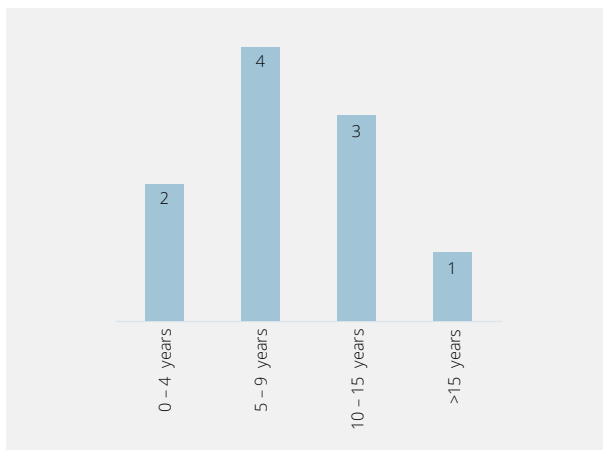
40%

2019: 40%

Target: 35%

## Tenure

Average years of tenure: 9



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

### 2020 Board opinion

There are no relationships or circumstances likely to affect, or which appear to affect the judgement of Mrs Thevendrie Brewer, Mr Martin Kuscus and Adv Kgomotso Moroka as independent non-executive directors, who have served on the Board for more than nine years. In line with King IV recommended practice, the independence of the Board Chair will be reviewed in 2021.

## Governance overview continued

### Responsibilities of the Board

The Board Chair and the Company Secretary confirm that the Board and its governance committees fully comply with their terms of reference. The 2020 assessment was delayed due to the roll out of an electronic assessment tool and has been rescheduled for December 2020, with results released in January 2021.

To address areas of improvement identified in the 2019 Board performance evaluation, the following was undertaken:

- Strategic updates to the Board focused on our digital transformation, including the plans, initiatives and progress towards achieving our digital strategy.
- Key strategic projects were reviewed from a legal and compliance perspective, and the Board was kept updated on specific regulatory developments.

#### STRATEGY

(the Board is assisted by all governance committees)

#### Key activities in 2020

- Approved the strategy to address the impact of COVID-19.
- Oversaw the alignment of the Group's strategy to the implications for healthcare brought about by COVID-19.
- Continued to assess the Group's business model and strategy for resilience and relevance in a fast-changing environment.
- Oversaw the launch of the Netcare Innovative Healthcare Solutions division to augment the Group's traditional service lines.
- Supported management's initiatives to develop new strategic partnerships with black-owned operators in the healthcare sector.

#### Board opinion

The Group's business model and strategy are appropriate and resilient given the challenges faced during the year and have supported the agility of Netcare to manage COVID-19. The Board is also satisfied that the transformation of the Group's business model in line with its strategy, if implemented effectively, will realise sustainable competitive advantage.

#### Key objective for 2021

Monitor strategic progress.

#### STAKEHOLDER INCLUSIVENESS

(the Board is assisted by the Remuneration, Social and Ethics and Consistency of Care Committees)

#### Key activities in 2020

- Engaged with various stakeholders on COVID-19 and monitored their key concerns, including the protection of employees, doctors and nurses from COVID-19 infection, hospital outbreaks and collaboration between the public and private sectors to manage COVID-19 at a national level. The Board also monitored engagement with regulators and government on healthcare policy matters.
- Assessed the Group's stakeholder engagement strategy.

#### Key objective for 2021

Prioritise the implementation of an enhanced stakeholder engagement model to ensure stakeholder concerns are appropriately escalated and addressed (delayed due to COVID-19). Plans to realise this objective will be presented to the Board for approval in February 2021.



## ETHICS

(the Board is assisted by all governance committees)

### Key activities in 2020

The roll out of the annual ethics survey was completed in December 2020, however the implementation of the ethics management programme (policies, ethics training, screening of employees, addressing misconduct and ethics surveys) was impacted by COVID-19.

### Board opinion

Satisfied with the Group's implementation of the King IV principles and recommended practices.

### Key objective for 2021

Conduct the Group-wide governance, legal, ethics and compliance (GLEC) survey and implement the ethics management programme across the Group based on the December 2020 survey results.

## MATERIAL MATTERS AND REPORTING

(the Board is assisted by all governance committees)

### Key activities in 2020

- Oversaw the Group's response to and management of matters considered material to its ability to create and protect stakeholder value. Key focus areas included regular feedback on management's COVID-19 response and the progress of key strategic initiatives.
- Oversaw the preparation of the integrated report, including consideration and approval of the Group's material matters (see page 60).
- Oversaw the fair presentation of the Group's annual financial statements and other shareholder information.

### Board opinion

- Satisfied that the Group's risk management systems and processes support its business model and strategy, and that the appetite for risk is appropriate and risks are managed accordingly.
- Satisfied that the Group annual financial statements for the 2020 financial year fairly present the Group's operational results and financial position.
- Satisfied that the integrated report provides a fair and balanced account of the Group's performance against its material matters.

### Key objective for 2021

Continue to ensure meaningful, material and transparent external reporting.

## TECHNOLOGY GOVERNANCE

(the Board is assisted by the Audit and Risk Committees)

### Key activities in 2020

- Monitored the implementation of key strategic IT projects, most of which were impacted by COVID-19.
- Reviewed cybersecurity initiatives and disaster recovery plans given the increased exposure to cybersecurity risk, which increased globally.

### Board opinion

Satisfied that IT governance is properly managed and aligned with business needs and strategy, and that the disaster recovery programme will support the continuity of critical business processes.

### Key objective for 2021

Monitor the resumption of key strategic IT projects and ensure that potential cost and schedule overruns are avoided.

## Governance overview continued

### COMPLIANCE

(the Board is assisted by all governance committees)

#### Key activities in 2020

- Monitored COVID-19 related legislation and ensured compliance with related laws and the requirements set by the National Department of Health and the Department of Labour.
- Ensured effective governance, compliance and risk management processes.
- Considered matters relating to King IV, the JSE Limited (JSE) Listings Requirements and the draft NHI Bill.

#### Board opinion

Satisfied that there is no current or pending legal action that will materially affect the Group's operations and that the Group complies with the amended JSE Listings Requirements.

#### Key objectives for 2021

- Continue to ensure the effectiveness of the Group's governance, risk and compliance frameworks, and implement policies that ensure regulatory compliance and value creation for stakeholders.
- Roll out the electronic governance tool to monitor compliance with the Companies Act, JSE Listings Requirements and King IV.

### PERFORMANCE

(the Board is assisted by all governance committees)

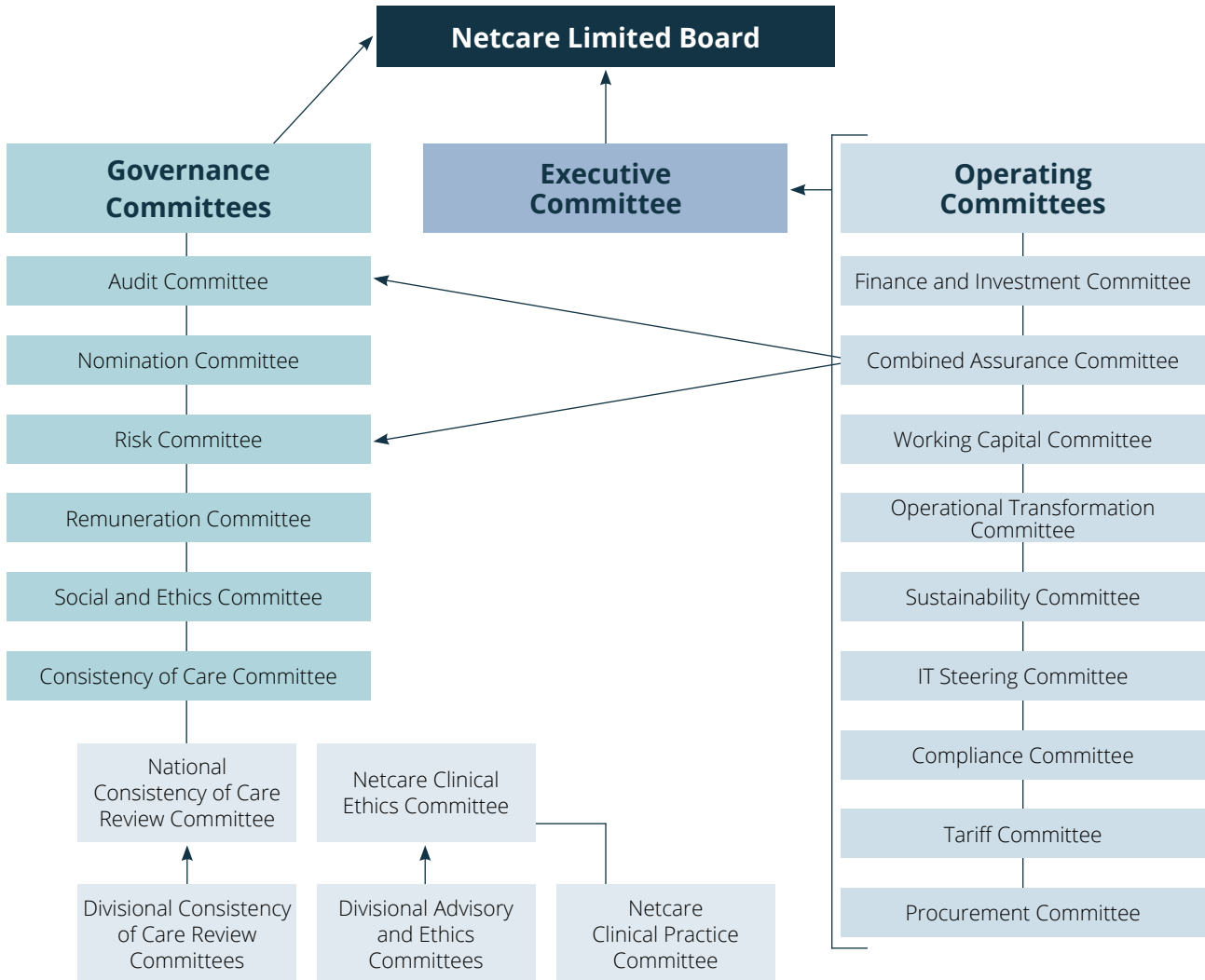
#### Key activities in 2020

- Considered our employees' value to stakeholders, rather than a strict measure of performance against financial and non-financial targets that were set before COVID-19.
- Supported management's decision to preserve jobs despite financial pressure to cut costs in the short term.

#### Key objectives for 2021

- Continue to monitor the implementation of the remuneration policy and associated practices.
- Oversee the Group's recovery plans and progress towards normalising business operations.

### Governance and delegation of authority framework



## Governance overview continued

### Governance committee activities

#### AUDIT COMMITTEE

(meets three times a year)

##### Summary of key activities in 2020

- Reviewed:
  - Critical accounting judgements, estimates and assumptions given the impact of COVID-19.
  - The valuation of goodwill, property, plant and equipment, loans and receivables and investments to identify potential impairments, mindful of the impact of COVID-19.
  - Risk Committee reports, all aspects of financial reporting, and cybercrime and cybersecurity, including comprehensive cyber liability insurance.
  - The competence of the CFO and the Finance function.
- Monitored and oversaw the outputs of the five levels of the assurance model

##### Key outcomes

The Group is in a sound financial position with access to sufficient borrowing facilities to meet its funding requirements for the foreseeable future.



Audit Committee report in the annual financial statements.

##### Key objectives for 2021

- Continue to review and assess the Group's digital strategy, data protection and cybersecurity, and ensure effectiveness and efficiency of operational processes.
- Accelerate the use of computer assisted audit techniques.

#### NOMINATION COMMITTEE

(meets twice a year)

##### Summary of key activities in 2020

- Reviewed:
  - The composition of the governance committees and updated membership and appointed new Chairs, where required.
  - Interim succession measures for executive and key management roles should any of the incumbents fall ill with COVID-19.
  - The conflicts of interest management process and concluded that the Group's process is robust and well managed.

##### Key outcomes

Following the Board retirements over the past two years, Mr D Kneale and Ms B Bulo successfully assumed the roles of Chair for the Remuneration and Risk Committees respectively, and governance committee memberships have been refreshed to better align skillsets with committee mandates. In addition, all non-executive directors were assessed as independent.

##### Key objective for 2021

- Update Board and executive succession plans.

## RISK COMMITTEE


(meets twice a year)

### Summary of key activities in 2020

- Oversaw a bespoke COVID-19 risk matrix covering numerous risks from preventing the spread of infection throughout facilities and protecting our employees, doctors and patients to the availability of critical personal protective equipment (PPE), active pharmaceutical ingredients and drug supplies, medical equipment and consumables and the readiness of facilities to admit and appropriately care for COVID-19 patients.
- Reviewed:
  - Environmental, social and governance practices and assessments, including the Group's backup plans to deal with electricity outages and water shortages.
  - Compliance with the Protection of Personal Information Act (POPIA), which came into effect on 1 July 2020. Enforcement is scheduled to begin 1 July 2021.
- Oversaw interventions to manage cybersecurity, information management and data security.

### Key outcomes

A risk-aware culture embedded at all levels of the Group and an agile risk management process able to quickly identify and put controls in place to manage multiple risks relating to COVID-19.

 How we manage risk: page 84.

### Key objectives for 2021

- Continue to monitor risks associated with COVID-19, digitisation and new business development.
- Assess the implementation of revised cybersecurity models.

## REMUNERATION COMMITTEE

(meets twice a year)

### Summary of key activities in 2020

- Reviewed the key performance indicators used to evaluate the performance of executive directors, prescribed officers and senior executives. Key performance indicators include financial targets and targets relating to the strategic objectives under each of the Group's strategic pillars.
- Engaged with shareholders on best practice remuneration and updated the remuneration policy.
- Approved the King IV-aligned remuneration report in the integrated report.

### Key outcomes

The 2020 remuneration policy for presentation to shareholders for separate non-binding advisory votes at the annual general meeting (to be held on 5 February 2021) reflects the improvements that shareholders have requested in engagement with them over recent years.

 Remuneration report: page 204.

### Key objective for 2021

- Ongoing engagement with shareholders and other stakeholders on the Group's remuneration policy and practices.

## Governance overview continued

### SOCIAL AND ETHICS COMMITTEE


(meets twice a year)

#### Summary of key activities in 2020

- Reviewed the Group's B-BBEE plans and scorecard, and progress against the 2020 employment equity plan.
- Reviewed progress on the Group's environmental sustainability projects, which were impacted due to COVID-19.

#### Key outcomes

There were no material incidents of non-compliance with regulatory obligations, and the committee is satisfied with the Group's compliance programmes and processes. The Group achieved a B-BBEE score of 81.49 (Level 4). It also continued to perform well in all environmental, social and governance (ESG) indices (see page 34), and scored Gold in all four categories of the 2020 Health Care Climate Challenge Awards.

 Society and environmental sustainability: pages 136 and 179 respectively.

#### Key objectives for 2021

- Oversee the development of the Group's 2025 employment equity plan.
- Oversee the implementation of the GLEC survey and ethical management programme.

### CONSISTENCY OF CARE COMMITTEE


(ordinarily meets twice a year but one meeting was cancelled due to COVID-19. However, the meeting pack was circulated for noting)

#### Summary of key activities in 2020

- Oversaw the clinical governance and clinical strategies implemented in response to COVID-19.
- Reviewed:
  - Systems to enhance measurable improvements in quality and safety outcomes.
  - Strategic initiatives implemented to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care and close efficiency gaps.
- Monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare's values and behaviours.

#### Key outcomes

The Group successfully reconfigured its consistency of care objectives and priorities to better meet healthcare demands introduced and/or intensified by the pandemic. This included new controls to ensure adherence to occupational health and safety (OHS) and infection prevention and control (IPC) policies and procedures.

 Our patients, doctor partnerships and funders: pages 112, 129 and 132 respectively.

#### Key objectives for 2021

- Continue to monitor controls to manage COVID-19.
- Oversee the progress of consistency of care strategy across all service platforms.
- Review the Group's plans to improve and strengthen the regulatory framework governing clinical practice.

 Detailed disclosure of committee activities in the full corporate governance report.

## Ethics

We are committed to high moral, ethical and legal standards, and support the code, principles and values of the Health Professions Council of South Africa (HPCSA).

We take a zero-tolerance approach to theft, fraud and corruption, as well as discrimination and racism. The mechanisms below ensure that an ethical culture is embedded in the Group.

<b>Netcare's Code of Ethics</b>	Guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. Employees are required to disclose any potential conflict of interest, as well as any gifts or invitations by a supplier or third party.
<b>Netcare Clinical Practice Committee</b>	Monitors all transgressions of Netcare policies by independent practitioners.
<b>Training interventions, awareness campaigns and an annual survey</b>	COVID-19 has delayed the roll out of the GLEC survey and the implementation of the ethics management programme, which have been rescheduled for 2021.
<b>Incident management system</b>	Used across the Group to log incidents of a clinical nature (for example, patient falls or incorrect medication given) as well as issues of a forensic nature. The system is regularly reviewed to identify incidents and initiate the appropriate follow-up with the business.
<b>Group Forensics and the Fraud and Ethics Hotline</b>	Mechanisms for employees, management and external parties (the public, suppliers and patients) to report irregularities such as alleged theft, or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour. They can also use the Fraud and Ethics Hotline to protect their anonymity.
<b>Anonymous toll-free SHOUT line</b>	Allows employees to report alleged or perceived discriminatory or racist action or behaviour.
<b>Remuneration policy</b>	Aligns our corporate strategy, performance and the values and behaviours of our passionate people. It also ensure the fair, equitable and consistent reward of our people.
<b>Netcare's green procurement policy and new supplier assessment</b>	All new suppliers complete a declaration confirming compliance to fair labour practices, human rights and environmental criteria. Our top suppliers in the device arena participate in a bi-annual questionnaire and are requested to supply data regarding their various emissions.

## Fraud and ethics reporting

**228 incidents** of alleged fraud and irregularities reported (2019: 208).

**2 incidents** of alleged unethical medical behaviour (2019: 0).

**209 incidents** investigated and closed with the balance still under investigation (2019: 191).

## Governance overview continued

### Accountability and control

An appropriate system of internal controls is maintained to safeguard and manage Netcare's assets, minimise losses arising from fraud and/or other illegal acts, and fairly present financial and operational information. Group Internal Audit fulfils an assurance and consulting function and is mandated to provide independent and objective assurance over this system of internal controls. Group Internal Audit's activities provide assurance to our stakeholders that Netcare operates in a responsible manner. The approved 2020 Internal Audit Plan was revised given that the Hospital division, pharmacy operations and Medicross clinics were at the forefront of the fight against COVID-19. Audit reviews of these operations were postponed, and replaced with reviews of our Shared Services Centre and other centralised functions.

In line with the requirements of the Institute of Internal Auditors (IIA) Standards, Group Internal Audit undergoes an independent quality review at least once every five years. An assessment was undertaken in 2019 by a globally recognised consulting firm. Group Internal Audit received a 'generally conforms' rating for the review (the highest level of compliance to the IIA Standards). The review indicated that Netcare has a professional and established internal audit function, which achieved an 'established' maturity rating and is regarded as a trusted advisor to the business. The next independent quality review is planned for 2024.



Full corporate governance report.





# Our operating environment

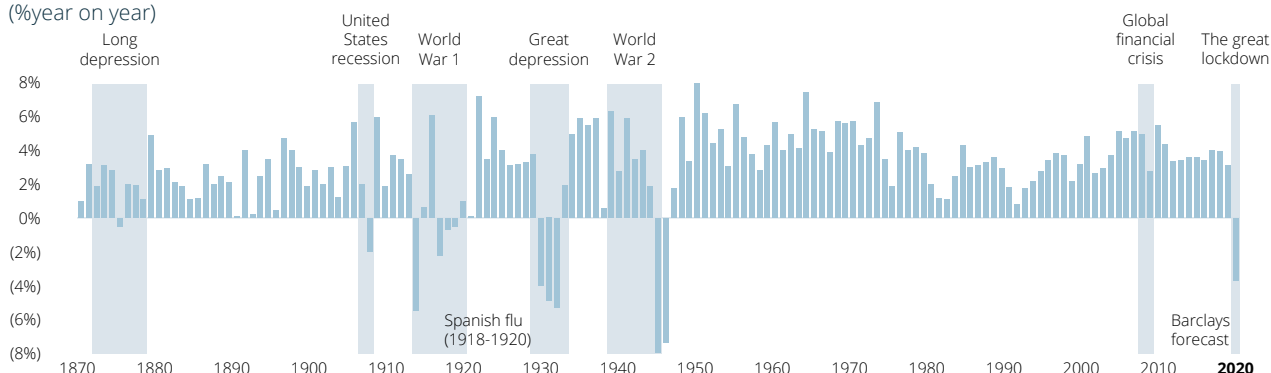
## Uncertain and challenging economic environment

The COVID-19 pandemic and measures taken to contain and control the spread of the virus have resulted in chaos at a global level, with entire economic sectors being shut down, supply chains disrupted and a global recession in which recovery is expected to be slower than in previous recessionary periods. With the resurgence in COVID-19, and the prospect of mass immunisation still a way off, the shape and rate of economic recovery remains highly uncertain.

The South African economy, already under pressure prior to the pandemic, experienced a drop in gross domestic product (GDP) of over 16% between the first and second quarters of 2020, under national lockdown. A GDP contraction of 8% is expected for the year. The International Monetary Fund forecasts that recovery for emerging markets in 2021 will be slower than the rest of the world.

Heightened unemployment rates and reduced affordability across income segments will place traditional medical scheme membership at risk. However, this may only play out in years to come as members might fear opting out mid-pandemic.

**World real GDP**  
(%year on year)



Source: International Monetary Fund.

Additional financial pressures for the private healthcare sector include:

- Contraction in formal employment (with over 600 000 formal sector job losses during the national lockdown<sup>1</sup>). In the third quarter of 2020, unemployment rose to a record high of 30.8% with youth unemployment climbing to 61.3%<sup>2</sup>.
- Increased competition with low barriers to entry.
- Lower tariffs versus cost pressures.
- The Competition Commission directive allowing open schemes to collectively negotiate with closed schemes.
- Regulatory challenges and uncertainty brought about by the NHI Bill, which would impact 11 other laws.
- Ongoing shortage of specialists and a limited capacity to train doctors.
- Ongoing shortages of nurses and heightened restriction on private education facilities.

1. <http://www.statssa.gov.za/?p=13690>.  
2. Statistics South Africa.

### Our response

- Ensure community confidence in hospital safety (page 124).
- Implement cost efficiencies, including through the use of digitisation (page 157).
- Provide affordable products for the uninsured but employed market (page 172).
- Create economic value and optimise capacity utilisation (page 66).
- Create patient-centred care delivery models that can be accessed virtually or by telephone (page 114).

### Top business risks

Economic environment and recovery of activity; COVID-19 resurgence; funder regime; delivering consistently outstanding person-centred health and care, competitor activity; availability and quality of skills.

**LINK TO STRATEGIC PILLARS**

<b>SP1</b>	<b>SP2</b>	<b>SP3</b>
Consistency of care	Disruptive innovation	Transformation of society
<b>SP4</b>	<b>SP6</b>	
Organic growth	Investment	

## Medical scheme membership

In SA, just under nine million people are covered by private healthcare, with population coverage decreasing from 16.5% in 2000 to 15.4% in 2018<sup>1</sup>. This trend is expected to continue as unemployment rises and levels of disposable income drop. Lower cost plans have grown in popularity over the past five years, with more people choosing less expensive restricted provider network options and hospital plans, rather than full cover medical aid plans.

### Medical scheme membership



Source: The Council for Medical Schemes (2019 data not yet available).

1. The Council for Medical Schemes Annual Report 2018/19. Link: <https://www.medicalschemes.com/files/Annual%20Reports/CMSAR2018.19.pdf>.

### Our response

- Continue to drive improvement in clinical quality outcomes (page 114).
- Leverage our service offering and geographic footprint to increase our participation in funder networks (page 132).
- Digitise the patient journey to enhance patient experience and perception of care (page 157).
- Provide affordable products for the uninsured but employed market (page 172).

### Top business risks

Economic environment and recovery of activity; funder regime; implementation of our digitisation and data strategies; delivering consistently outstanding person-centred health and care.

#### LINK TO STRATEGIC PILLARS

SP1	SP2	SP3
Consistency of care	Disruptive innovation	Transformation of society
<b>SP4</b>		
Organic growth		

## Our operating environment continued

### Globally, healthcare is increasingly unaffordable

Healthcare demand continues to increase due to aging and shifts in the disease burden with greater numbers of people with chronic and long-term conditions. Similarly, expenditure on healthcare is increasing, with healthcare spend for the past 50 years outpacing GDP growth, leading to healthcare becoming more needed but less affordable both globally and locally.

- **Aging (global):** the number of people over 65 is expected to double to **1.5 billion by 2050<sup>1</sup>**. Life expectancy since 1990 has expanded by 7.7 years and is expected to increase by an additional 4.5 years by 2050<sup>2</sup>.
- **Cancer (global and SA):** between 2008 and 2030, the number of new cancer cases is expected to increase more than **80%** in low-income countries, double the rate expected in high-income countries. Deaths from cancer worldwide are projected to reach over **13 million in 2030<sup>3</sup>**. According to the South African National Cancer Registry, the number of new cases in SA is estimated to grow to over 94 000 by the end of 2020.
- **Diabetes (global):** around **half a billion people** are living with diabetes, with this number expected to increase 25% by 2030 and **51% by 2045<sup>4</sup>**. The World Health Organization (WHO) predicts that diabetes will be the seventh leading cause of death by 2030<sup>5</sup>.

- **Chronic diseases (global):** non-communicable chronic diseases kill **41 million people** every year, accounting for **71%** of deaths globally<sup>6</sup>. 79% of chronic disease-related deaths occur in developing countries<sup>7</sup>.

- **Mental health (global):** more than **264 million** people of all ages suffer from depression<sup>8</sup>. There was a **49.9%** increase in depression between 1990 and 2017<sup>9</sup>. The prevalence of mental health disorders in developing countries has increased by 229% over seven years<sup>10</sup>.

- **Trauma (SA):** incidence of trauma injuries in SA remains **notably higher** than the global average<sup>11</sup>.

1. United Nations, World Population Aging 2019.
2. Global Burden of Disease Study 2020 paper published in The Lancet. [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)30925-9/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30925-9/fulltext).
3. <https://www.who.int/cancer/resources/keyfacts/en/>.
4. [https://www.diabetesresearchclinicalpractice.com/article/S0168-8227\(19\)31230-6/fulltext](https://www.diabetesresearchclinicalpractice.com/article/S0168-8227(19)31230-6/fulltext).
5. <https://www.afro.who.int/health-topics/diabetes>.
6. [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(18\)31992-5/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)31992-5/fulltext).
7. [https://www.who.int/nutrition/toncs/2\\_background/en](https://www.who.int/nutrition/toncs/2_background/en).
8. <https://www.who.int/news-room/fact-sheets/detail/depression>.
9. <https://www.sciencedirect.com/science/article/pii/S0022395619307381>.
10. Council for Medical Schemes Annual Report 2013.
11. <https://www.who.int/bulletin/volumes/93/5/14-145771/en/>.

#### Our response

- Continue to drive improvement in clinical quality outcomes (page 114).
- Provide affordable products for the uninsured but employed market (page 172).
- Develop new products for key service lines such as cancer care and mental health and integrate these offerings across service platforms (page 170).
- Focus on screening programmes to aid early detection and treatment of cancer and chronic disease.

#### Top business risks

Economic environment and recovery of activity; delivering consistently outstanding person-centred health and care.

##### LINK TO STRATEGIC PILLARS

SP1	SP2	SP3
Consistency of care	Disruptive innovation	Transformation of society
SP4	SP5	
Organic growth	Integration	

## The role of digital technologies in healthcare

Three major trends have been emerging in the healthcare sector over the past few years. These all relate to the concept of participatory health and care – a shift towards wellbeing and wellness, greater convenience and integrated and personalised experiences. Data and digitisation are key drivers of the shift towards participatory health, redefining how consumers manage their health and engage with care systems.

- The demand for digital innovation to drive improvement in health outcomes, affordability, quality and access to care is high.
- Digital and data capabilities are driving virtual care provision, disrupting healthcare funding models and driving personalised care solutions. COVID-19 has intensified demand for virtual and remote services (like telehealth) for both traditional general practitioner (GP) visits and in other disciplines. In SA, regulations have been relaxed with regards to virtual consultations and now also allow doctors to prescribe medication virtually.
- The shift towards digitisation in healthcare requires additional investment in training and change management practices to ensure that employees are able to make this transition.
- Two core digital structures (platforms and healthcare ecosystems<sup>1</sup>) will redefine competition in the healthcare sector going forward.

1. *Harnessing patient data while vertically integrating funding and healthcare provision.*

### Our response

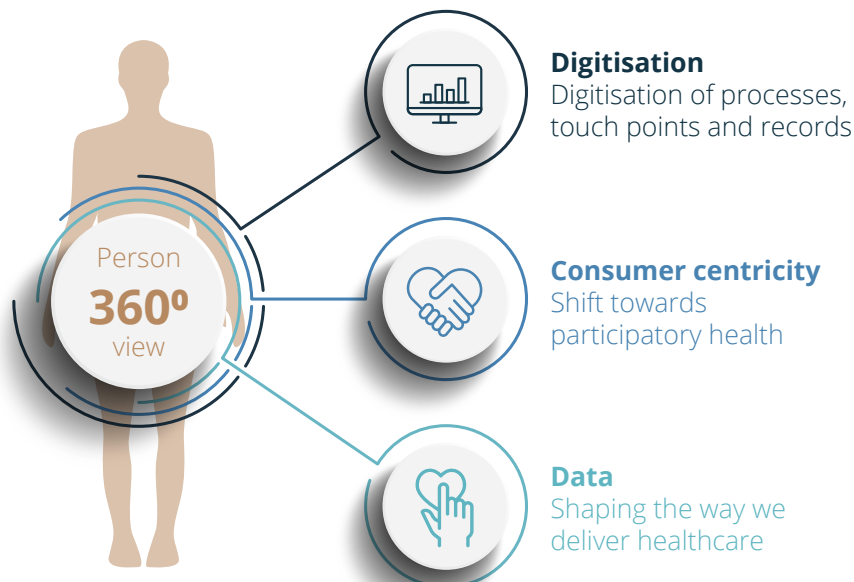
- Deliver the Netcare strategy to gain sustainable competitive advantage (page 66).
- Continue to implement an integrated and mobile health and care platform across the Group (page 157).
- Use digitisation to diversify products and services, realise efficiencies and enhance patient experience and perception of care (pages 157 and 114).
- Continue to support employees and doctors to manage the change to digital technologies (page 148).

### Top business risks

Implementation of our digitisation and data strategies; delivering consistently outstanding person-centred health and care; cybercrime and cybersecurity; competitor activity; availability and quality of skills.

#### LINK TO STRATEGIC PILLARS

<b>SP1</b>	<b>SP2</b>	<b>SP4</b>
Consistency of care	Disruptive innovation	Organic growth
<b>SP5</b>	<b>SP6</b>	
Integration	Investment	



## Our operating environment continued

### Increased focus on stakeholder capitalism

The expectation that organisations commit to delivering social value has intensified with the advent of COVID-19, and is particularly important in contexts like SA, where there is deep and historic inequity in funding and access to affordable healthcare. This is compounded by population growth having doubled since 1970, and a public healthcare system that is facing many challenges. More broadly, companies able to demonstrate and quantify their positive and negative ethical, governance, social and environmental impacts are set to gain a competitive advantage in a market that is increasingly expecting business to lead in addressing pressing global threats.

- Parliament's Portfolio Committee on Health is grappling with the large volume of responses submitted on the NHI Bill.
- It is hoped that increased cooperation between the private and government sectors during COVID-19 will set a foundation for future collaboration regarding the interface between public and private healthcare demands.
- For many companies, climate change is becoming a business risk that requires mitigation strategies.
- Social relevance and investment in communities in SA's volatile socioeconomic environment are fundamental requirements for business.

#### Our response

- Continue to build on the improved relationships forged between the private and public healthcare sectors during COVID-19 (page 136).
- Provide affordable products for the uninsured but employed market (page 172).
- Continue to drive our transformation plan, job creation strategies for the youth and corporate social investment initiatives (page 138).
- Continue to drive our environmental sustainability strategy (page 179).

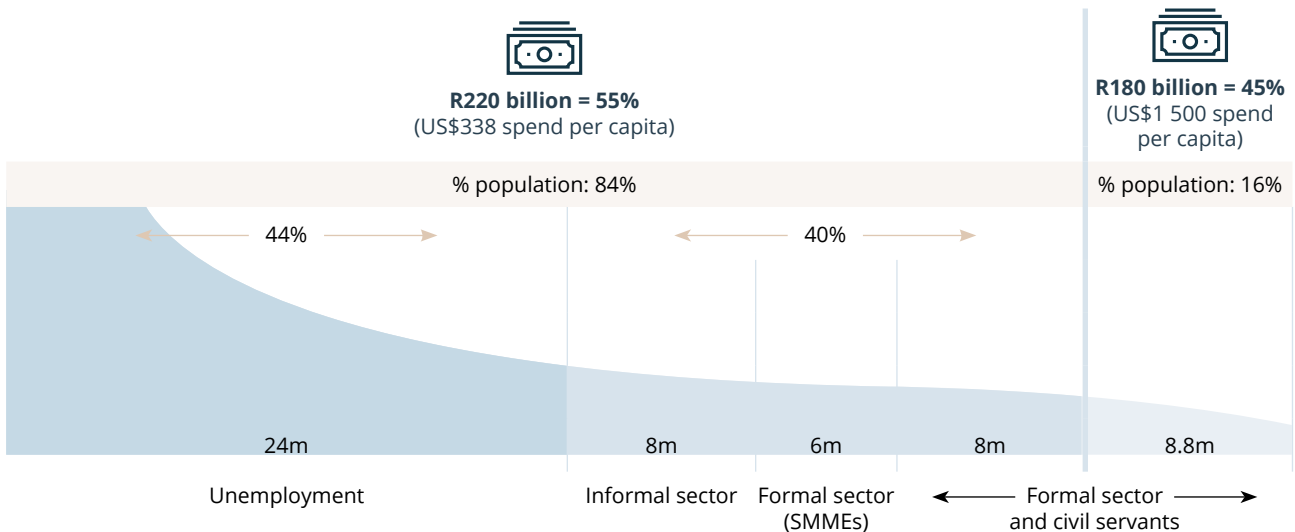
#### Top business risks

Sector regulations; competitor activity; availability of electricity supply; water security.

##### LINK TO STRATEGIC PILLARS

SP1	SP3
Consistency of care	Transformation of society

#### SA healthcare expenditure





# Our material matters

**Netcare follows the King IV approach of stakeholder inclusiveness in its reporting and the integrated report is aimed at a broad stakeholder readership, whose interests frame our materiality determination process. We identified the material matters we believe would make a difference to the conclusions stakeholders may draw about Netcare's ability to create value for them in the short, medium and long term.**

Last year's material matters were the starting point for this year's process. We reviewed documents including Board reports, transcripts of interviews with key members of the Netcare team, stakeholder engagement assessment results, strategy documents and risk reports. These documents were selected as they provide information that executive management and Board committees had chosen for elevation to the Board. They were therefore likely to include matters deemed most material to the governance and operation of the business in the context of economic, social and environmental realities. Due to the role being played by Netcare in managing the COVID-19 pandemic and its compounding impacts, the matters are split into immediate and ongoing priorities to reflect the impact of the pandemic on the organisation and how they inform standing priorities. The Board reviewed and approved the material matters for 2020.







## 1

## Deliver outstanding person-centred health and care

### Stakeholder concerns

**Patients:** seamless access to high-quality healthcare, consistent quality clinical outcomes and an excellent patient experience.

**Employees:** a safe, supportive, caring and fair workplace; trusted managers and leaders; appropriate reward and recognition; support in adapting to a changing work environment; opportunities for growth and development; comprehensive employee wellness services; improved organisational communication.

**Doctors and allied healthcare practitioners:** nursing competency and professionalism; clinical quality leadership and access to advanced technology; professional development; a secure supply of utilities.

**Private medical funders:** quality of clinical outcomes and services provided to members at the most efficient cost.

**Regulators and government:** support in addressing the public health risk of COVID-19 at national and provincial levels.


**Society:** hospital-specific outbreaks of infections; the impact of water and electricity disruptions on the quality of care.

### Immediate priorities

- Provide the best and safest care for those with COVID-19 by ensuring consistent best practice, aligned with changing guidelines, and tailored to the South African context.
- Remain adaptive, focusing on long-term solutions while maintaining a fast response to the pandemic and associated disruptions.
- Urgently drive innovative digital, data-led solutions to support patient health and wellness during the pandemic.
- Ensure that digital initiatives interrupted by the pandemic are rolled out as quickly as possible (within budget) to better meet patients' needs and allow Netcare to become the architect of its own future.
- Ensure all facilities maintain the highest standards of safety by continuing digital screening of all doctors, nurses, employees and contractors prior to entry.
- Ensure community confidence in hospital safety by allocating capacity specifically dedicated to COVID-19 patient needs.
- Ensure adequate communication between patients and their loved ones in COVID-19 wards where visitation is restricted, by facilitating mobile and facetime communication, and making allowance for visitation in compassionate or end-of-life situations.

### Ongoing priorities

- Achieve strategic differentiation through the delivery of a consistent and measurably better quality of care.
- Improve data utilisation and publish outcomes to benchmark ourselves against local and global peers.
- Improve patient experience.
- Digitise and re-engineer patient journeys and processes to drive more integrated and efficient person-centred care.
- Progress environmental sustainability objectives to ensure uninterrupted delivery of quality patient care in the face of unstable national utilities.

 Our strategy: page 66.  
Relationship capital: page 112.  
Human and intellectual capital: page 144.  
Environmental sustainability: page 179.

### LINK TO STRATEGIC PILLARS

SP1	SP2	SP3	SP4	SP5	SP6
Consistency of care	Disruptive innovation	Transformation of society	Organic growth	Integration	Investment

## Our material matters continued



# 2

## Recognise, protect and invest in our employees, doctors and allied healthcare practitioners

### Stakeholder concerns

**Patients:** access to world-class clinicians and services across all service platforms and facilities; accountability for safety and quality of care across all service lines.

**Employees:** diversity and inclusivity in the workplace; access to equal opportunities in the workplace; physical and emotional wellness; performance engagement and recognition; growth and development; protection from COVID-19 infection.

**Doctors and allied healthcare practitioners:** access to cutting-edge medical equipment and treatment protocols; uninterrupted utilities enabling the best and safest care for patients.

**Regulators and government:** employment equity; support of black doctors.

**Sector and business associations:** COVID-19 disrupting operations; performance management and discipline.


**Society:** impact on healthcare quality of specialised skills shortage in SA.

### Immediate priorities

- Protect our employees, doctors and allied healthcare practitioners from infection and care for those who are exposed.
- Protect the economic welfare of our employees and their families, through our job preservation strategy.
- Recognise and appreciate the value our people and partners bring to Netcare, as well as the exceptional levels of service delivered during the pandemic.
- Support the wellbeing of our frontline employees with ongoing and tailor-made psychosocial support to counter the existential threat they face and their risk of burnout.
- Maintain a good working relationship with organised labour.

### Ongoing priorities

- Invest in employee engagement, effectiveness, wellbeing and resilience to support the shift towards person-centred health and care.
- Retain, attract and develop highly skilled and specialised employees and doctors to provide the highest levels of care.
- Ensure that our employees and healthcare practitioners are well-equipped to meet the demands and achieve the benefits associated with increasing digitisation.
- Foster diversity and inclusivity across all levels of the organisation.
- Differentiate and communicate our value proposition to doctors.

 Our strategy: page 66.  
 Chief Executive Officer's review: page 102.  
 Our people: page 144.  
 Doctor partnerships: page 129.  
 Workforce diversity: page 149.

### LINK TO STRATEGIC PILLARS

SP1	SP2	SP3	SP4	SP6
Consistency of care	Disruptive innovation	Transformation of society	Organic growth	Investment



## 3

## Drive broader access to healthcare, and strengthen partnerships to facilitate inclusive growth and socioeconomic transformation.

### Stakeholder concerns

**Patients:** fully funded and more affordable services.

**Employees:** accelerating transformation; eradicating racism; equal opportunities for growth and development, including training for non-nursing employees.

**Private medical funders:** participation in networks through provision of quality, cost-effective care to patients and ongoing engagement on quality and efficiency initiatives.

**Suppliers:** enterprise and supplier development; preferential procurement with B-BBEE compliant and black suppliers; global challenges with raw materials and active ingredient stock resulting in supply constraints.

**Regulators and government:** increased pressure on the public health system; cost of access to private healthcare; the impact on the sector of the shortage of healthcare practitioners and nurses and universal healthcare; constructive engagement on national transformation, socioeconomic reconstruction and recovery objectives.

**Investors:** impact of unemployment on medical scheme membership; the Group's ability to develop products to increase accessibility and affordability.


**Society:** healthcare support for communities; affordability of and access to quality healthcare.

### Immediate priorities

- Use the lessons learned during the pandemic to work effectively with government stakeholders to enhance cooperation and broader access to care.
- Continue to support local procurement and small and medium enterprises through our structured enterprise and supplier development (ESD) programme.
- Strategically select opportunities for increased localisation to support local economic activity and mitigate the effects of shortening or disrupted global supply chains.
- Broaden participation in our economy, particularly of black women-owned micro enterprises.

### Ongoing priorities

- Drive transformation at organisation, sector and societal levels.
- Manage regulatory change and uncertainty, and participate in evidence-based and multi-lateral advocacy for stakeholder interests.
- Form cross-sectoral strategic partnerships with government departments and regulatory bodies on pragmatic strategies aimed at addressing the chronic shortage of healthcare skills in SA.
- Innovate to deliver more affordable services to broaden access to quality healthcare to more South Africans.
- Deepen the value of our service to society by making defensible decisions to balance financial and social returns over time.
- Prioritise good corporate citizenship, actively participate in SA's economic recovery and create inclusive growth opportunities.
- Strengthen private-public relationships through positive engagements that build trust and underpin more effective collaboration.

 Our strategy: page 66.  
Board Chair's review: page 36.  
Chief Executive Officer's review: page 102.  
Society: page 136.  
Workforce diversity: page 149.

#### LINK TO STRATEGIC PILLARS

SP3

SP4

SP6

Transformation  
of society

Organic growth

Investment

## Our material matters continued



# 4

## Recover, defend and grow long-term profitability

### Stakeholder concerns

**Patients:** affordability and access to healthcare.

**Doctors and allied healthcare practitioners:** quality of facilities and access to sufficient and appropriate beds, theatres and medical equipment that are properly maintained; inclusion in restricted provider networks.

**Private medical funders:** affordable quality healthcare; measurable clinical and patient experience outcomes; appropriate levels of healthcare access and a balanced service offering to satisfy patient needs; providers assuming greater pricing risk.

**Suppliers:** reduced elective surgeries due to COVID-19 impacting turnover; pressure on margins due to users not willing to absorb price changes.

**Investors:** patient day growth; spend on ancillary health services; pricing; margin sustainability; appropriate levels of capital investment; sustainable dividend payments.

**Regulators and government:** impact of reduced company performance on tax revenue.


**Society:** economic impact on company performance and implications for stakeholders.

### Immediate priorities

- Anticipate and prepare for the risks and opportunities associated with a protracted and uneven global economic recovery and deep local recession.
- Manage shareholder expectations in light of the financial impact of the pandemic and retain support for longer-term strategy.
- Leverage digitisation and monetise data assets to keep pace with the demand for digital and remote products and services (including telehealth) intensified by the pandemic.

### Ongoing priorities

- Retain sufficient liquidity and access to funding.
- Maintain a strong balance sheet.
- Ensure efficient capital management, disciplined cost management and optimal asset utilisation.
- Lead the local market in adapting to developments in the global healthcare sector.
- Integrate high-quality data and analytics to allow predictive and proactive management of operational and strategic priorities.
- Leverage data-driven and digitally enabled service offerings to extend our service range and capture new market segments, driving growth and affordable access to healthcare.
- Balance investment in asset heavy and asset light revenue streams (driven by digitisation), to meet the needs and expectations of our stakeholders.
- Ensure that short-term market demands are not prioritised over long-term sustainable profitability.
- Strengthen relationships with doctors and funders to, respectively, drive revenue and contain costs, and support volumes and fair tariffs.
- Partner with funders on value-based contracting models.
- Consolidate our leadership in environmental sustainability by refining and broadening our environmental strategy (in relation to electricity, water and waste), and achieve sustainable efficiencies.
- Align our ESG measurement and disclosure to credible global frameworks to facilitate comparability with other entities.

 Our strategy: page 66. Doctor partnerships: page 129. Funders: page 132. Estate and medical equipment: page 174. Financial capital: page 186.

### LINK TO STRATEGIC PILLARS

SP1	SP2	SP3	SP4	SP5	SP6
Consistency of care	Disruptive innovation	Transformation of society	Organic growth	Integration	Investment



## 5

## Continue to develop visionary and effective leadership

### Stakeholder concerns

**Employees:** ethical leadership as an employer of choice.

**Doctors and allied healthcare practitioners:** protecting the sustainability of the private healthcare sector.

**Regulators and government:** partnership on developing the future of healthcare in SA.

**Sector and business associations:** access to rich data and collaborative partners to make the case for investment-friendly policy and regulation.

**Investors:** ethical leadership, depth of expertise and strong governance underpinning sustainable value creation.


**Society:** expectation that corporate leaders are responsive to ethical and social concerns, especially job growth and climate change.

### Immediate priorities

- Ensure continued organisational agility demonstrated and retain effective governance procedures implemented during the pandemic.
- Ensure a careful balance of remuneration principles to ensure employees and executives are not unduly prejudiced by this year's financial performance.

### Ongoing priorities

- Ensure Board and executive responsiveness to stakeholders.
- Maintain the open and vigorous dynamic between the executive and the Board.
- Continue to increase diversity and succession planning at leadership levels while ensuring knowledge transfer and retaining institutional memory.
- Ensure adequate representation of and succession planning for strategically relevant skillsets such as digital and actuarial skills.
- Drive a caring, innovative and ethical high-performance culture.

 Our strategy: page 66.  
 Board Chair's review: page 36.  
 Our people: page 144.  
 Remuneration report: page 204.

### LINK TO STRATEGIC PILLARS

SP1	SP2	SP3	SP4	SP5	SP6
Consistency of care	Disruptive innovation	Transformation of society	Organic growth	Integration	Investment

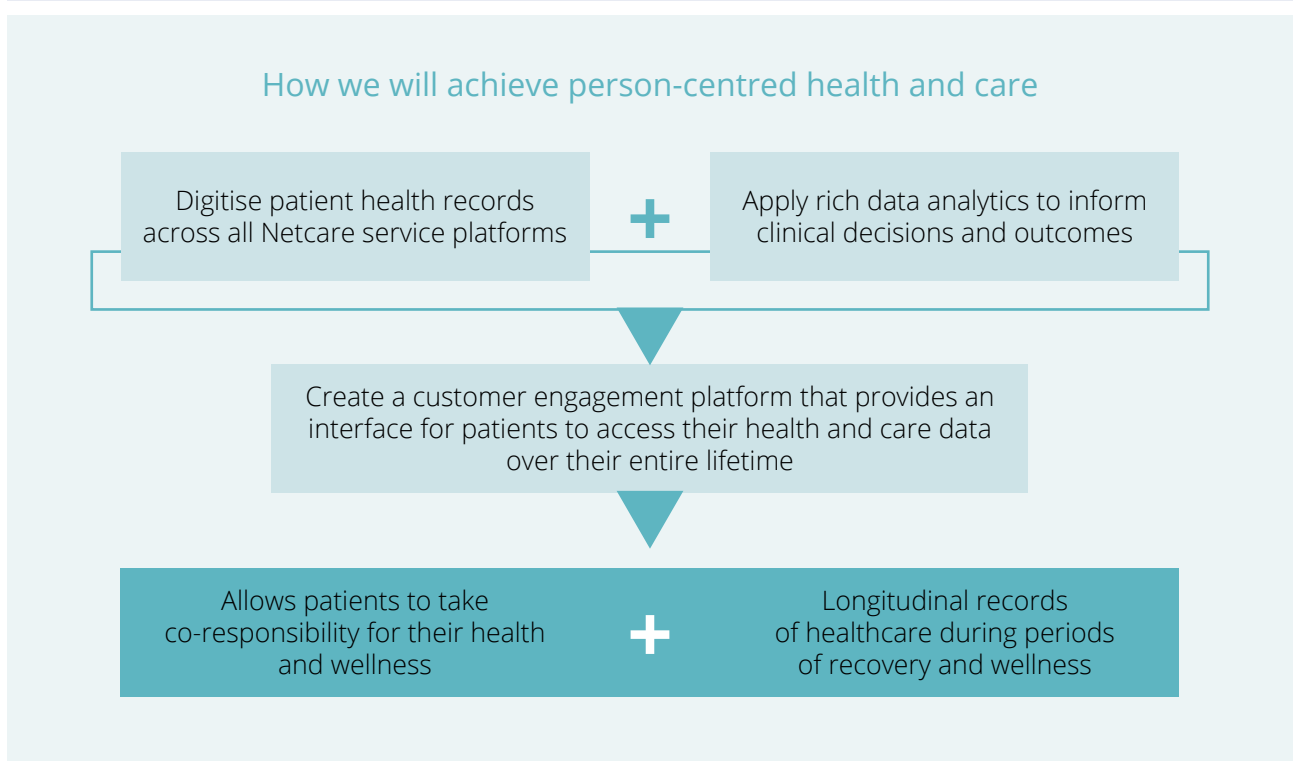
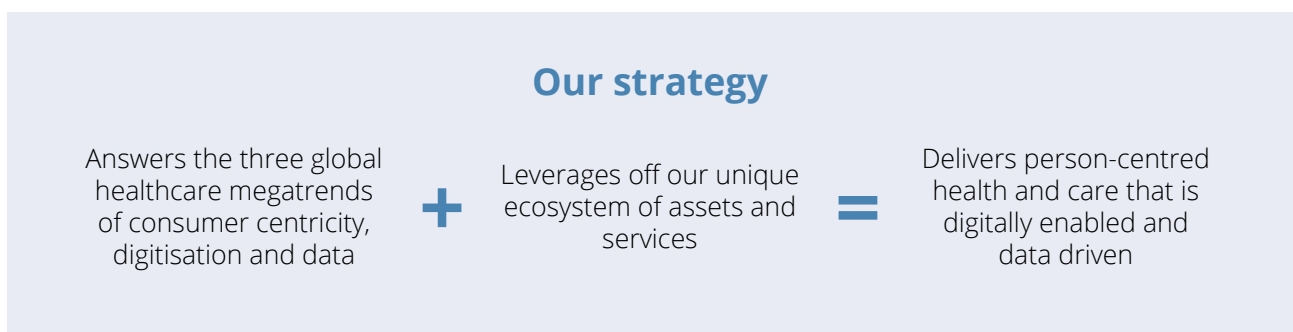
# Our strategy

**Netcare’s strategy responds decisively to the changing healthcare environment and will create sustainable competitive advantage for the Group. It reinvents how we deliver health and care, moving away from the siloed and episodic approach typical of traditional healthcare provision. It will enable us to provide seamless and integrated services across all our platforms, enabled by digitisation and informed by rich data. As we accelerate its implementation over the medium term (three to five years), we expect to achieve a care offering that is highly differentiated in SA, driving above market growth and earning enhanced returns for the Group. These are the outcomes against which all our strategic initiatives are evaluated and measured.**

 Chief Executive Officer’s review: page 102.

## Our core purpose

Providing YOU with the best and safest care.



Our strategy rests on six pillars, each with clearly defined objectives, plans and projects that in combination will drive the outcomes our strategy is designed to achieve.



## Investment

Creating economic value and optimising capacity utilisation.

# Our strategic pillars



## Consistency of care

Delivering consistently excellent clinical services, ensuring the best and safest person-centred care.



## Integration

Creating strategic and synergistic partnerships between all service platforms and functions.



## Disruptive innovation

Implementing medical technologies, digitisation and data solutions for the benefit of our business and patients, and driving sustainability.



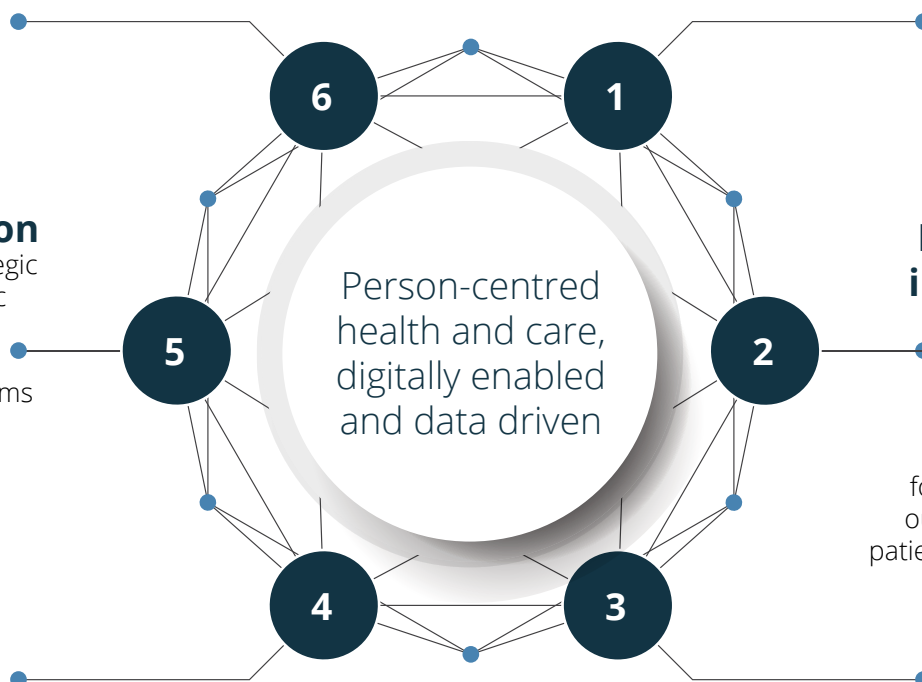
## Organic growth

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.



## Transformation of our society

Continuing to invest in and develop our workforce and communities.



## Our strategy continued

## Strategic progress and deliverables



1

## Consistency of care

### Link to remuneration

15% of the Exco scorecard.

### Medium-term objectives

- Superior quality outcomes and enhanced patient safety and experience.
- High standard of stakeholder communication and engagement.
- Differentiated products and services.

● Achieved ○ Partially achieved ○ Not achieved ✖ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>01</b> Improve patient satisfaction and perception of care delivered	Roll out revised patient feedback survey form. ■	✖	Rescheduled to 2021.	115
	Complete the Netcare Rosebank staff recognition and patient engagement pilot (Heal My Guest) and roll out the initiative to six hospitals.	○	Pilot completed and roll out to six hospitals rescheduled to 2021.	147
	Roll out person-centred engagement initiative to nurses and caregivers (compassionomics).	✖	Rescheduled to 2021.	145
	Develop a patient engagement learning initiative for doctors and pilot it at one hospital (compassionomics).	✖	Rescheduled to 2021.	129
	Implement various digital initiatives to enhance patient experience and perception of care.	✖	Rescheduled to 2021.	
<b>02</b> Demonstrate our ability to provide accurate and meaningful quality outcomes data and measurements and clinical research	Publish clinical research on the Netcare website.	●	<a href="https://www.netcare.co.za/News-Hub">https://www.netcare.co.za/News-Hub</a> . This is an ongoing objective.	
	Publish 2020 clinical outcomes on the Netcare website. ■	○	Content finalised and website launched October 2020.	114
	Populate and publish a clinical outcomes index and update monthly (internal). ■	○	Completed for the quality and safety measures required by funders on a quarterly basis. Further development to include all clinical outcomes across all service platforms is scheduled to start in 2021.	114



● Achieved ○ Partially achieved ○ Not achieved ★ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>03</b> Drive clinical efficiency and outcomes using the personalised clinical information (PCI) tool	Regular presentations to doctors on their individual PCIs.	★	PCI presentations were paused due to COVID-19 and will be resumed in 2021.	129
	Regular presentations to funders on quality and efficiency initiatives.	★	Quarterly quality reports were submitted as per contractual agreements. Increased levels of engagement on clinical quality and efficiency are expected in 2021.	132
	<ul style="list-style-type: none"> <li>• Drive compliance to general surgical and drug formulary ■</li> <li>• Drive compliance to revised specialised surgical formulary ■</li> </ul>	○	<ul style="list-style-type: none"> <li>• Scored 86.9% against a target of 92.5% (general).</li> <li>• Scored 77.0% against a target of 76.0% (specialised).</li> </ul>	
	Implement cost efficiency initiatives at 10 focus hospitals ■	●	Attenuated focus due to COVID-19. Rescheduled to 2021.	
<b>04</b> Improve and strengthen the regulatory framework governing clinical practice	Revise the governance framework for the Clinical Practice Committee (CPC). ■	○	<ul style="list-style-type: none"> <li>• Annual revision of the framework and contracts governing the clinical practice of all independent healthcare providers.</li> <li>• Review the composition and terms of reference of the CPC and other clinical governance structures.</li> </ul>	128
	Develop and implement a mortality predictive model.	★	Rescheduled to 2021.	128
	<b>New deliverables for 2021</b>		<ul style="list-style-type: none"> <li>• Develop a model to predict the risk of readmission.</li> <li>• Develop a model to detect outbreaks.</li> <li>• Develop a clinical research collaborative to publish peer-reviewed articles and research studies on COVID-19 clinical outcomes.</li> <li>• Implement a comprehensive, digitally enabled and data-driven OHS programme.</li> <li>• Digitise the management and governance of healthcare risk waste (HCRW).</li> <li>• Retain ISO 9001:2015 certification (excluding Akeso Clinics).</li> <li>• Introduce a standardised and integrated quality management system for Akeso Clinics.</li> <li>• Implement specific accreditations to ensure quality and safety of care.</li> </ul>	112

## Our strategy continued



## 2 Disruptive innovation

### Link to remuneration

12% of the Exco scorecard.

### Medium-term objectives

- Superior quality outcomes and enhanced patient safety and experience.
- High standard of stakeholder communication and engagement.
- Differentiated products and services.
- Improved margins, return on invested capital and economic value added.

● Achieved ○ Partially achieved ○ Not achieved ★ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>01</b> Digitise the Netcare healthcare platform and provide science-based treatment guidelines	<b>Hospital division</b> <ul style="list-style-type: none"> <li>• Complete the CareOn pilot at Netcare Milpark Hospital (EMR<sup>1</sup> project). ■</li> <li>• Enhance our IPC and antibiotic stewardship systems.</li> </ul>	★	<ul style="list-style-type: none"> <li>• Shifted implementation to three Western Cape hospitals with completion of the Western Cape roll out scheduled for April 2021.</li> <li>• Rescheduled the design of an in-house system to 2021.</li> </ul>	161
	<b>Primary Care</b> <ul style="list-style-type: none"> <li>• Complete two HealthOne Connect pilots (EMR project) and roll out HealthOne Connect to 25 Medicross Centres. ■</li> </ul>	★	<ul style="list-style-type: none"> <li>• Pilots completed as well as implementations at nine centres.</li> <li>• Implementations at the 16 remaining centres scheduled for 2021.</li> </ul>	161
	<b>Cancer Care</b> <ul style="list-style-type: none"> <li>• Evaluate the ARIA oncology information system.</li> <li>• Implement an integrated billing solution at all oncology units.</li> </ul>	●	<ul style="list-style-type: none"> <li>• Implement ARIA.</li> <li>• Dependent on the above centralisation project. Rescheduled to 2021.</li> </ul>	161
	<b>Netcare 911<sup>2</sup></b> <ul style="list-style-type: none"> <li>• Develop a proof of concept that digitally links ambulances to Netcare Milpark Hospital's Emergency department.</li> </ul>	★	<ul style="list-style-type: none"> <li>• Delayed due to the temporary interruption to the Netcare Milpark Hospital CareOn implementation. Rescheduled to 2021.</li> </ul>	164
	<b>National Renal Care</b> <ul style="list-style-type: none"> <li>• Approve the digitisation business case for the EMR project. ■</li> <li>• Develop a solution ready for roll out. ■</li> </ul>	○	<ul style="list-style-type: none"> <li>• Revised and finalised the project charter and developed high-level timelines for implementation.</li> </ul>	161

1. Electronic medical record (EMR) project.

2. Netcare 911 is fully digitised (see page 162).

● Achieved ○ Partially achieved ○ Not achieved ✖ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>01</b> continued Digitise the Netcare healthcare platform and provide science-based treatment guidelines	<b>Akeso Clinics</b> • Develop digitisation specification requirements for the EMR project and approval of business case. ■ • Select third-party vendor and pilot the new solution. ■	●	Vendor selected and functional specifications have been completed.	161
	Implement Audit Command Language and script writing for internal audit.	●	Six modules completed taking the total number of modules implemented to 12.	Full governance report
	Netcare benchmarked against more than 550 companies globally (including 80 healthcare providers) across multiple industries by an international consultancy firm.	●	See the findings on page 83.	
<b>02</b> Build a comprehensive data analytics and artificial intelligence (AI) platform	Establish a Data Council.	●	The Data Council governs and manages data across the Group	167
	Develop the appropriate IT platform to store and analyse all data.	●	Selected the Microsoft Azure Data Analytics Cloud platform and completed the procurement negotiations, configuration and integration of the platform.	167
	Consolidate the Group's multiple siloed data repositories. ■	●	Migrated the existing data science use-cases into the cloud platform.	167
	Develop a customer experience management system across the Netcare ecosystem.	○	Completed a study on the ideal system and architecture for the Group. A proof of concept is being developed.	157
	<b>Complete proofs of concept for existing projects:</b> • Claims rejection. ● • Revenue forecasting. ● • Prioritisation of debt. ○ • Predicting potential billing rejections. ● • Appropriate antibiotic usage. ● • Probability of survival for Priority 1 trauma patients. ● • Emergency department waiting times for Priority 3 patients. ✖		User training was impacted by COVID-19. Rescheduled to 2021.  Pilot completed.	167 – 168

## Our strategy continued

● Achieved ○ Partially achieved ○ Not achieved ★ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>02</b> continued Build a comprehensive data analytics and AI platform	<b>Initiate proofs of concept for new projects:</b>			
	• Prediction of forecasting call volumes for Netcare 911.	★	• Rescheduled to 2021.	168
	• Automation of daily emergency vehicle allocation.	★	• Rescheduled to 2021.	
	• Prediction of sepsis, renal failure and care pathway for psychiatric patients.	★	• Rescheduled to 2021.	
<b>03</b> Maintain global and local leadership in environmental sustainability in healthcare	Energy optimisation.	○	Initiatives to optimise energy use are ongoing and will continue with the new 10-year environmental sustainability strategy.	182
	Develop grid-wheeled energy plan (enabling the sale of excess solar energy generated during the day to the national grid).	○	Principle approved by the Sustainability Committee. Rescheduled to 2021 due to complex legislative requirements.	184
	Develop a strategy for zero waste to landfill and the onsite treatment of HCRW.	○	Strategy, benchmarking, waste characterisation and optimisation opportunities scheduled for completion in 2021.	184
	Develop new 10-year strategy for environmental sustainability (2020 to 2030).	○	Initial elements of the strategy approved. The full strategy and targets will be presented to the Board in 2021.	184



## 3

## Transformation of our society

### Link to remuneration

15% of the Exco scorecard.

### Medium-term objectives

- Differentiated products and services.
- Growth in market share.
- Meaningful contribution to the transformation of SA's healthcare sector.

● Achieved ○ Partially achieved ○ Not achieved ✖ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>01</b> Improve our B-BBEE rating	Achieve a Level 3 B-BBEE rating.	○	Maintained a Level 4 B-BBEE rating.	138
<b>02</b> Improve our employment diversity profile	Meet and exceed the targets set out in the Netcare employment equity plan for 2015 to 2020. ■	○	<ul style="list-style-type: none"> <li>• Met and exceeded most targets but marginally missed targets for black women at middle management and differently abled people.</li> <li>• Approve the new Netcare 2025 employment equity plan in 2021.</li> <li>• Roll out a diversity and inclusion programme in 2021.</li> </ul>	149
<b>03</b> Drive skills development and employment creation	Launch the Innovation Hub in Alexandra.	✖	Opening rescheduled to January 2021.	141
	Train 1 000 Youth Employment Service (YES) students and offer of employment.	●	865 learners have commenced a YES programme with a further 516 due to start their training in 2021.	141
	Continue to develop a framework in collaboration with government to train nurses.	✖	Resume our work in 2021 to advance the Presidential Jobs Summit Initiative to train at least 50 000 nurses for the national healthcare system.	137

## Our strategy continued

● Achieved ○ Partially achieved ○ Not achieved ★ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>04</b> Drive supply chain diversification	<ul style="list-style-type: none"> <li>• Drive greater inclusion of black-owned enterprises in our supply chain. ■</li> <li>• Drive greater inclusion of black women-owned enterprises in our supply chain. ■</li> </ul>	<ul style="list-style-type: none"> <li>★</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>• 34.1% preferential procurement spend with &gt;51% black-owned suppliers (target: 50%).</li> <li>• 21.6% preferential procurement spend with &gt;30% black women-owned businesses (target: 26%).</li> </ul>	139
	<p><b>New deliverable for 2021</b></p> <ul style="list-style-type: none"> <li>• Improve procurement spend on emerging micro enterprises, qualifying small enterprises and designated suppliers.</li> </ul>			
<b>05</b> Drive enterprise and supplier development	Drive ESD programmes. ■	●	<ul style="list-style-type: none"> <li>• Invested 16.2% of NPAT<sup>1</sup> (R71 million) in ESD programmes (target: 3%).</li> <li>• Implement a structured ESD support programme in 2021.</li> </ul>	139
<b>06</b> Be a force for social good	Create access to quality healthcare for indigent patients and support quality clinical research through scholarships. ■	●	Invested R18 million in socioeconomic development programmes.	142
	National launch of 'My Walk Made with Soul' (school shoes) initiative.	●	Started recycling non-hazardous and uncontaminated products to make school shoes for underprivileged children.	140
	Ongoing negotiation and collaboration on NHI.	○	Ongoing initiative.	136

1. Net profit after tax (NPAT).



## 4 Organic growth

### Link to remuneration

30% of the Exco scorecard.

### Medium-term objectives

- Differentiated products and services.
- Growth in market share.
- Improved margins, return on invested capital and economic value added.
- Meaningful contribution to the transformation of SA's healthcare sector.

● Achieved ○ Partially achieved ○ Not achieved ★ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>01</b> Increase market share	Maintain and improve medical scheme hospital network representation.	●	Improve network participation for 2021.	132
	Ongoing development of alternative reimbursement models (ARMs).	★	Develop ARMs for National Renal Care, Cancer Care and Akeso Clinics.	132
	Attract new doctors (net 88 in total). ■	○	Net 82 doctors recruited in 2020 (target: 88). Attract a net 100 doctors in 2021.	129
	<b>New deliverables for 2021</b>		<ul style="list-style-type: none"> <li>• Develop a Netcare scale of benefits network to be marketed through Netcare <b>appointmed™</b> and enable appointments through Netcare <b>appointmed™</b> for all doctors and NetcarePlus voucher holders.</li> <li>• Achieve 60% doctor participation in Netcare <b>appointmed™</b>.</li> <li>• Focus on further cost efficiency in the Hospital division.</li> </ul>	
<b>02</b> Develop new services and divisions	Complete the Independent Counselling and Advisory Services (ICAS) transaction. ■	●	40% stake acquired effective March 2020.	172
	Pilot Carenomics in Medicross – a doctor prescribed behavioural wellness programme.	○	Rescheduled to 2021 as part of the NetcarePlus offering.	

## Our strategy continued

● Achieved   ● Partially achieved   ○ Not achieved   ✖ Paused or impacted due to COVID-19   ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>03</b> <b>Develop new markets and products</b>	Launch primary care GP vouchers. ■	●		172
	Launch dental vouchers, including for oral hygiene.	○	Rescheduled to 2021.	173
	Develop and launch NetcarePlus. ■	●		172
	Pilot Akeso Clinics' employee assistance programme.	●	Currently being piloted.	171
	Secure two new full-service occupational health contracts. ■	●		
	Select five health tech accelerators and two incubators for Founders Factory Africa.	●	Achieved but with only one incubator approved. An additional incubator will be approved in 2021.	157





## 5 Integration

### Link to remuneration

10% of the Exco scorecard.

### Medium-term objectives

- Superior quality outcomes and enhanced patient safety and experience.
- High standard of stakeholder communication and engagement.
- Differentiated products and services.

● Achieved ○ Partially achieved ○ Not achieved ★ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>01</b> Use digitisation to drive synergies and integration	Complete the Netcare <b>appointmed™</b> roll out and national launch. ■	●	Successful onboarding of 50 targeted hospitals.	166
	Introduce digital pre-admission across all Netcare hospitals (2020 target: 20% for surgical admissions). ■	○	8% of surgical admissions facilitated using the Netcare patient portal. Rescheduled to 2021.	166
	Complete digital pre-authorisation and check-in pilot with major medical scheme.	★	Rescheduled to 2021.	166
<b>02</b> Develop a suite of products, services and platforms to engage with patients across their entire health and wellness journey	Implement various digital initiatives to enhance patient experience and perception of care.	★	Rescheduled to 2021.	

## Our strategy continued

● Achieved   ● Partially achieved   ○ Not achieved   ✳ Paused or impacted due to COVID-19   ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<b>03</b> Promote a single Netcare approach to all of our brands and service platforms	Launch a consolidated social media platform for Netcare.	●		
	Complete the new Netcare website. ■	●	<a href="https://www.netcare.co.za">https://www.netcare.co.za</a>	
<b>04</b> Improve communication and engagement across all stakeholders and patients	Develop and populate a marketing framework and strategy.	✳	Plans to realise this objective will be presented to the Board for approval in 2021.	



## 6 Investment

### Link to remuneration

18% of the Exco scorecard.

### Medium-term objectives

- Improved margins, return on invested capital and economic value added.

● Achieved ○ Partially achieved ○ Not achieved ✳ Paused or impacted due to COVID-19 ■ Linked to remuneration

2020 OBJECTIVES	KEY DELIVERABLES FOR 2020	STATUS	NOTES AND KEY DELIVERABLES	PAGE
<p><b>Create economic value and optimise capacity utilisation by:</b></p> <p><b>Reducing our bricks and mortar capital expenditure with a focus on systems and IT, improving our returns on investment.</b></p> <p><b>Shifting focus from EBITDA<sup>1</sup> to the concept of economic profit to ensure we achieve adequate returns on the capital invested.</b></p> <p><b>Ensuring we have the most efficient capital structure and enhance shareholder returns.</b></p> <p><b>Ensuring clear targets in terms of gearing and ROIC<sup>2</sup>.</b></p>	Conclude the sale of the properties in the United Kingdom (UK). ■	●		191
	Complete share buyback programme.	●	12.7 million shares bought back and cancelled for R251 million in November and December 2019, before programme placed on hold due to COVID-19.	187
	Finance Committee approval of 150 new beds for Akeso Clinics.	●		176
	Open Akeso Richards Bay.	○	Rescheduled to 2021.	176
	<p><b>Achieve the following 2020 targets (pre IFRS 16):</b></p> <ul style="list-style-type: none"> <li>• ROIC: &gt;20.0%. ■</li> <li>• Net debt to EBITDA: &lt;2.0 times. ■</li> <li>• EBITDA/net interest: &gt;5.0 times. ■</li> <li>• Cash conversion ratio: 100%. ■</li> </ul>	✳	2020 targets not achieved due to COVID-19 impact on the business.	186

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

2. Return on invested capital (ROIC).

## Our strategy continued

### Link to remuneration


The Executive Committee (Exco) scorecard, which informs short-term incentives, gives higher weightings to projects that will have the greatest impact in driving the Group's strategy and on its financial and non-financial performance in the year ahead. By their nature, these projects tend to be the most complex and difficult to deliver and therefore require the greatest resources, focus and effort.

### Value balancing considerations

In the outcomes we achieve for our stakeholders, for society and for Netcare, considered trade-offs are needed, to achieve Netcare's purpose-led strategy in relation to the capital intensity and the skills, competitive, regulatory and funding demands in the sector. Our response to these realities is the accelerated investment in our strategy, even while we deal with the ramifications of COVID-19. This will drive the achievement of the **Quadruple Aim** which will support Netcare's sustainable competitiveness over the long term.

#### Digital transformation

Investor expectations for higher returns in the short term must be balanced against what we need to do now to achieve long-term sustainable competitive advantage and growth. Our digital transformation strategy requires capital to implement modern state-of-the-art IT and healthcare systems, and to ensure the resilience of our systems and the protection of data in the face of ever increasing cybersecurity threats. In the long term, our digital transformation will enhance our relationships with all our stakeholders from our patients and employees to doctors, funders and investors through significantly enhanced quality outcomes, personal experiences, convenience and efficiencies, providing doctors, nurses and pharmacists with a world-class healthcare working environment and gaining competitive advantage from being first to market.


 Digital transformation: page 157.

#### Key outcomes for 2020

Shifted the implementation of CareOn to three hospitals in the Western Cape and progressed the digitisation of our other service platforms albeit at a slower pace than envisaged due to the disruption caused by COVID-19. A number of digital solutions to assist the management of COVID-19 were quickly developed and implemented. The CareOn implementation in Netcare Milpark Hospital will resume in 2021.

#### Person-centred health and care

At the centre of our strategy is empowering patients so that they are able to participate in their own health and care, which promotes co-responsibility for better health outcomes. Another important aspect of delivering participatory health and care is to enhance the accessibility and convenience of our network of services. While some of our investments in technology and mobile apps may not deliver direct revenue streams, they are critical components of delivering improved quality outcomes and an excellent patient experience.

 Our patients: page 112.  
Digital transformation: page 157.


#### Key outcomes for 2020

Completed the roll out of Netcare **appointmed™** and started development on three new person-centred engagement projects for launch in 2021. Given the recent introduction of these interventions, their impact is not yet evident in improved patient experience scores, which were also impacted by social distancing measures, that in some instances, were perceived as aloofness.

## A changing workforce

As digitisation, automation and the harnessing of big data re-engineer our processes, our reliance on nurses and healthcare workers does not change. However, as patients start to adopt our digital solutions, the need for human interactions with administrative functions is reduced but the need for new skills will increase. Balancing the gains of digitisation against the human cost of a diminishing workforce is a trade-off faced by most organisations. Conscious of the need to reduce unemployment in SA, we invest in job creating initiatives through our ESD and the national YES programmes.

Our transition to digital also requires increased investment in our people in the short term by way of training and change management to ensure effective implementation and adoption of our new way of doing things. Investment in attracting, developing and retaining talent to ensure our workforce is future fit is a necessary and significant cost, but one that generates returns across all stocks of capital in the long term.


 Our people: page 144.

## Key outcomes for 2020

74% (2019: 79%) of our training spend was invested in structured career-advancement programmes, with 72% (2019: 69%) directed at formal nursing training. While the Board supported our decision to preserve jobs given the pressures of COVID-19, 115 employees were retrenched, where roles had become redundant. Once again higher increases were paid to lower levels of employees. In addition, our wellness programmes were bolstered to provide employees with assistance during the pandemic.

## Quality of stakeholder relationships

Balancing competing stakeholder interests can result in trade-offs in certain relationships. For example, the highly competitive and stagnant market in which we operate means we must balance the exacting requirements of funders and more critically, the tariffs agreed for our services, against securing the volumes needed to protect our margins. Another example is the critical need for doctors and specialists to deliver patient outcomes, however, we prioritise their ethical behaviour and clinical quality over the revenue they generate and rescind practising privileges when our policies are contravened. While we are committed to supporting small local enterprises in our supply chain, to achieve quality outcomes requires the procurement of high-quality products. When small suppliers are unable to meet these rigorous requirements, we are unable to direct business their way.

 Relationship capital: page 112.

## Key outcomes for 2020

While we did not meet our objective to enhance our stakeholder engagement model and develop strategies to prioritise stakeholder feedback and ensure engagement is linked to our strategy, a number of mechanisms and increased frequency of engagement took place during the year as a result of COVID-19. Pleasingly, the work to develop solutions to assist government in managing COVID-19 has gone some way to improving the relationship between the private and public healthcare sectors. In addition, our strong relationships with our lenders enabled us to secure additional facilities and proactively engage with them on the potential impact of COVID-19 on our banking covenants.

## Our strategy continued

### Returns to investors

While trading during the first five months of the financial year (to end February 2020) remained in line with expectations, COVID-19 introduced significant uncertainty and forecast risk requiring cash preservation measures to weather the uncertainty. In addition, capital was needed to prepare our facilities for the surge in infections. On this basis, and in line with our bank covenant waivers prohibiting dividend payments, we took the decision to suspend the interim and final dividend payments.

The conclusion of the sale of six properties in the UK in January 2020 repatriated R778 million in September 2020, which is an issue raised often by investors wanting to know how this capital will be allocated.

 Chief Financial Officer's review: page 186.


### Key outcomes for 2020

Given the global economic uncertainty, debt reduction will be a priority for the immediate future, and we have used proceeds from the sale of UK assets for that purpose. The headwinds of the ongoing pandemic and socioeconomic fallout may impact our dividend policy, however, in a normalised operating environment we will again return excess capital to shareholders by way of share buybacks or dividends.

### Investing in our installed asset base

Our investment in our installed asset base requires significant financial capital and appropriate levels of specialised skills in the short term but remains essential to attracting specialists and providing patients with good outcomes and experiences. Maintenance and upgrades, and investing in new medical technology, requires careful management of our capital expenditure. Investing in higher demand disciplines to optimise our capacity and utilisation of assets is an important initiative to expand our margins and generate better returns.

Water and energy are fundamental to delivering quality outcomes and the continuity of day-to-day operations but depletion of these natural resources in the face of the climate change risk faced globally requires innovative ways of operating and new technology to reduce consumption. Often implementations such as water recycling plants and solar photovoltaic systems require a fairly substantial capital outlay with positive environmental impacts accruing in the short term, but financial gains (in cost savings on utilities) only achieved over the medium to longer term. Waste is a required cost linked to our licence to operate and safety measures and to ensure compliance to environmental legislation. Innovations in waste management will realise cost savings in the medium to longer term.

 Estate and medical equipment: page 174.  
Environmental sustainability: page 179.  
Chief Financial Officer's review: page 186.

### Key outcomes for 2020

ROIC was 5.6% (2019: 20.1%). 2020 was an anomaly and if this metric is adjusted for the impacts of IFRS 16: *Leases*, the estimated impact of COVID-19 and central costs relating to new business developments, ROIC reconciles to a respectable 19.6%.

Our environmental sustainability strategy temporarily shifted focus during the year to assist our facilities to prepare for the pandemic. Despite this new focus, financial savings achieved as a result of our environmental sustainability programme amounted to R109 million, exceeding our 2020 target, and includes optimisation on water, waste and tariff and billing issues resolved, and additional revenue from our tenant billing.

## Benchmarking our digital maturity among global peers

As we implement our strategy, we continue to benchmark our progress against our peers, locally and internationally, to ensure we achieve the outcomes that will deepen our sustainable competitive advantage.

In 2020, Netcare assessed its digital and analytics maturity, leveraging a third-party self-diagnostic tool by one of the leading digital strategy and delivery consulting companies in the world. This methodology has a proven track record: it has been taken by more than 550 companies across multiple industries globally and it measures digital maturity in a way that correlates with financial performance.

In its self-assessment, Netcare scored in the top quintile with a score of 48 (on scale of 1-100), positioning the Group above the global sector average but slightly below healthcare global best performers (80 healthcare providers were included in the benchmarking) (shown below).

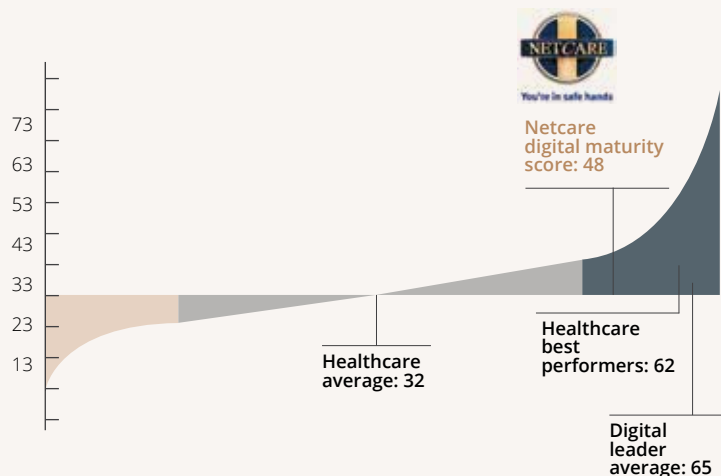
The results showcase areas of strength around a well-articulated digital strategy, strong executive leadership, significant investment in talent and digitisation initiatives as well as an increasing collaboration between business, IT and data teams. Some areas of opportunity also emerged around adopting an even more patient-centred focus (such as remote care, digital marketing, end-to-end patient journey consistency), and further building Netcare's data capabilities and analytics models to drive insights.

### Distribution of digital maturity score

Scores out of 100

■ Digital leaders<sup>1</sup> ■ Others ■ Digital emergents<sup>2</sup>

**Netcare is in the top quintile of the diagnostic database with an overall score above the sector average, but below healthcare top performers**



1. Digital leaders are defined as the top quintile global companies in the diagnostic database.

2. Digital emergents are defined as the bottom quintile global companies in the diagnostic database.

# How we manage risk

**COVID-19 and the measures introduced to contain its spread have exacerbated the slump in economic activity already experienced for a year prior to the pandemic, resulting in our exposure to the economic environment and its recovery now being ranked as our top business risk. Several of our other risk exposures have also increased, largely due to the pandemic. Our performance during this challenging year has affirmed that our strategy is relevant and enables Netcare to become the architect of its own future once we emerge from COVID-19, which in its accelerated implementation will increasingly mitigate some of our key risk exposures.**

A bespoke COVID-19 risk matrix was developed encompassing the risks related to the pandemic which were initially identified in a special meeting held on Friday 13 March 2020 and attended by the Group Risk Management function, the CEO, Executive Committee and various senior managers. During the initial stages of the pandemic, the risk matrix was updated based on daily COVID-19 operational meetings, internal feedback from risk owners and other stakeholders, and distributed to stakeholders at least three times a week. It was also distributed to the Netcare Board on a weekly basis.

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

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

## Five levels of assurance model





## Level 2 assurance

### Non-independent assurance providers

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

#### ▶ Management

- Accountable to the Board for identifying and assessing risks.
- Responsible for developing, implementing, maintaining and reporting on the internal policies and control procedures to mitigate identified risks, without compromising the Group's ability to achieve its strategic objectives.
- Submits quarterly statements of assurance to the Executive Committee.
- All major service platforms, business units and operational and administrative business areas conduct at least three management self-assessments each year. The results are reported to the Audit Committee. The self-assessment process enhances overall risk management practices and supports a culture of ownership over internal control procedures.

## Level 3 assurance

### Non-independent assurance providers

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

#### ▶ Group Risk Management function

- Acts as the custodian of the risk management policy and plan.
- Coordinates risk management activities throughout the Group, including reporting to the Risk Committee.
- Benchmarks the systems and processes of risk management against local and international standards and best practices.

#### ▶ Quality assurance reviews

- All Netcare facilities and services are reviewed against comprehensive clinical quality and risk management criteria. Facility, service platform and Group level reports highlight any high risk areas.
- Independent subject matter experts conduct verification reviews. A standardised tool is used, which incorporates the National Department of Health's Core Standards, Netcare's additional standards, and specific criteria based on trends and risks identified by quality data. Risk-based policies and standard operating procedures support quality assurance.

#### ▶ Data Council

- Prioritises data initiatives and implements Group-wide data definitions and standards of critical data sets to ensure data integrity and continuous data monitoring.

## How we manage risk continued

### Level 4 assurance

#### Independent assurance providers

Independent internal assurance provider.

#### Group Internal Audit

- Provides independent and objective assurance to the Audit and Consistency of Care Committees on the effectiveness of internal control and risk management systems, and recommends improvements.

### Level 5 assurance

#### Independent assurance providers

Independent external assurance provider.

#### British Standards Institution

- Conducts annual surveillance audits on sample facilities across all service platforms to ensure Netcare remains compliant with the ISO 9001:2015 certification standards.

*Note: not all assurance providers are covered in the table. However, more detail on internal and independent assurance is provided per top business risk starting on page 89.*

The Combined Assurance Committee coordinates the efforts of all assurance providers to avoid duplication and optimise value. It assesses the skills and experience of the assurance providers as well as the nature and extent of the assurance work provided. The committee meets three times a year (or as is required) and reports to the Audit Committee. The Chair of the Audit Committee approves the Combined Assurance Committee's terms of reference.



## Identifying our top business risks

Our systems and processes of managing risk consider the following:

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

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

Key risks are consolidated into top business risks that have a high or significant risk exposure based on:

- The challenges and uncertainties facing the Group, and their impact on the successful implementation of our strategy and the creation of sustainable competitive advantage.
- The severity of the potential impact on the most important intangible assets of the business, which include the skills and commitment of our management and employees, the competitive strength of our brands and stakeholder perceptions that collectively impact our reputation.

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

## Board opinion

The Board is satisfied that our risk mitigation strategy and existing insurance cover are adequate and appropriate in relation to our identified risk exposures. The Board has also considered the effectiveness of the systems and processes of risk management and found them to be sound. Compliance reports to the relevant committees endorse this determination.

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.
- A risk-aware culture is embedded at all levels of the Group, enabling relevant, informed and consistent decision-making relating to risk.
- The systems and processes of risk management effectively inform the Board of the top business risks facing the Group.
- 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.



Financial risk management: note 6.4 of the annual financial statements.

## Our key priorities for 2021

- Ensure the ongoing readiness of our pandemic response strategies to ensure appropriate, timely and focused interventions, where required.
- Support ongoing implementation of the digitisation and data strategies and ensure that management self-assessments remain aligned to the associated changes in business operations, systems, processes and organisational structure.
- Provide risk management support to startup divisions.
- Maintain, enhance and expand the automated management self-assessment process implemented in 2020.

## How we manage risk continued

### Our top business risks

While our top business risks for 2020 remain mostly the same as those reported last year, we have included a COVID-19 resurgence risk given the ongoing threat posed both globally and locally. Where COVID-19 has impacted a top business risk, this has been noted.

### Top business risks at a glance

		2019 rating	Change in risk exposure	Overall risk exposure	Page
1	Economic environment and recovery of activity	6	↑	●	89
2	COVID-19 resurgence	New	New	▲	90
3	Funder regime	2	↑	●	91
4	Delivering consistently outstanding person-centred health and care	1	→	▲	92
5	Implementation of the digital and data strategies	3	↑	▲	93
6	Cybercrime and cybersecurity	4	↑	▲	94
7	Sector regulations	5	→	●	95
8	Competitor activity	7	→	●	96
9	Availability and quality of skills	8	→	●	97
10	Availability of electricity supply	9	↑	●	98
11	Water security	10	→	●	99
12	Appropriately maintained plant and equipment	11	→	▲	100

#### Change in risk exposure

(in relation to the 2019 Integrated Report)

→ Risk exposure remained constant.

↑ Risk exposure has escalated.

#### Overall risk exposure

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

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

## Economic environment and recovery of activity

(impacts all service platforms)

### COVID-19

SA's already vulnerable economy is expected to contract further in 2021, even before factoring in the potential impact of a second wave. Disposable income remains under pressure and consumer and business confidence have reached all-time lows. In addition, the initial national lockdown to contain the pandemic has led to a staggering increase in unemployment. Under these circumstances, the rate of hospital activity recovery is uncertain. This challenging economic environment is associated with multiple risks including:

- Declines in medical scheme membership adversely impacting patient day growth.
- Members converting to lower cost, restricted network options, impacting our margins.
- Declines in out-of-pocket spend on ancillary healthcare services.
- Delays in the delivery of our strategic projects, challenging our growth plans.



Additional information on our operating context: page 54.

### Opportunities

- Grow high-demand service lines.
- Digitise to create sustainable competitive advantage that protects and grows market share.
- Develop new products and strategic partnerships to reach new markets and promote inclusivity, reducing our reliance on the traditional medical aid market.
- Preserve jobs, contributing to the wellbeing of our workforce and SA's economic recovery.

### Our mitigating measures

- Strict working capital discipline, and cost and debt management (page 186).
- The Netcare strategy (page 66).
- Doctor recruitment and retention (page 129).
- Business improvement (page 169).
- New business development (page 170).

### Governance

- Risk Committee.
- Audit Committee.

### Assurance

#### Non-independent

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

#### Independent

- No independent assurance required.

### Capitals at risk

- Relationship
- Human and intellectual
- Financial

#### LINK TO STRATEGIC PILLARS

SP2	SP4
Disruptive innovation	Organic growth
SP6	
Investment	

### Material matters

- Deliver outstanding person-centred health and care.
- Recognise, protect and invest in our employees, doctors and allied healthcare practitioners.
- Drive broader access to healthcare, and strengthen partnerships to facilitate inclusive growth and socioeconomic transformation.
- Recover, defend and grow long-term profitability.
- Continue to develop visionary and effective leadership.

## How we manage risk continued

### COVID-19 resurgence (impacts all service platforms)

#### COVID-19

COVID-19 prevalence and incidence had decreased nationwide, however, we began to experience a surge of new infections in the Eastern Cape in November 2020, followed by an increasing number of new cases in early December in the Western Cape, KwaZulu-Natal and Gauteng. This indicates that a second wave has begun, partially spurred on by 'super spreader' events. The risks associated with an increase in infections are similar to those for the advent of the pandemic, however, these may be less pronounced due to greater preparedness.

COVID-19 gives rise to multiple risks in a healthcare environment, including but not limited to:

- Spread of infection throughout facilities.
- Ability to adequately protect our employees, doctors and allied healthcare practitioners and prevent onward transmission to patients and others.
- Doctor and nursing shortages.
- Availability of critical PPE, active pharmaceutical ingredients and drug supplies, medical gasses and capacity of medical gas infrastructure and medical equipment, including ventilators and associated consumables.
- Readiness of facilities to admit and appropriately care for COVID-19 patients.



Additional information on how we are managing COVID-19: page 08.

#### Opportunities

- Deliver consistent, person-centred health and care during SA's time of greatest need.
- Work with the government and all other stakeholders to assist in containing and treating the pandemic.

#### Our mitigating measures

- Monitor key metrics daily to detect signals of a resurgence early and continue to deploy the necessary COVID-19 measures and clinical governance framework (page 08).
- Netcare's pandemic preparedness plan (page 13).
- Continue to enhance clinical governance and health and safety capacity (page 112).

#### Governance

- Risk Committee.
- Consistency of Care Committee.

#### Assurance

##### Non-independent

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

##### Independent

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

#### Capitals at risk

- Relationship
- Human and intellectual
- Financial

#### LINK TO STRATEGIC PILLARS

<b>SP1</b>	<b>SP2</b>
Consistency of care	Disruptive innovation
<b>SP3</b>	<b>SP4</b>
Transformation of society	Organic growth
<b>SP5</b>	<b>SP6</b>
Integration	Investment

#### Material matters

- Deliver outstanding person-centred health and care.
- Recognise, protect and invest in our employees, doctors and allied healthcare practitioners.
- Drive broader access to healthcare, and strengthen partnerships to facilitate inclusive growth and socioeconomic transformation.
- Recover, defend and grow long-term profitability.
- Continue to develop visionary and effective leadership.

## Funder regime

(impacts all service platforms)

Funders remain under pressure to contain member contribution increases due to adverse risk in scheme risk pools as younger and healthier scheme members opt out and the elderly and unhealthy take up cover, resulting in increasing utilisation and healthcare costs. Funders manage these competing pressures by implementing restricted provider networks, stringent hospital admission protocols, targeted interventions to manage utilisation, collective negotiations to drive lower tariff increases and criteria around quality outcomes.

The knock-on risks for healthcare providers include:

- Increasing margin pressure.
- Potential reductions in patient volumes, market share and doctor retention from limited or no participation in restricted hospital networks.
- Increasing participation in discounted restricted network<sup>1</sup> options without the commensurate volume uplift.
- Decreasing affordability of medical aid membership, resulting in decreased patient volumes in the private sector.

### COVID-19

Funders are concerned that utilisation in 2021 may increase as elective surgery backlogs return, doctors focus on normalising business and high-acuity cases increase due to COVID-19 related complications and comorbidities that were not well managed in 2020, among others. Further, the measures introduced in 2020 to respond to COVID-19, such as telehealth, will likely be used by funders to determine how to better contain utilisation.

### Opportunities

- Digitise Netcare to enhance engagement with funders on quality outcomes, patient safety and other data, and to improve efficiencies.
- Develop new products and strategic partnerships to reach new markets and promote inclusivity, reducing our reliance on the traditional medical aid market.
- Leverage VirtualCare (Netcare's telehealth platform).

### Our mitigating measures

- Funder engagement, network participation and achieving efficiencies (page 132).
- Digital transformation (page 157).
- New business development (page 170).

### Governance

- Risk Committee.
- Audit Committee.

### Assurance

#### Non-independent

- Executive Committee.
- Tariff Committee.
- Group Risk Management function.
- Funder relations team.
- Efficiency Committee.
- External consultants.

#### Independent

- Group Internal Audit.
- External auditors.

### Capitals at risk

- Relationship
- Financial

#### LINK TO STRATEGIC PILLARS

SP4

Organic growth

SP6

Investment

### Material matters

- Deliver outstanding person-centred health and care.
- Recover, defend and grow long-term profitability.

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

## How we manage risk continued

### Delivering consistently outstanding person-centred health and care (impacts all service platforms)

Healthcare demands and consumer demand for how healthcare is delivered are changing, impacting our strategies for delivering care that is consistently best practice, delivers the best outcomes and provides patients with the services they need and the service levels they expect. Failure to deliver on these objectives may:

- Negatively impact market share if the changing demands of healthcare consumers are not met.
- Negatively impact our brand, reputation, employee morale and long-term sustainability if the care we provide is perceived negatively.

#### COVID-19

COVID-19 presents a threat to the global health sector's ability to provide the highest standards of care and, if handled incorrectly, can compromise the global ability of healthcare systems to treat infectious diseases. This, together with the risk of further pandemics and the overuse of antibiotics, will negatively impact clinical outcomes and could result in higher morbidity and mortality rates in hospitals and communities. Strong clinical governance and OHS controls across all our service platforms are needed to ensure that we do not contribute to the onward transmission of the virus or reduce our capacity to treat and care for those who need it most.

#### Opportunities

- Deliver consistent, person-centred health and care across all Netcare facilities through digitisation, accurate data and care interventions that enhance patient safety, experience and perception of care, and inform our clinical improvement interventions.
- Develop innovative new products and services to enhance inclusivity and expand access to healthcare.

#### Our mitigating measures

- Safety, health, environmental sustainability and quality management strategy (page 124).
- Initiatives that improve patient satisfaction and perception of care delivered (page 114).
- Accurate and meaningful quality outcomes data (page 116).
- Strong governance of clinical practice (page 128).

#### Governance

- Risk Committee.
- Consistency of Care Committee.

#### Assurance

##### Non-independent

- Executive Committee.
- Group Risk Management function.
- Efficiency Committee.
- Internal quality team, including the National Consistency of Care Review Committee, internal quality review process, Sentinel Adverse Event Committee and patient feedback systems.
- Netcare Clinical Practice Committee.
- Clinical Data Council.

##### Independent

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

#### Capitals at risk

- Relationship
- Human and intellectual

#### LINK TO STRATEGIC PILLARS

SP1	SP2
Consistency of care	Disruptive innovation
SP4	SP5
Organic growth	Integration

#### Material matters

- Deliver outstanding person-centred health and care.
- Recognise, protect and invest in our employees, doctors and allied healthcare practitioners.
- Recover, defend and grow long-term profitability.
- Continue to develop visionary and effective leadership.



## Implementation of the digital and data strategies (impacts all service platforms)

Our journey to digitally transform all our service platforms is aimed at ensuring that Netcare plays a leading role in a sector that is rapidly becoming digitally enabled, data-driven, networked and participatory. These implementations are occurring on a large scale and present risks associated with project management, user adoption and disruption to stakeholders and our business operations. In addition, they increase our need for disciplined capital investment, robust governance practices and new skillsets, among others. If the business changes required to meet operational challenges and create a platform for sustainable growth are not met, our competitive advantage will be put at risk.

### COVID-19

Our strategic digital projects have resumed following the initial outbreak, however, a resurgence in infections or a support team contracting COVID-19 may impact future planned rollouts.

### Opportunities

- Gain competitive differentiation by being first-to-market.
- Digitise to enhance clinical outcomes and patient safety, provide more accurate and relevant clinical data, improve overall patient experience and strengthen our relationships with doctors and funders.
- Leverage digital technologies to integrate our services.
- Organise and utilise our financial, clinical and patient data to develop predictive analyses for anticipatory and proactive management of our businesses.

### Our mitigating measures

- Digital transformation across all service platforms (page 157).
- Data analytics and data platform (page 167).
- Digital customer engagement platform (page 157).
- Project governance and agile project management approach (page 159).

### Governance

- Risk Committee.
- Audit Committee.

### Assurance

#### Non-independent

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

#### Independent

- Group Internal Audit.
- Healthcare Information and Management Systems Society (delayed due to COVID-19).

### Capitals at risk

- Relationship
- Human and intellectual
- Financial

#### LINK TO STRATEGIC PILLARS

SP1	SP2
Consistency of care	Disruptive innovation
SP4	SP5
Organic growth	Integration
SP6	
Investment	

### Material matters

- Deliver outstanding person-centred health and care.
- Recover, defend and grow long-term profitability.
- Continue to develop visionary and effective leadership.

## How we manage risk continued

### Cybercrime and cybersecurity (impacts all service platforms)

Cybercrime remains a global threat with healthcare records and the sensitive personal information they contain being an attractive target for cybercriminals. As we accelerate our digital and data strategies, we must ensure that our IT systems and the information they contain are adequately secured without impeding access to patient information for healthcare facilities and healthcare practitioners. In addition, the applications we implement require greater reliance on third-party service providers for secure coding, high application availability and secure data storage and transfer practices.

Failure to secure our systems and data could result in:

- Disruption of normal business operations.
- Litigation, penalties and fines for non-compliance with regulations relating to the protection of sensitive, personal and private information.
- Damage to our reputation.

#### COVID-19

Emergencies and disasters present an opportunity for cybercriminals to take advantage of increased levels of uncertainty and panic. In the case of novel phenomena like a new virus, the increased need for information can also be used to criminal advantage. COVID-19 has been used in a variety of malicious campaigns, intensifying risks associated with cybercrime and cybersecurity.

#### Our mitigating measures

- Cybersecurity control measures (page 168).
- Initiatives to secure private information (page 168).

#### Governance

- Risk Committee.
- Audit Committee.

#### Assurance

##### Non-independent

- Executive Committee.
- IT Steering Committee.
- Compliance Committee.
- Group Risk Management function.
- Information Security Management Committee.
- IT Governance Risk and Compliance team.
- Protection of Personal Information Act Steering Committee.
- Outsourced security operations centre and Security Information and Event Management solution.
- Automated Identity and Access Management system.
- Privileged Account Management system.
- External consultants.

##### Independent

- Group Internal Audit.
- External consultants.

#### Capitals at risk

- Relationship
- Intellectual
- Financial

#### LINK TO STRATEGIC PILLAR

SP2

Disruptive innovation

#### Material matters

- Deliver outstanding person-centred health and care.
- Recover, defend and grow long-term profitability.

## Sector regulations

(impacts all service platforms)

Once the immediate threat of a resurgence of COVID-19 eases, the government will resume its work on NHI and accelerate the path towards the country's implementation of universal health coverage. The amended draft NHI Bill proposes far-reaching changes to the manner in which healthcare services are funded in SA, and some components of the Bill remain unclear. Changes to the healthcare sector create uncertainty and may impact how we operate or our ability to acquire licences. More broadly, in already tough economic times, the medical scheme population may not be able to afford additional taxes to fund NHI, potentially leading to a decline in the covered population, further weakening medical schemes and precipitating greater reliance on the already over-burdened public healthcare system for the provision of care.

### COVID-19

In April 2020, the medical schemes regulator announced a temporary relaxation of rules enabling funders to implement measures to retain members during COVID-19, including lifelines such as contribution holidays and allowing members to access their medical savings accounts to cover premiums.

### Opportunities

- Using available private sector capacity to alleviate public sector backlogs under the NHI, potentially increasing volumes albeit at potentially lower tariffs.
- Build agile cost structures to protect against potential value erosion from regulatory change.
- Work with regulators and government to formulate health policy and legislation to provide access to quality healthcare for more South Africans.

### Our mitigating measures

- Provide constructive input to the realisation of the NHI and other emerging legislation (page 136).

### Governance

- Risk Committee.
- Audit Committee.

### Assurance Non-independent

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

### Independent

- No independent assurance required.

### Capitals at risk

- Relationship
- Intellectual
- Financial

#### LINK TO STRATEGIC PILLARS

SP3

Transformation  
of society

SP4

Organic growth

### Material matter

- Drive broader access to healthcare, and strengthen partnerships to facilitate inclusive growth and socioeconomic transformation.
- Recover, defend and grow long-term profitability.

## How we manage risk continued

### Competitor activity (impacts all service platforms)

We continue to experience increased competition across all areas of private healthcare service delivery from hospital and cancer services to mental health, primary care, renal and pre-hospital emergency services. Intensified competition impacts our ability to attract healthcare providers for specialist skills. In addition, more specialists continue to split their practices across competitor hospitals. Increased competitive activity may also result in decreased hospital occupancy and market share, should this not be managed and mitigated.

#### Opportunities

- Attract and retain specialists by providing access to quality nursing services, healthcare infrastructure and increased participation in hospital networks.
- Transfer and convert under-utilised beds to facilities and disciplines with high demand.
- Digitise to strengthen doctor, funder and patient relationships through enhanced clinical outcomes, more accurate and relevant clinical data and improved patient experience.
- Develop new products and strategic partnerships to reach new markets and promote inclusivity.

#### Our mitigating measures

- Doctor recruitment and retention (page 129).
- Digital transformation (page 157).
- New business development (page 170).
- Expansion and maintenance programmes (page 174).

#### Governance

Risk Committee.

#### Assurance

##### Non-independent

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

##### Independent

- No independent assurance required.

#### Capitals at risk

- Relationship
- Human and intellectual
- Financial

#### LINK TO STRATEGIC PILLARS

SP1	SP2
Consistency of care	Disruptive innovation
SP4	SP5
Organic growth	Integration
SP6	
Investment	

#### Material matters

- Deliver outstanding person-centred health and care.
- Recognise, protect and invest in our employees, doctors and allied healthcare practitioners.
- Drive broader access to healthcare, and strengthen partnerships to facilitate inclusive growth and socioeconomic transformation. Recover, defend and grow long-term profitability.
- Continue to develop visionary and effective leadership.

## Availability and quality of skills

(impacts Hospital division, Akeso Clinics and National Renal Care)

Competition among healthcare providers to attract and retain scarce skills remains fierce and is expected to intensify given the ongoing shortage of specialists and specialist registered nurses. Additional pressures include a limited capacity to train doctors in SA, an increase in the average age of practising specialists, the escalating cost of professional liability insurance for specialists and increasing rates of emigration among the skilled population. A skills shortage poses a risk for the sustainability of the healthcare sector.

Failing to secure required skills poses risks to our ability to provide consistently optimal care and deliver on our strategic objectives by:

- Negatively impacting our succession pipeline for the cohort of professional nurses currently in service.
- Constraining our ability to expand into higher demand disciplines and new service lines.
- Increasing operating expenses by way of overtime and agency hours.
- Limiting our efforts to increase access to healthcare.

### COVID-19

Caring for COVID-19 patients puts healthcare practitioners at risk of infection. Every effort is taken to protect them, however, an infection within a nursing team or key administration and finance function, could result in patients being at risk of poor outcomes, nurses performing duties beyond their scope of practice, or business operations being disrupted.

### Opportunities

- Attain HPCSA accreditation to train specialists and sub-specialists.
- Digitise to attract and retain specialists, reduce medico-legal risk and reduce the administrative burden on nurses, enabling them to spend more time providing care.
- Provide employees with an attractive working environment that is caring, inclusive and ethical, and rewards outstanding contributions to the business and the delivery of person-centred health and care.

### Our mitigating measures

- Advocate for collaborative solutions (page 136).
- Digital transformation (page 157).
- Developing our people and ensuring their wellbeing (page 144).

### Governance

- Risk Committee.
- Social and Ethics Committee.

### Assurance

#### Non-independent

- Executive Committee.
- Operational Transformation Committee.
- Group Risk Management function.
- Physician Advisory and Digital Advisory Boards.
- Hospital Association of South Africa.
- Department of Higher Education Training.
- Universities.
- Health and Welfare Sector Education and Training Authority.

#### Independent

- South African Nursing Council.

### Capitals at risk

- Relationship
- Human and intellectual
- Financial

#### LINK TO STRATEGIC PILLARS

SP1	SP3
Consistency of care	Transformation of society
SP4	
Organic growth	

### Material matters

- Deliver outstanding person-centred health and care.
- Recognise, protect and invest in our employees, doctors and allied healthcare practitioners.
- Recover, defend and grow long-term profitability.

## How we manage risk continued

### Availability of electricity supply (impacts all service platforms)

We depend on a secure and stable national electricity grid to provide care to patients 24 hours a day, 365 days a year. Cumulative load shedding by the end of August 2020 was already 23% worse than in 2019. As of September 2020, Eskom had indicated that electricity supply will remain erratic for a further 18 months. It has also indicated that it requires electricity prices to increase by 25% in real terms for it to become sustainable. Fortunately, the National Energy Regulator of South Africa has determined that energy can now be government-procured from sources other than Eskom. More generally, a lack of consistent supply affects multiple sectors in SA, negatively impacting investor confidence and an already strained economy.

An unstable power grid can result in:

- Disruption to normal business operations.
- Sub-optimal quality patient care.
- Increased costs of operation due to diesel and staff needed to limit disruption and maintain care levels.

#### Opportunity

- Implement solutions to secure the supply of electricity, ensuring our ability to operate and deliver high-quality care during electricity outages, when competitors may not be able to do so.

#### Our mitigating measures

- Emergency generation capacity (page 181).
- Alternative energy sources (page 182).

#### Governance

- Risk Committee.
- Social and Ethics Committee.

#### Assurance

##### Non-independent

- Executive Committee.
- Sustainability Committee.
- Group Risk Management function.
- External engineering consultants.

##### Independent

- No independent assurance required.

#### Capitals at risk

- Relationship
- Natural
- Financial

#### LINK TO STRATEGIC PILLAR

SP1

Consistency of care

#### Material matters

- Deliver outstanding person-centred health and care.
- Recover, defend and grow long-term profitability.

## Water security

(impacts all service platforms)

We depend on a secure and stable water supply to provide care to patients 24 hours a day, 365 days a year. The short-term concerns relating to an aging and fragile municipal water infrastructure remain, as do the long-term concerns relating to the design of SA's water system and the impact of climate change on the country's rainfall and water supply. SA's water consumption remains higher than the international benchmark, with current forecasts indicating that our water demand will exceed supply by 17% by 2030<sup>1</sup>.

Lack of a consistent supply of water can result in:

- Disruption to normal business operations.
- Sub-optimal quality patient care.
- Severe public health threats, resulting in an increased need for healthcare due to poor quality water sources and disruption to sanitation measures.

### Opportunity

- Implement solutions to secure the supply of water, ensuring our ability to operate and deliver high-quality care during shortages, when competitors may not be able to do so.

### Our mitigating measures

- Water storage capacity (page 181).
- Develop specific water strategies per facility (page 183).

### Governance

- Risk Committee.
- Social and Ethics Committee.

### Assurance

#### Non-independent

- Executive Committee.
- Sustainability Committee.
- Group Risk Management function.
- Water scientist.

#### Independent

- No independent assurance required.

### Capitals at risk

- Relationship
- Natural
- Financial

### LINK TO STRATEGIC PILLAR

SP1

Consistency of care

### Material matters

- Deliver outstanding person-centred health and care.
- Recover, defend and grow long-term profitability.

1. McKinsey and Company 2010.

## How we manage risk continued

### Appropriately maintained plant and equipment (impacts all service platforms except Akeso Clinics)

Improper maintenance of plant and equipment poses a risk to the safety of patients and employees. It also impacts the quality of patient care and our ability to attract and retain healthcare specialists and, if not properly managed and mitigated, can result in sub-optimal clinical quality outcomes. Of critical importance, is the maintenance of our generators and uninterrupted power supply systems given the ongoing implementation of our digital strategy and the instability of the national electrical supply system.

#### COVID-19

Appropriate and timeous maintenance and repair of critical plant and equipment may be at risk should our service providers not be able to operate or gain access to healthcare facilities where plant and equipment is housed due to COVID-19.

#### Opportunity

- Maintain a structured asset management system aligned to sector best practice to reduce total cost of ownership, deliver enhanced stakeholder satisfaction and safety, as well as protect our brand and reputation.

#### Our mitigating measures

- Asset Management Improvement Project (page 178).

#### GOVERNANCE

- Risk Committee.
- Audit Committee.
- Consistency of Care Committee.

#### ASSURANCE

##### Non-independent

- Executive Committee.
- Procurement Committee.
- Group Risk Management function.
- Asset Management Improvement Project Steering Committee.
- Asset Management Shared Services Centre.
- Internal quality review process.
- Health and Welfare Sector Education and Training Authority.

##### Independent

- Group Internal Audit.
- External consultants.

#### Capitals at risk

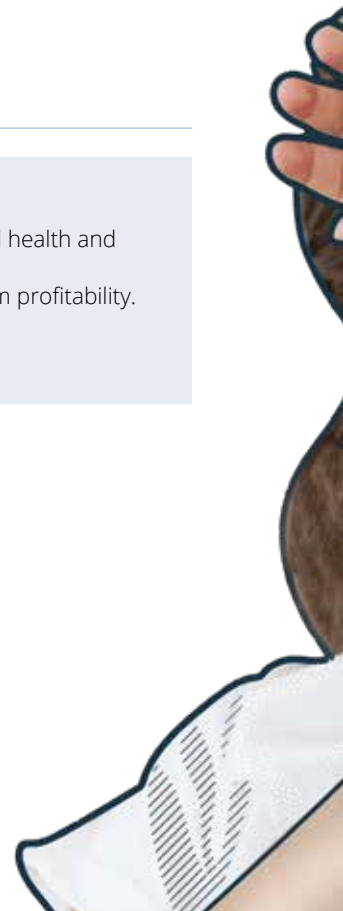
- Relationship
- Manufactured
- Financial

#### LINK TO STRATEGIC PILLARS

SP1	SP4
Consistency of care	Organic growth
SP6	
Investment	

#### Material matters


- Deliver outstanding person-centred health and care.
- Recover, defend and grow long-term profitability.





# How we performed

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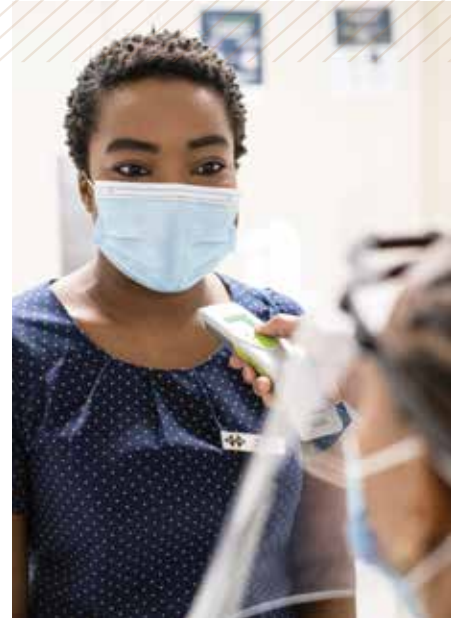


We are committed to pushing out the boundaries of healthcare and playing a meaningful role in the lives of more South Africans, more often. We combine compassion, expertise and technology to support each and every person with the best and safest patient care, giving them the confidence they need when they need it most. We call it person-centred health and care, digitally enabled and data driven.

# Chief Executive Officer's review

**"In Netcare's history, neither the richness of the human experience nor the physical and psychological wellbeing it is premised on, has ever been under greater threat than in 2020. And never have we fought harder to preserve both. In our battle against COVID-19, our commitment to our calling as healthcare professionals and to our purpose and values as a provider of health and care services to South Africa, have been tested and not found wanting."**

– Dr Richard Friedland, Group CEO



## Purpose in an evolving normal

Over the past year, Netcare has been a battle station on the frontline against a disease that attacks the body in ways we are still trying to understand, and one which threatens our very humanity. COVID-19 pries open weakness in healthcare systems and seizes on expressions of care – compassion, closeness and contact. It attacks our calling to serve those who are vulnerable, and strikes at our very identity as a company. We had to pivot our entire organisation to deal with COVID-19. Our results for 2020 mirror the damage the pandemic has already done to societies, economies and companies the world over. Although it has taken a heavy toll on our people and our Group, our commitment to our purpose and our strategy is withstanding this severe test and remains firmly intact.

Five months into our financial year, in February 2020, Netcare was on track to deliver an improved performance and had 88 strategic projects well underway. COVID-19 had just received its official name, was a foreign problem, and the World Health Organization (WHO) was still insisting that it was not a pandemic. But by year-end, our EBITDA<sup>1</sup> was down R2.3 billion on last year, our net debt had grown by R1.3 billion and we were unable to get our project implementation dashboard out of the red. At this point, we had treated over 28 000 patients with COVID-19 and admitted over 13 000 into our hospitals. Most distressingly, we were mourning the deaths of 20 nurses and employees and nine of our doctors who had succumbed to the virus.

To understand the full impact of COVID-19 on our operational and financial performance, and our

expectations for recovery, please turn to the Chief Financial Officer's review (starting on page 186).

As I write this, much of Europe is under lockdown for a second time, and several American states are recording new infection records. Here in South Africa (SA), we are seeing a surge in new infections across four provinces and evidence of a second wave, partly spurred on by 'super spreader' events. This is extremely concerning and we are already beginning to see an increase in hospital admissions. However, this time we understand the disease better and our treatment options are expanding. We know how to better manage the operational risks and provide the services our patients need without undue interruption. With the prospect of an effective vaccine on the horizon, at least the COVID-19 pandemic has a foreseeable endpoint, although our relief must be tempered by the enormous complexity of global distribution and the capacity required for mass immunisation.

Netcare is adapting to this *evolving* normal, emboldened by our proven ability to be nimble and to learn, continually. I encourage you to read about our approach to COVID-19 (starting on page 08); and invite you to appreciate the heroic efforts of our people and partners along the continuum of care – those on the frontline and those involved in the intricate systems that support them – documented throughout our integrated report. Across our report, you will find evidence to suggest that delivering on our strategy has never been of greater import to Netcare, and the patients we are privileged to care for.

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

One thing shines through all these pages: at Netcare, our purpose and our values are unwavering, and will continue to be our compass in volatile and uncertain times.

## The courage to keep learning

Our ability to evolve, protect our frontline workers and improve patient outcomes depends directly on our willingness to learn. We are immensely proud of the skill and dedication our management and professional teams have shown in caring for COVID-19 patients and the pandemic has taught us many valuable lessons.

COVID-19 struck SA after some of the hardest lessons had already been learned in Asia and Europe. But it bears reminding how little we knew when the pandemic reached us. By the time level 5 lockdown was declared and we encountered our first cases, COVID-19 was still seen primarily as a severe respiratory syndrome rather than the broad assault on body systems we now know it to be. As a result, it took time to recognise the importance of anticoagulants, steroids and different modalities of oxygen therapy in the treatment of COVID-19. Precautionary measures and guidelines on how to prevent its spread were still being developed and were changing frequently. For example, initially the WHO advised that the use of masks should be restricted to acute care environments. It would be months before scientists could persuade regulators that the virus remains suspended in poorly ventilated air for long periods.

There were, undeniably, instances where knowing more would have allowed us to do better. The outbreak of COVID-19 at Netcare St. Augustine's Hospital is perhaps the most tragic example. The resulting outbreak and suffering attracted much negative publicity and regulatory scrutiny. We had to rapidly respond to contain the spread of the virus and commissioned leading experts to investigate the events and report publicly on their findings. Their report allowed us to strengthen our protocols and served as a crucial lesson for other hospitals.

We have the courage to learn, even if it exposes our shortcomings. To that end, we have received ethical approval to commission a detailed review of all patients who succumbed to COVID-19 in our hospitals, to better understand the impact and efficacy of various treatment protocols. We believe the study will contribute positively to the medical community's ability to respond to a resurgence in COVID-19 infections.

Many lessons have emerged from our experiences during the pandemic, but I want to highlight four of the most fundamental thus far.

If there is one positive to take out of the pandemic, it is the wide recognition that worker and, specifically, healthcare and other essential services worker safety cannot be over-emphasised. For SA as a whole, I believe the pandemic

and its rapid spread have reminded us of the critical importance of robust occupational health and safety (OHS) standards and practices. For Netcare's part, we have fully digitised all of our training and OHS processes and records relating to COVID-19.

In the first wave, COVID-19 threatened to dehumanise us all and in particular our healthcare workers. Patients and loved ones could not see each other. Caregivers were hidden in 'spacesuits' and behind masks, and the anxiety this created was often debilitating. It was a stark reminder to all of us to find different ways of communicating with patients and their loved ones, for instance allowing digital facetime or mobile calls to bridge the gap. While we could not allow normal visitation in our hospitals, we certainly allowed family to visit in compassionate or end-of-life situations. This compassionate stance will continue as long as COVID-19 remains a reality.

The pandemic has emphasised how imperative it is to accelerate digitisation to allow real time, remote management, effective leadership and control in the healthcare environment. Despite putting many of our more extensive digital projects on hold during this period, we focused on digitising key processes including bed management, oxygen capacity and demand, tracking and monitoring of COVID-19 positive employees, OHS, virtual consultations, e-scripting for doctors, and the screening of healthcare visitors and others.

Finally, COVID-19 exposes the real fault lines in our healthcare system. A seminal editorial in the Lancet medical journal<sup>1</sup> quoted the work of Professor Merrill Singer, a medical anthropologist, who coined the phrase Syndemic in the 1990s. A Syndemic or synergistic epidemic is the impact of two or more epidemics or disease clusters that exacerbate the prognosis and burden of disease. COVID-19 has been viewed simply as the sole cause of this crisis and so all of our interventions have focused on stopping viral transmission. But the story is not so simple. There are in fact two categories of disease interacting within specific populations: infections with SARS COVID-19 in conjunction with an array of non-communicable diseases (NCDs) such as hypertension, diabetes, asthma, obesity and cardiovascular disease. To make matters worse, these are aggregating against a background of social and economic disparity that exacerbates their adverse effects.

This is exactly what we experienced during the initial surge in COVID-19 infections – the majority of our patients had existing comorbidities, often poorly controlled and managed, which exacerbated their condition and worsened the outcome. The lesson is clear. Unless we improve our management of NCDs, COVID-19 will not be the last Syndemic to attack our planet. In SA, prior to COVID-19, 57.8% of all deaths were attributable to NCDs.

1. Horton, R. (2020). Offline: COVID-19 is not a pandemic. *The Lancet*, 396 (10255), [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)32000-6/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)32000-6/fulltext).

## Chief Executive Officer's review continued

This shines a hard light on how traditional siloed, disjointed and episodic approaches to healthcare are ill-equipped to deal with the challenges of today, let alone the future needs of healthcare consumers – and that at escalating and unsustainable cost to national budgets. Netcare's strategy of person-centred health and care, digitally enabled and data driven, aims to provide seamless and integrated services across the full continuum of health and care.

Making our services accessible to more people, and enabling the people we serve to take co-responsibility for their health – particularly in managing underlying conditions and improving compliance with medication and treatment – represents a far more effective response to the burden of diseases we must bring under control, as we continue to manage the pandemic while also rebuilding our economy.

### Getting back on track in growing value for stakeholders and society

These lessons begin to illustrate how COVID-19 has raised the difficulty level of implementing our strategy in an operating environment that was already deteriorating. But equally, they elevated the importance of getting back on track in implementing our strategy, which seeks to decisively answer the global trends and national complexities we face as a leading provider of healthcare in SA.

While the exact implications of formal sector job-losses on medical aid membership and members buying down to cheaper options is still unknown, a contraction is probable. Increasing competition with lower barriers to entry, and input costs above inflation while tariffs are expected to be discounted, are threats to our business bound to intensify. In addition to ongoing regulatory challenges and uncertainty about the implementation of National Health Insurance (NHI), the Competition Commission also recently gave open and closed medical aid schemes the nod to negotiate collectively, which will consolidate their purchasing power and put further pressure on tariffs.

Under these circumstances, Netcare's strategy is premised on creating sustainable competitive advantage, something Warren Buffet has repeatedly referred to as a 'moat'. It decisively embraces the three global megatrends of customer centricity, data and digitisation and combines them with our unique ecosystem of services and facilities to deliver person-centred health and care that is digitally enabled and data driven. This is how we intend to compete and grow in an evolving normal, and is a path from which we will not deviate.

Our intention is clear. We want to attract more people to our ecosystem of services, as their trusted partner of choice in providing health and care of an outstanding quality. Within the continuum of care, we are digitising

specific patient journeys to fully leverage the skills and compassion of our people, our systems and data and hard assets, to meet our patients' immediate care needs in a way that optimises their longer-term health outcomes, most efficiently. We want to make sure that their experience of Netcare, in times they are most vulnerable, will be unlike anything they can find elsewhere.

I urge you to turn to page 162, which illustrates the benefits of a fully digitised and integrated patient journey, in this case at Netcare 911, which exemplifies what we are trying to achieve across all our service platforms. This makes it clear that operating efficiency in a healthcare setting – and especially in emergency care – is not only about lower costs, it is fundamental to achieving the best possible health and care outcomes.

Careful analysis underpins our belief that our strategy will optimise the value of our relationships with the people we serve, from cradle to grave, and encourage them to stay within the Netcare ecosystem of services over their lifetimes. Significantly, it will optimise their access to all our facilities, services and products. Most importantly, as outlined above, empowering people with their electronic health records will allow them to assume co-responsibility for their health and care. This is a fundamental cornerstone of person-centred health and care, and will also create significant new value for our people and partners in the continuum of care.

Netcare's unique ecosystem of assets also allows us to integrate the mega trends in developing service offerings that centre on the person we serve. Our access to cost, efficiency and actuarial datasets will allow us to develop products and services that will extend private healthcare to people that are employed but uninsured. We believe this will grow our market share and expand the segments of the population we can serve. This prepares us well to contribute meaningfully to the implementation of universal healthcare in SA, not just with bed capacity, but in complement to the entire public healthcare system. To this end, driving the inclusivity and affordability – and therefore the accessibility – of our services is a strategic imperative.

Developing new products depends on a combination of information and skills. Supplementing the executive team with actuarial expertise and a deep understanding of health-finance products is already contributing more detailed analysis to our product development processes, resulting in greater cost-benefit certainty. We welcome Teshlin Akaloo to the executive team as Managing Director of NetcarePlus, our innovative products and financial services division. His skills and experience and that of his team will enable us to scale up this important growth opportunity.

Stakeholders need to distinguish between healthcare products funded by medical aids and the data-driven financial products Netcare will offer. Most obviously,

our products are directly linked to our in-house services and network. And because we know what it costs us to provide specific services in our system, we can offer financial products at a fixed price point that is attractive, particularly for uninsured patients, while containing our risks.

There is a real need to increase accessibility and affordability of healthcare and NetcarePlus aims to help more South Africans access private healthcare. We are aware of the Registrar of Medical Schemes' objection to our general practitioner (GP) vouchers and are appealing this in terms of the Medical Schemes Act. NetcarePlus does not conduct the business of a medical scheme and the salient features of the products bear this out through an innovative solution which falls outside of the Medical Schemes Act.

Another important growth vector for the Group is to develop our occupational mental health services.

During the year, we acquired 40% of Independent Counselling and Advisory Services (ICAS), which offers a comprehensive range of mental health, work-life and wellness services to organisations and their employees. The service covers over 700 000 lives across multiple industries in SA and is a Level 1 broad-based black economic empowerment (B-BBEE) provider.

While we are confident in our ability to grow in an environment that has become considerably more difficult, we are well aware that truly sustainable competitive advantage must equate to delivering a highly differentiated service offering that drives *above-market* growth and enhanced returns. Each project that operationalises our strategy needs to comply with at least one of these non-negotiable criteria and measurements of success. Together, they form the Netcare litmus test for approval and investment in a project:

## 01

**Differentiate products and services:** investments must result in superior quality of clinical outcomes, safety, patient experience and engagement.

## 02

**Drive market share:** investments must deliver growth that outpaces the market; we must not only increase Netcare's share of a stagnant market, we also need to develop new services and products that expand the market we serve.

## 03

**Enhance returns:** investments must achieve higher margins, return on invested capital (ROIC) and economic profit.

As you will read in the detailed disclosure of our performance against the six pillars of our strategy (from page 66, and in our performance per capital, starting on page 112), COVID-19 had a severe, unavoidable impact on the execution of many of our strategic programmes. Of the 88 strategic objectives that passed the Netcare litmus test and were slated for implementation over the past year, we achieved 31, partially completed 12, and did not achieve 45. Those partially or not achieved will be carried over into the 2021 financial year, and we have provided clear indication of how our expectations and timelines have been recalibrated to get us firmly back on track.

### Towards a more inclusive, sustainable society

Despite the challenging year we had, we continue to make significant progress in accelerating transformation both within Netcare and society as a whole, evidenced by improved outcomes in all the pillars of our transformation strategy. The racial and gender profile of our workforce is becoming more aligned with the national economically active population, including at leadership level. We met and exceeded our targets set out in the five-year Netcare employment equity plan to 2020.

Given the critically high levels of youth unemployment in our country, we continue to invest in skills development and employment creation through the Youth Employment Service (YES) programme. Currently, we have 865 young people enrolled in various internships and learnerships, with a 97% permanent employment conversion rate, and another 516 young people will start their training in 2021. We have exceeded our pledge to train 1 000 young people over a five-year period ending in 2023.

Our focus on supporting inclusive economic growth is evident in the improvement in our procurement spend on B-BBEE compliant suppliers to 86% of measured spend. Noteworthy is the sustained growth in procurement from black-owned and black women-owned suppliers. Almost R4 billion of our measurable procurement spend was with 51% black-owned enterprises. At about 34%, this amount fell short of our internal target and the Department of Trade, Industry and Competition's (dtic) target of 50%. However, we managed to surpass the dtic's suggested target to spend at least 12% of total procurement with 30% black women-owned businesses. Netcare spent R2.5 billion, or 22% of measurable procurement spend, with these suppliers.

## Chief Executive Officer's review continued

The year-on-year growth in our investment in enterprise and supplier development (ESD) also affirms our commitment to supporting entrepreneurship and employment creation by including and developing small businesses in our supply chain. We spent almost R1 billion or 7.6% of our measurable procurement spend with qualifying small enterprises (QSEs) (against our internal target of 9%) and 5.6% with emerging micro enterprises (EMEs) (internal target: 8%). We are implementing a structured ESD programme to further improve procurement from QSEs, EMEs and designated suppliers. We also continue to identify opportunities for entrepreneurs and small black businesses to become part of the 'My Walk Made with Soul' value chain as this initiative matures (you can read more about this initiative on page 140).

Our efforts to attract more black doctors to the Netcare Group continues to bear fruit and is an important investment in creating a more diverse and inclusive organisation. Of the 113 doctors recruited in 2020, 70 were young black clinicians. These young doctors represent our future and will contribute to the wellbeing of our organisation and country. More immediately, they strengthened our clinical resources at a time when our people were working under extreme pressure.

A crucial underpin to both our strategy and to our commitment to creating socioeconomic value, is our investment in climate-smart healthcare. We inceptioned our environmental sustainability strategy in 2013 to secure uninterrupted supply of the utilities we need to provide the best and safest care, more cost-effectively, by reducing our reliance on unstable national supply and avoiding rising costs; while progressively mitigating the negative environmental impact of our operations. I am proud that in the international 2020 Healthcare Challenge Awards, Netcare achieved the distinction of being the only healthcare institution to be awarded the highest accolade in each of the four categories: greenhouse gas reduction (energy), renewable energy, climate resilience and climate leadership. This is welcome acknowledgment of the progress we are making to become a model for environmental sustainability in our sector (you can read more about our initiatives in manufactured and natural capital from page 174).

### Widening the circle of our care

In August last year, the Business Roundtable, which comprises the chief executives of the world's largest companies, issued a landmark *Statement on the Purpose of a Corporation*. In it, they committed to lead their organisations not only for the benefit of shareholders but for all stakeholders and, indeed, countries. Five months later, the World Economic Forum echoed these sentiments at its annual meeting. Few of the leaders at Davos could have foreseen how soon and to what extent COVID-19

would test the credibility of this commitment. Whereas history will record the enormous sacrifices the global population made during the first wave of the pandemic, we as business leaders face a choice that will decide the legacy of our generation: how far beyond shareholder value will we widen the circle of our care?

In Netcare, as in many companies in SA, this debate has manifested itself foremostly in the duty of care we have to our employees. In tough and uncertain times, retrenchment is often the obvious choice to maintain earnings or regain profitability. But unlike many other companies, we have made a firm commitment to preserve jobs and to be that pillar of support to our employees at a time of significant hardship. Job preservation is also the most direct way for us to contribute to the protection and recovery of the South African economy.

Netcare will not prejudice our people who have worked so hard, sacrificed so much and risked their own lives to protect our patients and our country. We understand that by doing so, our recovery in financial terms will take longer to achieve. But as a values-driven organisation, our credibility rests on how faithfully we apply our commitment to care, and our people have shown widespread appreciation for this approach. However, in driving a post COVID-19 recovery strategy, Netcare's leadership understands full well that with this commitment comes a responsibility to eliminate any discretionary spending and to vigorously drive efficiencies throughout our business units, which will enable us to return value to our shareholders as soon as possible.

Besides principle, there is logic to our stance. We believe the pressure on patient volumes experienced during the pandemic is not structural in nature, depending on how long and severe the second wave is, we will begin to recover in the second half of next year. With the prospects of widespread vaccination against COVID-19 becoming a real possibility in the next 12 to 18 months, and as the various elements of our strategy evolve and mature, we are confident of a return to growth and profitability from our pre-COVID-19 baseline. As such, this is certainly not the time to undermine the morale and dilute the commitment and capacity of our organisation to fulfil our purpose and progress our strategy.

Despite the emergence of a second wave and overall macroeconomic challenges, we remain absolutely focused on delivering sustainable competitive advantage and creating value for our shareholders and other stakeholders. Our strategic projects are back on track and exciting initiatives will be launched across all of our service platforms in the coming year, some of which I have already touched on. Key growth projects, particularly the expansion of our mental health capacity over the next three years, have been reignited.

Netcare has emerged wiser from the first wave of COVID-19 infections and even as we manage the new outbreaks in the various provinces, we remain confident that we can do so in a better, more nuanced manner, without disrupting our operations to the same extent as we had to do in the first wave. The systems, digital platforms and enabling tools we have developed during the past months will hold us in strong stead.

### Appreciation and condolences

Our hearts go out to the loved ones and colleagues of our 20 healthcare workers and nine doctors who lost their lives on the frontline against COVID-19. We will miss them, and their commitment in the face of personal risk will continue to inspire us. As I have described, COVID-19 has exacted a heavy toll – not even our most experienced professionals can escape the emotional drain of fighting a vicious pandemic. Their legacy will be a dedication to caring notwithstanding the impact on them and their families, and I thank each and every one of you.

Our management team is deeply indebted to our Chair, Thevendrie Brewer, and members of the Board for their unflinching support and wise counsel not only at the height of the first wave of the pandemic, but in helping us to get Netcare back on track in implementing our strategy.

One of the greatest tragedies of COVID-19 is the separation it demands between patients and the people they love. We have seen how much this hurts. I want to reassure the families of patients who lost their lives in Netcare hospitals that their loved ones were not alone. It was our honour to stand in for them as best we could from behind our masks and visors.

I am deeply humbled to be part of an organisation that upholds the sanctity of life and demonstrates that life will always be about more than being alive – wherever the evolving normal might lead us.



**Dr Richard Friedland**  
Group Chief Executive Officer



# Executive Committee

Netcare's Executive Committee is a diverse and experienced management team comprising 12 members.



## Dr Richard Friedland /58

BvSc, MBCh (Cum Laude), Dip Fin Man, MBA

### Chief Executive Officer

Joined Medicross in 1995 and Netcare in 1997



## Keith Gibson<sup>1</sup> /50

BAcc, CA(SA)

### Chief Financial Officer

Joined in 2006



## Dr Anchen Laubscher /40

MBChB, DCH, DipPEC, PGDipGM, MBA (Cum Laude)

### Group Medical Director

Joined in 2007



## Dr Sandile Mhlongo /42

MBChB, MSc (Health Economics)

### Managing Director – Akeso Clinics

Joined in 2019

#### KEY

- Risk Committee
- Social and Ethics Committee
- CareOn Digitisation Project Steering Committee
- Finance and Investment Committee
- IT Steering Committee
- Procurement Committee
- Sustainability Committee
- Tariff Committee
- Working Capital Committee
- Combined Assurance Committee
- Operational Transformation Committee

1. Netcare representative on the ICAS Board of Directors.





### Dr Nceba Ndzwayiba /42

PhD, M Phil HRD, BTD Hons (Cum Laude), B Technology, NDip ODETD

**Director – Human Resources and Transformation**

Joined in 2008



### Dr Billyy van der Merwe /59

MBChB, MBA

**Managing Director – Primary Care**

Joined in 2011



### Teshlin Akaloo<sup>1</sup> /37

BSc Financial and Actuarial Mathematics, Fellow of the Institute of Actuaries

**Managing Director – Innovative Healthcare Solutions**

Joined in January 2020



### Melanie Da Costa /48

MCom, CFA

**Director – Strategy and Health Policy**

Joined in 2006

#### KEY

- Risk Committee
- Social and Ethics Committee
- CareOn Digitisation Project Steering Committee
- Finance and Investment Committee
- IT Steering Committee
- Procurement Committee
- Sustainability Committee
- Tariff Committee
- Working Capital Committee
- Combined Assurance Committee
- Operational Transformation Committee

1. Netcare representative on the ICAS Board of Directors.

## Executive Committee continued



### Travis Dewing /47

NDip IT  
**Chief Information Officer**  
 Joined in 1997



### Jacques du Plessis /55

BCompt (Hons) Accounting  
**Managing Director – Hospitals**  
 Joined Medicross in 1996 and Netcare in 2001



### Craig Grindell /49

NDip EMC, NH Dip Business Management, Bachelor's Degree EMC  
**Managing Director – Netcare 911**  
 Joined in 2013



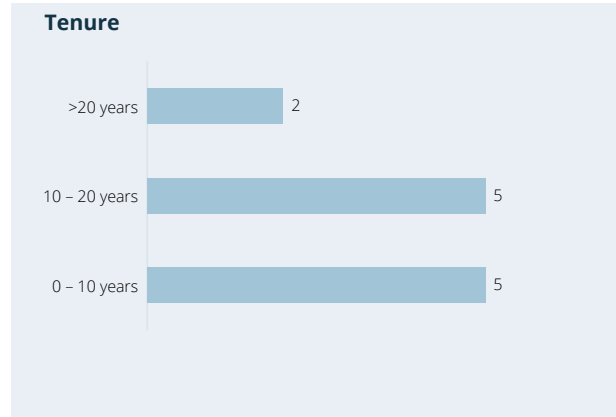
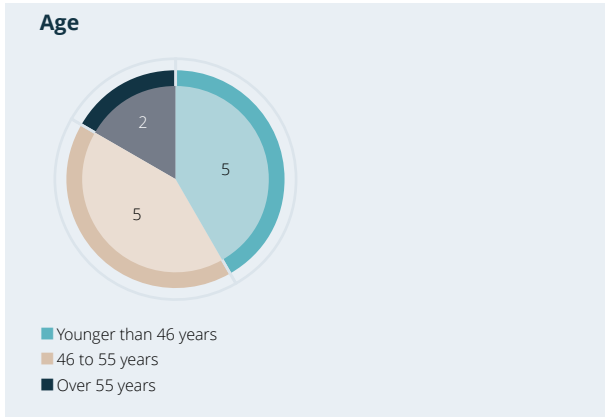
### Charles Vikisi /45

BA, BA (Hons) (Clinical Psychology), LLB, BTh PDip in compliance management  
**General Counsel and Group Secretary**  
 Joined in September 2020  
 Attends all committee meetings as Company Secretary.

#### KEY

- Risk Committee
- Social and Ethics Committee
- CareOn Digitisation Project Steering Committee
- Finance and Investment Committee
- IT Steering Committee
- Procurement Committee
- Sustainability Committee
- Tariff Committee
- Working Capital Committee
- Combined Assurance Committee
- Operational Transformation Committee

### Executive Committee composition



► Average age

**48**  
years old



► Diversity

**42%**  
of members are black  
(2019: 31%)



► Diversity

**17%**  
of members are women  
(2019: 23%)

#### Changes during the year

**Exits:** Lynelle Bagwandeem (30 June), Mark Bishop (30 September) and Peter Warrener (30 September).

**Joined:** Teshlin Akaloo (1 January) and Charles Vikisi (1 September).

# Relationship capital

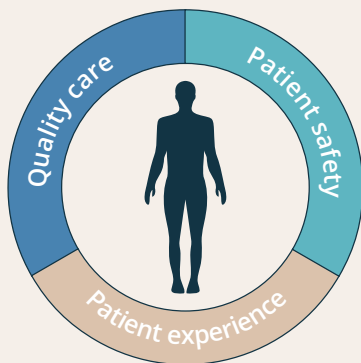
## Our patients

Providing the best and safest person-centred health and care (of body and mind) is central to Netcare’s promise to our patients, and underpins our ability to compete and grow in a fast-changing healthcare sector. A key focus of our strategy is therefore to provide our patients with a consistently high level of care both in terms of quality and safety. This is operationalised using an integrated and collaborative approach across all our service platforms, which are increasingly digitally enabled and data driven. The following internationally recognised healthcare models guide our approach.



### The Quadruple Aim<sup>1</sup>

An international framework that aims to optimise the performance of healthcare systems through the integration of four critical objectives. The concept was first introduced by Berwick and colleagues as the Triple Aim, covering care, health and cost – where care refers to a patient’s subjective experience of care.



### The Cleveland Clinical Model<sup>2</sup>

To deliver care that is person-centred and cares for the whole person, we must:

- Put patients first and at the centre of everything we do.
- Recognise patients as individuals and respect that every patient’s journey is unique.
- See patients as partners and encourage them to actively participate in the decisions and management relating to their health and care needs.
- Commit to consistently high-quality care.
- Expand our services to include wellness before and after care.

### Modifying the value of care equation

$$\text{Value of care} = \frac{\text{Outcomes}}{\text{Cost}} \times \text{Patient experience}$$

- **Clinical outcome:** the degree to which the clinical event achieved a clinical goal.
- **Cost of the clinical event:** total cost charged by care providers.
- **Patient experience:** the degree to which the patient’s expectation was met.

1. Source: Bodenheimer, T., & Sinsky, C. (2014). From Triple to Quadruple Aim: Care of the Patient Requires Care of the Provider. *The Annals of Family Medicine*, 12(6), 573–576.  
 2. Source: Cosgrove, T. (2014). *The Cleveland Clinic way – Lessons in excellence*. Cleveland Clinic Quality Performance Report available at: <http://clevelandclinic.org/QPR>.

## Consistency of care objectives

During the year, the focus of our clinical teams across the Group's service platforms shifted to prioritise mitigating and managing the all-encompassing risk presented by COVID-19 to our employees, doctors and patients. We have reconfigured our consistency of care objectives and priorities to better meet healthcare demands introduced and/or intensified by the pandemic. This included new controls to ensure adherence to disaster management as well as OHS and infection prevention and control (IPC) policies and procedures. As a result of this immediate concern, some of our longer-term initiatives that are not central to our pandemic response were put on hold. Where COVID-19 specific responses have been introduced, we have made every effort to ensure that these are compatible with our longer-term objectives.

Our consistency of care strategy is delivered through the following three operational focus areas.

▼  
Value of care, encompassing quality outcomes, patient safety, patient experience and episode cost efficiency.

▼  
Safety, health, environmental sustainability and quality management – the SHEQ system.

▼  
Clinical governance.

📄 Our management of COVID-19: page 08.

📄 Progress against strategic projects: page 68.

📄 Cost efficiency: doctor partnerships (page 129) and funders (page: 132).



## Relationship capital continued

### Value of care

#### Perception of care

To drive a person-centred mindset and culture of continual improvement, we are delivering interventions that meaningfully support and empower our employees in their interactions with our patients, and introducing information management systems, analytics and reporting that provide useful and understandable information that is accessible to employees and patients.

#### Mechanisms that support better patient engagement

By engaging with Netcare's patients and their loved ones in a meaningful, caring and understandable way, we enable them to partner with us on their journey to health. We remain dedicated to ongoing improvement in this care dimension. Direct patient contact and support is achieved using a number of channels:

- Person-centred care teams in each hospital.
- An online and a post discharge email survey.
- A bespoke complaint management system, CareNet, including an online form with context-specific categories. The form accounted for over 1 800 connections with hospital patients during 2020. The per-hospital complaint rate dashboard is refreshed every 30 minutes.
- A customer care team that operates a central contact centre, direct contact with the hospital, regional or corporate offices, corporate website and social media platforms. All of these avenues interface with CareNet.
- **Strategic initiative** Various digital initiatives that enhance patient experience and perception of care, for example, Netcare **appointmed™** and pre-admission initiatives (see page 166).
- Patient experience outcomes dashboards per hospital published on the Netcare website, covering a rolling 12-month period.
- Patient focus groups and listening forums.

#### Stakeholder engagement in action

COVID-19 limited visits to hospitals and nursing units. To accommodate this, our person-centred care team conducted telephonic virtual rounds with patients and facilitated contact and communication between patients and their loved ones. Person-centred solutions were designed and implemented to ensure that patients felt cared for.

Families of critical and end-of-life patients were granted access to see their loved ones, and guidelines were developed to help our employees compassionately communicate a patient's death or deterioration over the telephone.

We also developed the Netcare patient communicator – an SMS platform. This service alerts patients discharged from a Netcare facility if they have potentially come into contact with a COVID-19 patient, providing them with contact information for support services should they develop symptoms.

## 2020 performance

- Rolled out the first phase of the person-centred quality improvement programme in the Hospital division to enable proactive and purposeful engagement with patients at key points of contact – hospital reception, nursing, pharmacy and customer care teams. Over 14 weeks (ended November 2020), 115 employees in nine hospitals participated in the programme. At the end of the first phase, we achieved statistically sound improvements in nursing and discharge information scores, and a lower number of complaints. An increased number of compliments were received across the key points of contact. Participants reported improved teamwork and a reignited passion for their work and care for their colleagues and patients.
- Launched a number of employee support mechanisms, including weekly technical support sessions in each hospital to share challenges and brainstorm issues such as building a connection with patients and their loved ones, and ways of ensuring social distancing in public areas. Employees also have access to near real-time data of patient experience and how this compares to targets.
- **Strategic initiative** Implemented a series of behavioural interventions and training workshops on person-centred engagement (compassionomics). Target behaviours were tracked and compared against behaviours prior to the compassionomics initiatives. Feedback was also elicited from patients and employees. Both data and feedback showed positive results. These interventions support our new nurse recognition programme (see page 147).
- Introduced a continuous professional development pilot for oncology nurses. The eight-week virtual learning programme has proved valuable in gaining a deeper insight into leading the way in oncology nursing in SA. Nineteen nurses were registered for the programme with 85% completing the course by the end of July 2020.
- Oncology nurse navigators continued to support patients, their doctors and treating teams using virtual platforms. The navigators provided patients with COVID-19 information and provided support to families who had lost a loved one.
- Partnered with the Cancer Association of South Africa (CANSA) to establish cancer support groups at nine of our hospitals. The groups empower patients to participate in their cancer treatment journey and provide support to cancer survivors, those who have been in remission for years and family members and caregivers of individuals with cancer.

### Looking forward

- **Strategic initiative** Roll out a revised patient survey feedback form.
- **Strategic initiative** Continue to enhance patient experience and perception of care using digital solutions (for example, improve the search functionality on the Netcare website, improve the user experience of the doctor booking functionality, improve the Netcare **appointmed**™ website design and redesign the patient portal and user experience, among others).
- **Strategic initiative** Leverage the virtual navigation services, introduced to engage with cancer patients during COVID-19, to extend the reach of this care coordinating service.

## Relationship capital continued

### Clinical performance

The measurement of our clinical performance is central to delivering consistently excellent quality of care outcomes and demonstrates our value to patients and funders. Our clinical outcomes data is reported in the three categories outlined below, aligned with our purpose.

Providing you	with the best	and safest care.
<p>▶ <b>Person-centred care</b> that is aligned with a patient's need and preferences.</p>	<p>▶ <b>Best practice</b> in providing care to patients that is proven to work.</p>	<p>▶ <b>Safest care</b> that protects patients from error and harm.</p>
<p>▶ Measured using patient reported <b>outcome</b> measures (PROMs) and <b>patient reported experience</b> measures (PREMs).</p>	<p>▶ Measuring the <b>best time</b> when it really matters, the <b>best ways</b> that have been proven to work, resulting in the <b>best possible results</b>.</p>	<p>▶ Measured by reporting on <b>incidents that result in harm</b> to a patient, no matter how minor.</p>

Our outcomes are updated annually and are based on a rigorous process aligned with international standards, in accordance with good data science practice. Our internal processes for reporting clinical outcomes data are well-managed and robust. These are overseen by Consistency of Care Committees at Board and service platform levels. The new Clinical Data Council is responsible for coordinating the collection of clinical data across all service platforms, ensuring that data collection, reports and analysis align, and ensuring the accuracy and completeness of all datasets.

Changes in our clinical outcomes reporting for 2020 include:

- An improved measure for depression severity improvement (Akeso Clinics), which replaces a 2019 measure.
- 35 new measures added, which are clearly marked.

Updates for the following measures are not reported and have been deferred to 2021 as development was interrupted by COVID-19: the probability of survival for Priority 1 trauma patients, anticipated Priority 3 patient waiting time in the Emergency department and the actual to predicted antibiotic consumption measures.

Results in this report may differ from those published in the 2019 clinical outcomes publications in cases where additional data became available after publication or where there have been minor changes in methodology. These changes have been applied retrospectively to past outcomes and are clearly noted. In most cases, the changes are due to previously outsourced actuarial services having been brought in-house.



The clinical outcomes disclosure that follows provides a summarised overview of our performance in 2020. More detailed disclosure, including full indicator descriptions as well as the medical standards used and the systems we employ to capture this data, can be found online.



## Person-centred care

### PROMs

Indicator	Measure definition	2020	2019	2018
<b>National Renal Care</b>				
<i>A higher score is better.</i>				
Physical wellbeing for patients on long-term haemodialysis	% of patients who report that their physical wellbeing is within the recommended range	<b>70.7%</b>	66.7%	67.9%
Mental wellbeing for patients on long-term haemodialysis	% of patients who report that their mental wellbeing is within the recommended range	<b>89.8%</b>	87.2%	88.2%
<b>Akeso Clinics</b>				
<i>A higher score is better.</i>				
Improvement in symptom severity	Measured using the <i>Aw</i> effect size (the size of the difference in scores between admission and discharge) for adult patients. Results over 0.71 indicate a large improvement	<b>0.848</b>	0.867 <sup>1</sup>	0.875 <sup>1</sup>
Improvement in level of functioning		<b>0.714</b>	0.733 <sup>1</sup>	0.723 <sup>1</sup>
<b>NEW</b> Improvement in depression severity		<b>0.875</b>	0.875	0.866
<b>Netcare Cancer Care<sup>2</sup></b>				
<i>A higher score is better.</i>				
<b>NEW</b> Best possible feeling of wellbeing		<b>67.8%</b>	–	–
<b>NEW</b> Severe discomfort or unhappiness	% of patients reporting the best possible feeling of wellbeing, severe lack of wellbeing etc.	<b>2.6%</b>	–	–
<b>NEW</b> No pain		<b>85.2%</b>	–	–
<b>NEW</b> Severe pain		<b>2.3%</b>	–	–
<b>NEW</b> No distress		<b>79.7%</b>	–	–
<b>NEW</b> Severe distress		<b>1.8%</b>	–	–

1. Restated (analytics insourced).

2. Data gathered for April 2020 to September 2020.

## 2020 performance

Dialysis patients are a particularly high-risk, vulnerable group. As such we continuously encourage them to maintain their dialysis prescriptions during COVID-19. Patients are also given access to ICAS – a multi-disciplinary, multi-lingual team of clinical psychologists, registered counsellors and social workers – to provide support and alleviate any anxiety and fear they may have about COVID-19.

Akeso Clinics introduced a research and development function to focus on clinical outcomes. During the year, the team reviewed the treatment programmes that showed higher numbers of relapses and non-compliance for the 'emerging adult' group of patients and substance misusers. In 2021, the focus will be to revise these programmes to be more relevant and impactful.

Our oncology nurse navigators are members of the multi-disciplinary healthcare teams who support and guide cancer patients. They use the PROMs to assist the healthcare team to understand how a patient is coping with treatment and whether changes need to be made. 492 patients were supported by our navigation programme in the second half of the 2020 calendar year.

## Relationship capital continued

### PREMs

Indicator	Measure definition	2020	2019	2018	
<b>Hospital division</b>					
<i>A higher score is better.</i>					
Nurses always explain in a way you understand		<b>67.4%</b>	67.3% <sup>1</sup>	60.5% <sup>1</sup>	
Nurses always listen carefully		<b>68.4%</b>	68.5% <sup>1</sup>	61.5%	
Nurses always treat you with courtesy and respect	% of patients who rated their experience as always <sup>2</sup> in response to each question divided by the number of patients that responded to the question	<b>77.2%</b>	77.3% <sup>1</sup>	71.2%	
Doctors always explain in a way you understand		<b>84.6%</b>	84.2% <sup>1</sup>	79.6%	
Doctors always listen carefully		<b>86.7%</b>	86.3%	81.7%	
Doctors always treat you with courtesy and respect		<b>90.6%</b>	90.3%	86.2%	
<b>Akeso Clinics</b>					
<i>A higher score is better.</i>					
Nurses always explain in a way you understand		<b>81.0%</b>	83.5%	83.3% <sup>1</sup>	
Nurses always listen carefully		<b>78.8%</b>	81.5%	81.6% <sup>1</sup>	
Nurses always treat you with courtesy and respect	% of patients who rated their experience as always <sup>2</sup> in response to each question divided by the number of patients that responded to the question	<b>81.1%</b>	84.4%	84.6% <sup>1</sup>	
Doctors always explain in a way you understand		<b>92.1%</b>	92.6%	92.3% <sup>1</sup>	
Doctors always listen carefully		<b>92.7%</b>	93.2%	93.0% <sup>1</sup>	
Doctors always treat you with courtesy and respect		<b>94.2%</b>	94.3%	94.2% <sup>1</sup>	
<b>National Renal Care<sup>3</sup></b>					
<i>A higher score is better.</i>					
<b>NEW</b> Dialysis centre staff always explain in a way you understand	% of patients who rated their experience as always <sup>2</sup> in response to each question divided by the number of patients that responded to the question	<b>65.5%</b>	–	–	
<b>NEW</b> Dialysis centre staff always listen carefully		<b>68.9%</b>	–	–	
<b>NEW</b> Dialysis centre staff always show respect for what you say		<b>70.9%</b>	–	–	

1. Restated (for the Hospital division the restatements are mostly due to additional information received after publication and for Akeso Clinics analytics have been insourced).

2. The response options are always, usually, sometimes and never.

3. Reported for August 2020 (questions ask about a patient's experience in the last three months).

## 2020 performance

While most scores remained stable for 2020, the nursing scores for Akeso Clinics decreased by an average of 2.8%. This was not entirely due to COVID-19, although patients may have perceived aloofness or less courtesy on the part of nurses as a result of social distancing. Looking forward, we will intensify our focus on enhancing patient experience while maintaining the COVID-19 precautions that we have worked so hard to put in place to ensure the safety of our patients, employees and doctors.

During the year, National Renal Care transitioned their bi-annual patient experience surveys from paper to an electronic version. Unfortunately, survey results have declined. The August survey was conducted during the initial COVID-19 surge, potentially contributing to this decline.

## Best practice

### Best results for patients requiring physical rehabilitation

Indicator	Measure definition	2020	2019	2018
<b>Improvement in functional independence</b>				
<i>A higher score is better.</i>				
<b>NEW</b> Stroke		<b>5.90</b>	3.98	4.24
<b>NEW</b> Acquired brain injury	Average improvement in Functional Independence Measure (FIM) score per week	<b>5.44</b>	5.00	5.09
<b>NEW</b> Spinal cord injury		<b>5.17</b>	4.40	3.66
<b>NEW</b> Amputees		<b>3.40</b>	2.30	3.01
<b>NEW</b> Polytrauma		<b>6.86</b>	6.20	4.60
<b>Patients discharged home</b>				
<i>A higher score is better.</i>				
<b>NEW</b> Strokes		<b>88.6%</b>	89.3%	89.0%
<b>NEW</b> Acquired brain injury	% discharged to their home environment	<b>91.1%</b>	84.0%	89.4%
<b>NEW</b> Spinal cord injury		<b>98.8%</b>	92.4%	92.9%
<b>NEW</b> Amputees		<b>97.0%</b>	92.8%	93.3%

## 2020 performance

In 2019, there was an increase in severe stroke patients and an increase in their average age, resulting in a slight decrease of average FIM gain per week to 3.98. Enhancements in therapy programmes have resulted in an improvement for 2020. Overall, a large percentage of rehabilitation patients continued to be successfully reintegrated into their home environment.

### Best time for patients needing an ambulance

Indicator	Measure definition	2020	2019	2018
<b>Response time</b>				
<i>A lower score is better.</i>				
How quickly Netcare 911 responds	Median time in minutes	<b>16.40</b>	15.85 <sup>1</sup>	15.98
<b>Pain management</b>				
<i>A higher score is better.</i>				
<b>NEW</b> Managing pain pre-hospital	% of patients with pain scores of six or higher out of 10 whose pain is reduced to less than six	<b>64.4%</b>	61.1%	–
<b>Best place for a patient's condition</b>				
<i>A higher score is better.</i>				
<b>NEW</b> Best place for Priority 1 trauma patients (requiring immediate resuscitation and stabilisation)	% of Priority 1 trauma patients transported to Level 1 and 2 accredited trauma centres	<b>60.5%</b>	–	–
<b>NEW</b> Best place for patients with cardiac chest pain	% of patients with cardiac chest pain transported to hospitals with a cardiac catheter laboratory	<b>81.3%</b>	–	–
<b>NEW</b> Best place for patients with stroke symptoms	% of patients with stroke symptoms transported to hospitals with specialised stroke services	<b>60.6%</b>	–	–

1. Restated to align to data from Netcare 911.

## Relationship capital continued

### 2020 performance

Several factors increased Netcare 911's response time during COVID-19, including more time needed to capture a patient's history during the call to understand their COVID-19 exposure risk as well as to don personal protective equipment (PPE) and safely enter scenes. This trend is mirrored worldwide<sup>1</sup>. COVID-19 also had a significant impact on hospital destinations due to constrained intensive care unit (ICU) bed availability.

The improvement achieved in managing pain before admission to hospital is due to focused education initiatives and real-time assistance provided to Netcare 911 crews.

#### Best time for patients with severe infections

Indicator	Measure definition	2020	2019	2018
<i>A higher score is better.</i>				
How quickly antibiotics are administered for severe infections	% of patients who receive their first dose of antibiotics within one hour of prescription	<b>88.0%</b>	86.0%	84.8%

### 2020 performance

Improving this indicator remains a priority for our hospital antibiotic stewardship programmes. Compliance in 2020 has been the best recorded in seven years and may be due to improvements in the logistics around medication delivery during COVID-19.

1. "The Pandemic Arrives: EMS Faces COVID-19 | EMS World," <https://www.emsworld.com/article/1224204/pandemic-arrives-ems-faces-covid-19>.

#### Best results for newborn babies

Indicator	Measure definition	2020	2019	2018
<i>A lower score is better.</i>				
<b>NEW</b> Necrotising enterocolitis <sup>2</sup> (NEC rates)	% of newborns admitted to a neonatal ICU who develop NEC	<b>2.7%</b>	–	–
<b>NEW</b> NEC rates for babies with a birth weight of 501 grams to 1 500 grams	% of newborns with a birth weight within this range admitted to a neonatal ICU who develop NEC	<b>12.1%</b>	–	–

2. NEC is a serious disease that can develop in babies when the inner lining of their gut becomes damaged. NEC is more common in very sick or preterm babies. Babies who are only fed breastmilk are less likely to develop this disease.

### 2020 performance

Of our 36 participating hospitals, 33 finalised their neonatal data in time to be included in the Vermont Oxford Network (VON) 2019 Annual Report, a significant improvement from two in 2018. VON is an international not-for-profit company that collates newborn outcomes worldwide.

## Best way for newborn babies

Indicator	Measure definition	2020	2019	2018
<b>Human breastmilk</b>				
<i>A higher score is better.</i>				
<b>NEW</b> Babies discharged on breastmilk only	% of neonatal ICU babies	<b>45.2%</b>	-	-
Number of babies fed with donor breastmilk	Number of babies	<b>688</b>	593	393
Number of mothers donating their excess breastmilk	Number of donors	<b>191</b>	209	171
<b>Neonatal hypothermia</b>				
<i>A higher score is better.</i>				
<b>NEW</b> Temperature on admission to a neonatal ICU	% of babies admitted to neonatal ICU who were normothermic (36.5°C to 37.5°C) within the first hour of their admission	<b>58.1%</b>	-	-
<b>Hearing screening</b>				
<i>A higher score is better.</i>				
Newborns screened in our hospitals	% of total live births	<b>66.9%</b>	75.3%	-
Newborns referred for further testing (%)	% of newborns screened who were referred for further testing	<b>13.8%</b>	14.7%	-
Newborns referred for further testing (number)	Number of newborns referred for further testing	<b>2 900</b>	1 105	-

## 2020 performance

Netcare continued to operate five Ncelisa Human Milk Banks and 37 collection points for mothers to donate excess breastmilk. This is provided free of charge to the public and private sectors. The number of newborn babies fed with donated breastmilk continues to increase.

Prior to the national lockdown, the percentage of live births screened using the Universal Newborn Hearing Screening formula (screening by one month, diagnosis by three months and early intervention started by six months of age) was 79%. During the initial surge, screening personnel did not have access to our hospitals, resulting in a reduction in newborns screened. At the time of reporting, screening had resumed. The reduction in newborns referred for testing is due to screening personnel becoming more proficient in performing the screening tests.

## Best way for patients on long-term haemodialysis

Indicator	Measure definition	2020	2019	2018
<i>A higher score is better.</i>				
Calcium – bone and mineral disorder for patients on long-term haemodialysis	% of patients whose latest calcium results are within the recommended range	<b>68.5%</b>	67.6%	68.5%
Phosphates – bone and mineral disorder for patients on long-term haemodialysis	% of patients whose latest phosphate results are within the recommended range	<b>48.1%</b>	47.7%	48.8%
Haemoglobin – anaemia for patients on long-term haemodialysis	% of patients whose latest haemoglobin results are within the recommended range	<b>53.8%</b>	52.6%	53.0%
Albumin – nutritional insufficiency for patients on long-term haemodialysis	% of patients whose latest albumin results are within the recommended range	<b>85.8%</b>	85.3%	85.6%

## Relationship capital continued

### 2020 performance

COVID-19 has affected dialysis patients and dialysis care worldwide. National Renal Care has worked relentlessly to ensure a safe environment and continued holistic treatment for our dialysis patients. Working with our doctors and patients, we have continued to drive improvement in renal dialysis clinical outcomes.

#### Safest care

Under-reporting of incidents may have occurred during the first surge given the additional focus required to treat COVID-19 patients. In addition, the number of admissions reduced and the hospital patient profile changed given the reduction in elective surgeries and patient reluctance to seek hospital care. We will continue to monitor these measures to gain a better understanding of the COVID-19 impact on delivering the safest care.

#### Infection prevention

Indicator	Measure definition	2020	2019	2018
<b>A lower score is better.</b>				
Any infection acquired in hospital	Hospital infections acquired 48 hours after admission per 100 admissions	<b>1.01</b>	0.96	0.97
Infected operation wounds	Surgical site infections per 100 major surgeries (including caesarean-sections)	<b>0.08</b>	0.11	0.14
Urinary tract infections	Catheter associated urinary tract infections per 100 catheters inserted	<b>1.09</b>	1.16	1.12
<b>NEW</b> Blood stream infections	Catheter associated blood stream infections per 100 central lines inserted	<b>1.64</b>	–	–

### 2020 performance

COVID-19 highlighted the importance of these measures and we acted swiftly to implement additional IPCs to combat the spread of the virus. Additional ultraviolet C robots were procured, reducing disinfection time from two hours to 10 minutes and freeing up bed capacity for new patients. The rate of hospital acquired infections increased during the first COVID-19 surge, likely due to the changing patient profile. All hospitals are closely monitoring acquired infections as we re-open for elective surgery.

#### Antibiotic stewardship

Indicator	Measure definition	2020	2019	2018
<b>Use of antibiotics</b>				
Use of antibiotics in hospitals	Defined daily dose per 100 bed days	<b>96.4</b>	86.8	84.7
<b>Antibiotic prescription review</b>				
<b>A higher score is better.</b>				
<b>NEW</b> Right antibiotic	% of patients receiving the right antibiotic for their infection	<b>99.1%</b>	98.0%	98.9%
<b>NEW</b> Right antibiotic dose	% of patients receiving the right antibiotic dose for their infection	<b>99.1%</b>	99.3%	99.3%
<b>NEW</b> Right antibiotic duration	% of patients receiving the right antibiotic duration for their infection	<b>98.1%</b>	97.8%	98.3%

### 2020 performance

Overall antimicrobial consumption for the Hospital division increased during COVID-19. This was a result of decreased patient days and increases in severe cases of hospital admissions and the overall utilisation of antibiotics for patients admitted. Going forward, the hospital antibiotic stewardship programmes will be strengthened using predictive analytics.

Compliance across the antibiotic prescription review criteria improved in 2020, implying a decreased need for interventions in these important antibiotic stewardship measures. This may be a result of improved relationships between prescribers and pharmacists and the inclusion of clinical pharmacists as part of multi-disciplinary teams that decide on a patient's care.

## Medication safety

Indicator	Measure definition	2020	2019	2018
<i>A lower score is better.</i>				
<b>Hospital division</b>				
<b>NEW</b> Medication-related events that result in patient harm, no matter how minor	Medication incident involving harm to a patient per 100 admissions	<b>0.04</b>	0.02	–
<b>Akeso Clinics</b>				
<b>NEW</b> Medication-related events that result in patient harm, no matter how minor		<b>0.07</b>	0.27	–
<b>Medicross</b>				
<b>NEW</b> Medication-related events that result in patient harm, no matter how minor	Medication incident involving harm to a patient per 10 000 visits	<b>0.04</b>	0.04	0.08

## 2020 performance

Given the increase in medication incidents in the Hospital division, we will focus on improving our identification of the criteria that can lead to these to reduce the risk of similar incidents.

The significant improvement in medication safety at Akeso Clinics was largely due to the implementation of Netcare's mature medication safety programme, providing Akeso Clinics with a consistent high-quality pharmacy service and medicine supply, supplemented by a mature and robust safety and incident management system. Lower patient volumes also enabled more focused attention to patient care.

Medicross' improvement between 2018 and 2019 was due to a quality improvement methodology, which provides a platform for learning and problem-solving. It also introduces a new approach where two healthcare professionals check that the correct medication is drawn up and safely administered for each patient in the treatment room.

## Fall prevention

Indicator	Measure definition	2020	2019	2018
<i>A lower score is better.</i>				
<b>Hospital division</b>				
Falls that result in injury, no matter how minor	Falls that result in injury per 100 admissions (patients older than 18)	<b>0.11</b>	0.10 <sup>1</sup>	0.10 <sup>1</sup>
<b>Akeso Clinics</b>				
<b>NEW</b> Falls that result in injury, no matter how minor		<b>0.66</b>	0.72	–

1. Restated (aligned with other measures to report per 100 admissions and analytics brought in-house).

## 2020 performance

In 2019, special attention was paid to reporting fall incidents in the Hospital division. However, gains made were lost due to COVID-19. While nurses became accustomed to having to don PPE before entering a patient's ward, the answering of the call bell was at times delayed. During the initial surge, most falls were the result of patients getting out of bed before they could be assisted. We will refocus our efforts on this indicator going forward.

There is no appropriate benchmark for falls in mental healthcare facilities. As we establish a trend for Akeso Clinics, we will have a clearer idea of the right policy to adopt.

## Relationship capital continued

### Pressure lesion prevention

Indicator	Measure definition	2020	2019	2018
<i>A lower score is better.</i>				
Developing a severe pressure lesion	Stage III and IV hospital acquired pressure lesions (reaching muscle and bone) per 100 admissions of three days or longer days (patients 18 years and older, obstetrics excluded)	0.02	0.02 <sup>1</sup>	0.01 <sup>1</sup>

1. Restated (aligned with other measures to report per 100 admissions and analytics brought in-house).

### Looking forward

- **Strategic initiative** Move to more frequent updates of clinical outcomes on our website as this strategic imperative matures.

## Safety and health, environmental sustainability and quality

We are integrating our OHS, environmental sustainability and quality management systems (QMS), which previously functioned separately. Key deliverables for 2020 were to create standardised SHEQ practices and procedures across our service platforms and to digitise these practices to enable data-driven SHEQ decision-making. Central to this, is the implementation of a digital system (SafeCyte) to manage and document the SHEQ strategy.

SafeCyte will record all OHS interventions Group-wide, digitise our SHEQ risk assessment methodology (including those prescribed in the Occupational Health and Safety Act and its related regulations), record all OHS training and support central quality and compliance assurance processes.

COVID-19 highlighted the importance of a robust SHEQ system and the need for readily available accurate data. As a result, we accelerated the implementation of our new OHS strategy, adapting it where necessary to address the immediate and unique concerns brought about by the pandemic. We have ensured that these solutions support our long-term objective to create a world-class SHEQ system for the Group.

We are standardising roles and responsibilities across all service platforms to ensure efficient resource use, appropriate staffing and a robust SHEQ organisational design.



## Occupational health and safety

### Priority areas for Group-wide COVID-19 OHS management

Risk assessment	Occupational disease management	Training	Appointments and committees	Medical surveillance
<p>▼</p> <p>Developed a comprehensive risk assessment methodology (aligned to the requirements of the National Department of Health (NDoH) and Department of Labour) to identify COVID-19 related SHEQ risks and implemented controls to mitigate these risks.</p>	<p>▼</p> <p>Implemented a structured process to manage employees who contract COVID-19 in line with NDoH regulations and guidelines. All employee COVID-19 infections are reported to the Compensation Commissioner for Occupational Injuries and Diseases.</p>	<p>▼</p> <p>Delivered COVID-19 SHEQ training to all employees. This was recorded on the SafeCyte platform, providing a comprehensive training record for future reference.</p>	<p>▼</p> <p>Restructured the OHS Committees at facility level to ensure a focused approach to OHS risk management and a consultative process with employees. We also digitised formal health and safety representative appointments.</p>	<p>▼</p> <p>Designed a comprehensive medical surveillance programme for COVID-19. This included the identification, examination and appropriate deployment of employees medically vulnerable to COVID-19.</p>

## Quality management

### Maintaining a world-class quality management system through independent certification

Our QMS monitors compliance with processes recognised as delivering the best and safest care.

<b>External independent accreditors</b>	▶	The British Standards Institute (BSI) independently certifies our ISO 9001: 2015 accreditation, which was awarded in 2018 and again in 2019, covering the Hospital division, Netcare Cancer Care (radiotherapy), Netcare 911, Medicross, National Renal Care and Netcare Education.
<b>Annual internal quality reviews</b>	▶	These reviews score our documentation, processes and outcomes against set standards, and identify areas needing focused improvement. They are conducted as self-assessments and independent internal assurance is undertaken by a trained team of subject matter experts.
<b>Ongoing detailed consistency of care balanced scorecards for each service platform</b>	▶	Scorecards measure service platform progress against our consistency of care strategic objectives and key deliverables.
<b>Office of Health Standards Compliance</b>	▶	We submit annual returns to the Office of Health Standards Compliance and comply with the required submission of early warning system indicators. In 2021, this body will inspect private healthcare institutions against the NDoH's Core Standards.
<b>Annual inspections by Provincial Departments of Health</b>	▶	Inspections take place as part of the licence renewal process.

## Relationship capital continued

### 2020 performance

#### COVID-19

- Regularly updated our formal screening protocols at all facilities based on lessons learned or new information becoming available. All persons entering our facilities are screened.
- Developed guidelines on the issue and use of PPE, including the sterilisation and reutilisation of PPE, where feasible. Employees, doctors, patients, visitors and contractors have access to the guidelines.
- Trained employees, doctors, allied health professionals and other stakeholders across the Group on COVID-19, the correct use of PPE and respiratory care. As an added measure, pre-shift 'toolbox talks' remind employees of relevant social distancing, hand hygiene and PPE measures. Hospital management received capacity training to manage the initial COVID-19 surge.
- Monitored hand hygiene and mask compliance across the Group daily.
- Opened nine mobile triage units serving as additional Emergency departments able to determine the severity of a patient's condition outside of a hospital facility.
- Introduced ward and individual patient bed registers to enhance our tracking and tracing capabilities.
- Implemented measures to ensure that the Netcare 911 Emergency Operations Centre can operate from a disaster recovery site should a member of the team receive a COVID-19 positive result.
- Engaged with Queen 'Mamohato Memorial Hospital (our public private partnership in Lesotho) on patient care pathways and the hospital reconfiguration to manage COVID-19, and provided the hospital's employees with PPE and COVID-19 training. We also extended COVID-19 training to two Ministry of Health and four Christian Health Association of Lesotho hospital staff members.

#### Strategic priorities

- **Strategic initiative** Began digitising the five pillars of the OHS strategy across all service platforms, including the risk assessment methodology for COVID-19 and COVID-19 training. The pilot started in November 2020.
- **Strategic initiative** Started digitising the healthcare risk waste (HCRW) management and governance process in the Hospital division to ensure optimal waste management, reducing landfill waste and HCRW, and increasing recycling volumes while maintaining fastidious regulatory compliance.
- **Strategic initiative** External ISO 9001:2015 surveillance audits by BSI were postponed during the initial surge. To retain ISO certification these audits were conducted as remote reviews to limit the need for in-facility audits but have resumed as of September 2020. The external audits will be completed across all service platforms (excluding Akeso Clinics) by the end of March 2021 and will include our four Netcare-managed chemotherapy units.

#### Looking forward

- Continue to monitor key metrics on a daily basis related to the COVID-19 resurgence and proactively reintroduce the necessary control measures as required. Lessons from the first wave of the pandemic will enable a more rational, nuanced and localised approach to COVID-19 management going forward.
- **Strategic initiative** Launch the full SafeCyte system in 2021 and fully digitise the HCRW management and governance process across service platforms.
- **Strategic initiative** Start development of a comprehensive digital incident management system to be housed on SafeCyte and extend our medical surveillance programme.
- Resume internal quality reviews across all service platforms, ensuring that all internal quality reviews are conducted using the SafeCyte system.
- **Strategic initiative** Institute a standardised and integrated QMS for Akeso Clinics in 2021 and obtain ISO 9001: 2015 certification for the service platform by 2022.
- **Strategic initiative** Obtain further accreditations to ensure quality and safety of care, including Level 1 Acute Coronary Syndrome Care accreditation at Netcare Milpark Hospital, Cerebrovascular Care accreditation at Netcare Unitas Hospital and Level 1 Trauma accreditation at Netcare Christiaan Barnard Memorial Hospital.

## Accreditation

### Group-wide

- **British Standards Institution:** currently reauditing our ISO 9001:2015 certification (see page 126).
- **Netcare Education (registered with the Department of Higher Education):** programmes are accredited by the Council on Higher Education<sup>1</sup>, and Netcare Education holds full programme and institutional accreditation by the South African Nursing Council (SANC)<sup>1</sup>.

### Hospital division

- **26 Netcare Emergency departments (Level 1 = 3, Level 2 = 5, Level 3 = 18):** accredited by the Trauma Society of South Africa<sup>1</sup>. The remaining Emergency departments will be accredited in 2021 (delayed due to COVID-19).
- **Netcare Milpark Hospital Breast Care Centre:** re-accredited in 2019 by the National Accreditation Programme for Breast Centres (a certification administered by the American College of Surgeons).
- **Netcare Park Lane Hospital's breast MRI and mammography services:** accredited by the American College of Radiology in 2017 and 2019 respectively.
- **Netcare Pretoria East Hospital's haematology centre:** re-accredited in January 2019 by the Joint Accreditation Committee for haematopoietic stem cell transplant.

### Netcare Cancer Care

- **Four Netcare managed chemotherapy units:** re-accredited by the South African Oncology Consortium<sup>1</sup>.
- **Netcare Medical Physics Centre of Excellence:** holds ISO/IEC 17020:2012 accreditation as an inspection body performing quality control on x-ray equipment.
- **Dosimeter Services (Pty) Ltd:** holds ISO/IEC 17025:2017 accreditation as a testing laboratory.

### National Renal Care

- **13 National Renal Care facilities:** accredited by the Health Professionals Council of South Africa<sup>1</sup> for training clinical technology students.
- **18 National Renal Care facilities:** accredited by SANC<sup>1</sup> for training nephrology nursing students.

1. South African accreditations.



## Relationship capital continued

### Clinical governance

Improving and strengthening our policies governing clinical practice is ongoing work. During the year, this entailed enhancing the robustness of our clinical governance framework and promoting a Netcare research culture.

### 2020 performance

#### COVID-19

- Implemented a COVID-19 clinical governance structure to identify and manage the clinical risks associated with COVID-19 (see page 15).

#### Strategic priorities

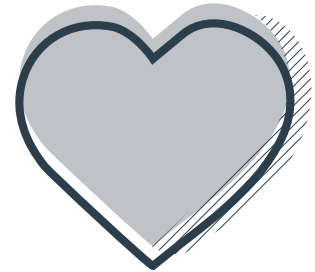
- **Strategic initiative** Completed the annual review of the clinical governance framework, including:
  - Reviewing the credentials of all independent healthcare practitioners associated with Netcare.
  - An extensive review of all contracts governing clinical practice across all service platforms and disciplines (including for Medicross and Akeso Clinics for the first time). Issued revised contracts for all doctors with admitting and practising privileges.
  - A review of the composition and terms of reference for the Netcare Clinical Practice Committee and other clinical governance structures.
- The Netcare Clinical Practice Committee intervened in all transgressions of Netcare policies by independent practitioners.
- **Strategic initiative** Published research by Netcare employees and clinicians on the Netcare website (<https://www.netcare.co.za/News-Hub>).
- **Strategic initiative** Commissioned a clinical research collaborative with the aim of publishing a number of peer reviewed articles and research studies related to COVID-19 clinical outcomes. Ethical approval for these studies has been granted and we are finalising the data catalogue that will be used for data capture.
- Co-authored the NDoH's COVID-19 Outbreak Management Guidelines and a number of other publications by the National Institute of Communicable Diseases.

#### Looking forward

- **Strategic initiative** Design and implement predictive models (using big data and artificial intelligence (AI)) for mortality and the risk of readmission due in 2021 (delayed due to COVID-19). These models will enable the proactive management of concerning clinical outcomes.
- **Strategic initiative** Continue to publish COVID-19 related clinical outcomes research in peer review journals.

## Doctor partnerships

**Improving our value proposition to doctors and meeting their needs remains key to our organic growth strategic pillar. During the year, new clinical governance structures and methods of engagement were introduced to assist our doctors and other healthcare practitioners to achieve full compliance with our COVID-19 policies and protocols.**



**Strategic initiative** A key objective for 2020 was to enhance clinical effectiveness by conducting data-driven engagement with doctors based on their personalised clinical information (PCI). PCIs comprise demographic profiling of the doctor's practice as well as clinical outcomes, patient experience scores and elements contributing to total cost per event. The PCI tool informs focused conversations with doctors on enhancing efficiencies through evidence-based decision-making. PCIs were made available online to hospital managers and updated quarterly during the year but were not issued to doctors due to the impact of COVID-19 on the healthcare workforce and clinicians' practices. Engagement with doctors on their PCIs for the period October 2019 to September 2020 will commence in 2021.

### Mechanisms that support collaborative doctor engagement

- A comprehensive framework for contractual management and governance of healthcare workers supported by the Netcare Clinical Practice Committee, which reviews clinical matters across the Group.
- Physician Advisory Boards in the Hospital division and morbidity and mortality meetings.
- PCI tool, which benchmarks doctors against their peers on various clinical, patient experience and efficiency elements.
- Netcare Cancer Care's multi-disciplinary team meetings, attended by surgeons and oncologists as well as navigators and other healthcare practitioners to agree on the care plan for cancer patients.
- The head practitioner in each primary care facility and the Practitioners' Association – responsible for addressing medical and dental matters with primary healthcare providers and allied healthcare practitioners.
- A National Acute Manager responsible for building relationships with nephrologists at National Renal Care.
- Forums that support continuous professional development across all service platforms.
- Electronic medical records (EMRs), which once fully implemented will enable doctors to better collaborate across disciplines and remotely access patient charts and test results, enabling quicker and more informed decision-making and more efficient

treatment. A Digital Advisory Board (DAB) and various specialist DABs give doctors the opportunity to provide input on the development of specialised CareOn clinical modules (the Hospital division's EMR project).



## Relationship capital continued

### Stakeholder engagement in action

To provide clinical support to doctors during the COVID-19 pandemic, we introduced the following interventions:

- A clinical governance structure to oversee the clinical management of COVID-19 and support structures to ensure that the best and safest clinical care is delivered to our patients (see page 15).
- 24-hour access to the central Netcare COVID-19 clinical team.
- 38 Resident Medical Officers, appointed across 17 hospitals to supplement resident doctors' capacity to treat COVID-19 patients and ensure that patient care continues should a doctor contract COVID-19. The model supports a team-based approach, ensuring the most effective use of appropriately qualified doctors in the critical care setting, providing 24/7 cover for all critical care patients and doctor support by ensuring doctors have sufficient down time.
- A newly developed COVID-19 doctor communications tool, which delivers key messages to all doctors across the service platforms.

The rapid changes associated with COVID-19 treatment required a pragmatic approach to proposed treatment guidelines. In April 2020, we established a clinical working group, to leverage the extensive expertise and vast experience of doctors across various disciplines and sub-disciplines of clinical medicine. This continues to ensure our COVID-19 clinical policies, procedures and treatment protocols are guided by rational scientific approaches, without losing sight of our responsibility towards our patients. The working group's first task was to review our proposed treatment guideline, specifically pertaining to the use of certain drugs for which there is only preliminary evidence. We developed a Netcare MEURI (monitored emergency use of unregistered interventions) framework supported by an

observational study of the health outcomes of our patients treated with these drugs. The MEURI aims to ensure that an appropriate clinical care guideline and protocol are designed based on the best available literature, and provides a framework to monitor the use, safety and efficacy of our medical therapies. This approach ensures safe and ethical care for all our COVID-19 patients while simultaneously giving doctors the opportunity to improve the current body of scientific knowledge. The MEURI framework has obtained health research ethics approval and 75 doctors have agreed to participate.

We engaged with our doctors on the treatment of public sector COVID-19 patients, with 125 Gauteng-based and over 75 Western Cape-based Netcare doctors willing to treat these patients. Following the considered resumption of certain semi-elective and non-essential cases in May 2020, we engaged with our doctors on measures to prevent overcrowding and the appropriate social distancing protocols to be applied in their consulting rooms, and we provided their rooms with cleaning services.



## 2020 performance

- Launched Netcare VirtualCare, a secure platform for virtual doctor consultations (see page 170).
- Continued to actively attract additional oncologists to grow our doctor referral base, particularly in coastal regions where competitor activity is high. The centralisation of our radiotherapy business will benefit oncologists, providing them with secure remote access.
- The use of CareOn in two specialised wards at Netcare Milpark Hospital, enabled doctors to manage patients remotely, timeously and effectively during the initial COVID-19 surge.
- Resumed CareOn awareness sessions and user acceptance testing with doctors and healthcare providers at Netcare Blaauwberg, Netcare Kuils River and Netcare N1 City hospitals in the Western Cape in September 2020.
- Prior to the COVID-19 lockdown, National Renal Care had started to introduce its digitisation project to its nephrologists and physicians based in KwaZulu-Natal and the Western Cape.
- As part of the Primary Care digitisation project, started activating the doctor diary module. We also liaised with the doctors at the nine sites where HealthOne Connect (the service platform's EMR project) has been implemented on overall user experience. Fixes and enhancements based on this feedback are being implemented.
- Established a network of over 1 000 GPs to support our new business, NetcarePlus.

### Doctor recruitment

Granted practising privileges to

## 113 new doctors

at our acute and mental health facilities, equating to a net gain of 82 doctors (2019: 112 doctors). Of the recruited doctors for the Hospital division, 60% practice in surgical disciplines. The average age across the base of new doctors in the Hospital division is 41.

### Professional development

Held **121** Physician Advisory Board meetings, 11 Digital Advisory Board meetings, 89 emergency and trauma morbidity and mortality meetings and 115 emergency and trauma medical education meetings (2019: 631 in total).

COVID-19 impacted the number of meetings, however, the COVID-19 Clinical Committees and Ethical and Surgical Sub-committees, consisting of 444 doctors across 51 hospitals, supplemented this shortfall. These structures were implemented from March 2020 and continue as we enter the second wave. COVID-19 specific training and clinical engagement, includes lectures, presentations at NDoH morbidity and mortality meetings and various COVID-19 clinical webinars.

### Academic support

Provided **10** academic grants to specialists and registrars. Six bursaries were provided to physics and radiotherapy students as a skills pipeline for Netcare Cancer Care (2019: 29 academic grants).

## Looking forward

- Build on enhanced engagement and collaboration with doctors achieved during the initial COVID-19 outbreak. This includes building strong relationships with GPs as the gatekeepers of specialist referrals, supporting our high-demand service lines.
- **Strategic initiative** Continue to actively recruit new doctors to Netcare facilities (target: net 100 doctors). This includes engaging with newly qualified specialists and sponsoring registrar and fellowship training to ensure a pipeline of practitioners.
- Provide primary healthcare doctors with professional development opportunities in specialised disciplines such as diabetes, cardiac care and asthma.
- Leverage our doctor partnerships within the Netcare ecosystem and build professional relationships with independent healthcare providers to create a national multi-disciplinary trusted partner network for NetcarePlus (see page 172).
- **Strategic initiative** Introduce a professional development course for doctors to help them improve patient engagement. Research on the most suitable model, given the changes brought about by COVID-19, has already started.
- Use the Resident Medical Officer model to support doctors during the second wave of COVID-19, and evaluate its broader implementation post COVID-19.
- **Strategic initiative** Achieve 60% doctor participation in Netcare **appointmed**™.

## Relationship capital continued

# Funders

**Funders remain under pressure to manage their claims as their risk pools become more weighted to higher risk members. As such, they continue to leverage limited designated service provider networks and efficiency discount options to improve pricing from hospital groups in return for volume. In addition, funders are encouraging day procedures in day clinics as a means to contain costs, impacting acute hospital patient days and theatre cases.**

To preserve patient volumes and retain doctors, the Funder Relations team prepares competitive proposals to secure participation in identified network opportunities and promote acute hospitals for day procedures. Discount proposals are carefully considered to balance patient volumes against Group profitability and margin. The Tariff Committee assesses the proposals, ensuring that they are commercially viable.

### Mechanisms that support better funder engagement

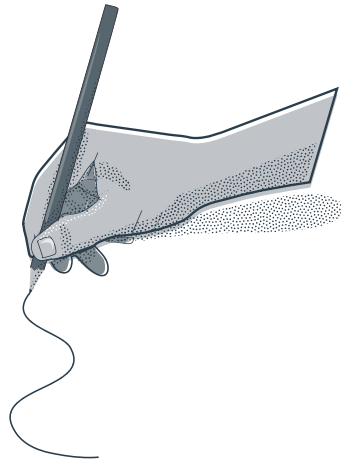
- Day-to-day interventions on patient case management.
- Dedicated relationship managers who engage with funders on issues including quality outcomes, patient experience and utilisation trends.
- Quarterly clinical and quality reports provided as per contractual agreements.
- Contract and tariff negotiations.
- EMRs will enhance our ability to provide accurate data on quality outcomes and patient safety, efficiency measures and cost benchmarking.

### Stakeholder engagement in action

Engaged with funders on their business continuity planning and reimbursement of additional costs incurred in the treatment of COVID-19 patients. Funders agreed to absorb PPE costs for COVID-19 positive patients and patients under investigation. Akeso Clinics also engaged with funders to identify innovative ways to offer mental health services remotely during the pandemic.







## 2020 performance

- **Strategic initiative** Netcare and National Renal Care have regained full representation on two major schemes which have returned to an 'any willing provider' model rather than using only selected providers.
- A major funder accepted a pilot proposal for our value-based supportive care service, which improves the quality of life of patients with life-threatening illnesses. The service is offered at Netcare Pinehaven and Netcare Linksfield hospitals.
- Used the Netcare MEURI framework to ensure funders pay for high-cost experimental therapeutics used to treat COVID-19 patients.
- **Strategic initiative** Recommended engagement with funders on quality and efficiency as well as our new service offerings and digitisation strategy, over and above their quarterly reporting requirements.
- Implementing an electronic health code index for specialists to improve our clinical classification and coding of diagnoses, symptoms and procedures, supporting accurate cost per event comparisons and reducing the risk of funder rejections. The index will be integrated across the doctor's portal, SAP and CareOn.

## Looking forward

While healthcare providers remain concerned that 2021 volumes could be negatively impacted by the ongoing COVID-19 pandemic, funders are concerned about increased utilisation given COVID-19 sequelae and the treatment of elective surgical procedures postponed in 2020 (see page 91).

In September 2020, the Competition Commission granted fund administrators permission to collectively negotiate on behalf of multiple restricted schemes and, at most, a single open scheme, placing additional pressures on healthcare providers. We are conducting our own research to understand the implications of this directive.

Our focus looking forward will be to:

- Drive cost competitiveness to maintain and grow market share.
- Partner with funders on alternative reimbursement arrangements (for example, assuming in-hospital cost risk).
- Investigate a beneficial model to drive the effectiveness of multi-disciplinary teams within our cancer centres.
- **Strategic initiative** Continue to develop the monthly clinical outcomes index covering all service platforms to inform quality improvement initiatives and prepare Netcare for value-based contracting. As this work progresses, we will expand the PCI tool to include more specific clinical measures to aid doctor and funder engagement.
- **Strategic initiative** Use the MEURI framework to manage efficiency and cost per event for high-cost surgical and ethical items post COVID-19.
- **Strategic initiative** Recommence our focus on improving the 10 least efficient hospitals in our network through initiatives such as the PCI, monthly efficiency reporting, improved coding and the learnings from the revised clinical governance framework implemented to manage COVID-19.
- Partner with doctors in the Primary Care division to improve the utilisation of our telehealth platform.

## Relationship capital continued

# Suppliers

**COVID-19 drove an exponential demand for PPE and medicines across the globe that raised procurement and supply chain challenges and costs, exacerbated by lockdown measures implemented in countries that manufacture PPE and active pharmaceutical ingredients (APIs). In addition, the United States and the European Union clamped down on PPE exports to ensure that they could first meet their own internal needs.**

What our Procurement team was able to achieve during the first wave was extraordinary and demonstrated the agility of Netcare's operations and the strength of our long-term relationships with suppliers. The team located local suppliers able to supply the right grade and quality of PPE at the right price. Where necessary, we assisted suppliers to get the appropriate accreditation, ensuring that the PPE distributed in our facilities protected our healthcare workers and employees as they worked to treat COVID-19 patients.

The team worked closely with the Risk function to develop and update a supply chain risk matrix as new information became available. The matrix was distributed to the Netcare Board on a weekly basis during the height of the first wave of the pandemic.

### Mechanisms that support better supplier engagement

- Supplier audits and review, tender processes and contract negotiations.
- Conferences and supplier exhibitions as well as online supplier surveys.

### Stakeholder engagement in action

The readying of our hospitals to accept COVID-19 patients and persons under investigation required more frequent engagement with our key suppliers and contractors. The Group Procurement department engaged with our suppliers on availability of PPE, equipment and APIs, associated supply chain challenges, contingency strategies to ensure fluid supply and supplier business continuity plans. In addition, arrangements were made for additional backup ventilators, if required. The Procurement team also engaged with essential service providers (including cleaning, catering, security, waste management and laundry) to ensure the continuation of essential services during the nationwide lockdown.

### Governance in action

During the first wave of COVID-19, conventional Procurement Committee meetings were replaced by other command structures to facilitate agile procurement processes that met our governance principles. Robust supplier and product vetting and meticulous assessment of all certifications were undertaken to ensure supply chain risks were managed and that product quality was of the highest standard. Regular downstream engagement was also critical to understand the needs of clinical teams and end users and ensure that local products met their expectations. In addition, local testing was conducted on selected PPE to ensure consistent quality.



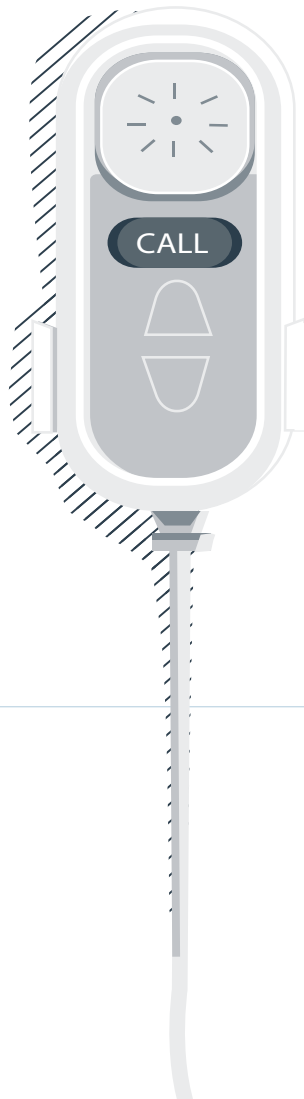
## 2020 performance

- Reached an agreement with certain suppliers to centrally store and provide logistics services for COVID-19 procured stock to ensure availability of critical items.
- Revised our standard payment terms to secure available stock.
- Participated in novel medical device manufacturing to bolster critical resources. This area provides opportunities to create local jobs.

 Preferential procurement and enterprise and supplier development: page 139.

### Looking forward

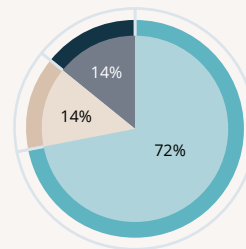
- Support the development of a local enterprise base for PPE and alternative products.



### Procurement

**R11.7 billion** total procurement spend (2019: R12.9 billion) of which **R1.1 billion** was spent to manage COVID-19, including the purchase of over 52 million surgical and PPE items.

#### Procurement



- Surgical and PPE (R792 million)
- Equipment (R156 million)
- Ethicals (originator medication) (R149 million)
- Other including testing and general items (R4 million)



## Relationship capital continued

# Society

## Access to healthcare

**Across the world, COVID-19 has shone a spotlight on public health systems, including the proposed policy of NHI in SA. It has also highlighted the need for improved management of non-communicable diseases such as diabetes and hypertension, among others, requiring primary healthcare to play a central role in public health strategies.**

In SA, access to quality healthcare still reflects historical imbalances after 26 years of democracy. Netcare fully supports an inclusive approach to healthcare and recognises that without addressing the broader healthcare needs of all South Africans, we cannot build a sustainable, just and healthy society. Our approach is two pronged; to develop new products and services aimed at improving affordability and access to care, and to work with government, our peers and civil society to advance the constitutional ideal of universal access to quality healthcare.

The NHI Bill paves the way for the establishment of an NHI Fund, which will purchase services from accredited public and private healthcare providers. Meaningful collaboration between the public and private healthcare sectors is needed to ensure successful implementation of NHI, balancing SA's economic realities and the critical need to improve healthcare outcomes at a sustainable cost. The private sector's facilities, healthcare practitioners, capacity, administrative expertise, nurse training expertise and training capacity position it to act as a substantive contributor to the progressive realisation of universal healthcare access. Based on our work with government during COVID-19, we believe a more pragmatic approach to NHI is to leverage the lessons learned over the past year to tackle challenges and deliver access in a progressive manner, starting with critical pain points such as primary healthcare and maternity.

COVID-19 has also highlighted the necessity of sustainable private healthcare access. It is clear that the public healthcare Rand must stretch as far as possible for those most in need. It is critical that NHI allows private medical schemes to offer complimentary services, enabling those who can afford insurance to reduce the burden on government while contributing to the public health purse.


### Stakeholder engagement in action

Business for South Africa's (B4SA) COVID-19 initiative, a collaboration between Business Unity South Africa and the Black Business Council, was established to use private sector resources and capacity to support government and the public sector in dealing with the pandemic. We are involved in B4SA's health working group, which up to the end of June 2020 met telephonically three times a week to identify solutions to support public health. Areas of focus included scaling up COVID-19 testing, assisting to secure the supply of medicines, medical equipment and PPE, building a database of resources across both healthcare sectors, collecting inpatient admission data to support COVID-19 modelling and analytics, service level agreements for referrals from the public to private hospitals and the creation of the Solidarity Fund. This work has strengthened our relationships with government, particularly at a provincial level, demonstrating that we are able to work well together when pragmatic considerations are foregrounded.

We engaged with government in panel and group discussions and one-on-one sessions at ministerial, national and provincial level. We shared our bed and admissions data with the National Institute for Communicable Diseases (NICD) and the NDoH as well as with Deloitte and the Actuarial Society of SA to inform B4SA's pandemic model.

## 2020 performance

- Launched our first set of products aimed primarily at those who are employed but uninsured – vouchers for a physical or virtual GP consultation start from as little as R290.
- Learned a number of lessons working with government on the COVID-19 response that are valuable in understanding where processes need to be established for state contracting of private healthcare services. These include better engagement around costing and pricing, contracting with independent doctors, and the need to develop clear referral pathways between public and private sectors and for interoperable IT systems. The strengthening of the NHI governance process is another area highlighted for improvement.
- **Strategic initiative** Through BUSA, the Hospital Association of South Africa (HASA) and other sector memberships, we continued to engage with government on contracting private resources with a universal healthcare focus and to find collaborative solutions to the structural weaknesses threatening the healthcare sector.
- **Strategic initiative** As a member of the BUSA team leading the NHI discussions within the National Economic Development and Labour Council (Nedlac), we contributed to the debate on the final content of the NHI Bill. The discussions also aimed to address misinterpretations, determine the best approach to engage on issues and identify potential deadlock breaking mechanisms.
- Continued to participate in the Presidency's Public Private Growth Initiative, where government and business engage on ways to facilitate the focused investment plans of leading SA companies and identify major enablers and inhibitors to sector growth.
- In partnership with other HASA members, we successfully lobbied for the classification of the private healthcare sector as an essential service under the Labour Relations Act and are in the process of signing the minimum services agreement with organised labour.
- **Strategic initiative** Collaborating with the NDoH, the Department of Higher Education, Science and Technology, the Health and Welfare Sector Education Training Authority (HWSETA), SANC, and HASA, we advanced the Presidential Jobs Summit Initiative aimed at producing a minimum of 50 000 nurses for the national healthcare system. The current and future demand and supply of various categories of healthcare professionals is being analysed and the findings will inform the implementation strategy.

 New business development: page 170.  
Board Chair's review: page 36.

## Looking forward

- Continue to build on the improved relationships forged between the private and public healthcare sectors during COVID-19 to advance the funding and delivery of sustainable quality healthcare for more South Africans.
- **Strategic initiative** As government resumes its work to implement universal health coverage for SA, we will continue to provide balanced and constructive feedback on proposed regulation to achieve sustainable solutions and avoid missteps with unintended consequences.



## Relationship capital continued

### Transformation

**We view ourselves as an integral part of transforming SA with a pivotal role in ensuring that our society, economy and labour market are inclusive and support human dignity, equality and fairness. COVID-19 has had a devastating effect on the lives and livelihoods of many South Africans and has exposed the deep structural inequalities in our society making the transformation imperative even more urgent.**


Our transformation strategy and initiatives are grounded in the principles of social justice, and aim to diversify the patterns of ownership, management control, leadership and workforce diversity commensurate with provincial and national economically active populations (EAPs). We exceeded the targets set out in our 2020 employment equity plan, with our efforts and performance comprehensively covered on page 149.

Given SA's high unemployment rates, we run a variety of internships, workplace experiential learning and learnership programmes that enhance employment opportunities for the youth, with a permanent employment conversion rate of about 97% of those who successfully complete their programmes.

**Strategic initiative** Netcare is an anchor sponsor of the Presidential YES programme. During the year, we progressed our commitment to educate and train 1 000 young unemployed South Africans by 2023, supporting their employability, career progression and contribution to society. We have also committed to employing 85% of successful learners.

To support entrepreneurship and the critical role it plays in stimulating inclusive economic growth and employment creation, we have programmes that facilitate greater inclusion of black-owned and black women-owned enterprises in our supply chain and strategic projects. Our ESD initiatives create market access for small black-owned businesses, providing them with a range of financial and non-financial support, including early payment terms of up to 15 days. In some instances, black entrepreneurs (suppliers of pharmaceutical consumables and medical equipment), are provided with free rental space at Netcare facilities. The performance and growth of each ESD beneficiary is monitored and support provided, where required. COVID-19 presented opportunities for many of our ESD beneficiaries as they offer healthcare-related services and products.

While some of our planned transformation initiatives were put on hold due to COVID-19, we managed to progress the implementation of our 2020 transformation plan. These positive gains resulted in a Level 4 B-BBEE rating (81.49 points).

 Detailed B-BBEE performance: GRI report.



## 2020 performance

### Medical doctors

- Of the 107 newly qualified doctors recruited in our Hospital division, 72% are young black doctors. Our hospitals continue to provide enterprise development support to many newly qualified doctors.

### Procurement

- 34.1% (R4.0 billion) of our measurable procurement spend was with >51% black-owned enterprises (dtic target: 50%) and 21.6% (R2.5 billion) was with 30% black women-owned businesses (dtic target: 12%, internal target: 26%).
- **Strategic initiative** 7.6% (R882 million) of our measurable procurement spend was with QSEs (internal target: 9%) and 5.6% (R653 million) was with EMEs (internal target: 8%). As an integral measure of our ESD programme, 7.5% (R788 million) of our measurable procurement spend was with majority black-owned and black women-owned QSEs and EMEs (internal target: 10%), a pleasing result given that in 2018 this equated to 1.6%.
- 53% (R38 million) of our ESD investment qualified under the B-BBEE Codes<sup>1</sup>, equating to 8.6% of NPAT<sup>2</sup> (dtic target: 3% of NPAT).
- Assisted three ESD beneficiaries negatively impacted by the pandemic, including a black women-owned business operating a canteen at one of our hospitals and two suppliers who were affected by the escalation in exchange rates and increased prices of raw materials due to high demand. Assistance included temporary price adjustments and temporary suspension of loan repayments, where required, to help these businesses rebuild cash reserves.
- Concluded two third-party agreements (Galelo and First National Bank (FNB) Vumela Fund) to offer additional support to our ESD partners, providing financial management and accounting systems as well as structured mentorship and support. First National Bank (FNB) has already enrolled two of our ESD partners on their 10X Accelerator programme.

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

2. Net profit after tax (NPAT).

### Black doctors

**48%** of doctors with admission privileges are black (2019: 46%; 2011: 24%).

### Procurement spend

**R11.7 billion**

total procurement spend (2019: R12.9 billion).

**R11.6 billion**

of our total procurement spend was measurable under the B-BBEE Codes (2019: R8.5 billion).

**86% (R9.9 billion)**

of measurable spend was with B-BBEE compliant suppliers (dtic target: 80%) (2019: 107%).

### ESD programme

**R71 million**

invested in the ESD programme (2019: R65 million).

**13 entrepreneurs**

accepted onto the ESD programme, providing them with access to markets and reducing their risk of loan default (2019: 11).

## Relationship capital continued

### My Walk Made with Soul

**Strategic initiative** With tonnes of our high-quality PVC waste (drip bags, oxygen masks and associated tubing), which can only be used once in a medical context, ending up in landfills, we embarked on the My Walk Made with Soul initiative to reuse these non-hazardous and uncontaminated products to make school shoes for underprivileged children. The school shoes are waterproof and 100% recyclable with the exception of the laces.



The green solution fulfils our need to manage waste more efficiently, benefiting society at the same time by supporting education, job creation and enterprise development, and reducing greenhouse gas emissions. The initiative adds to a child's wellbeing, bolstering confidence and self-esteem, which impacts school experience, academic performance and participation in sports. In total, 21 Netcare hospitals are involved in the initiative.

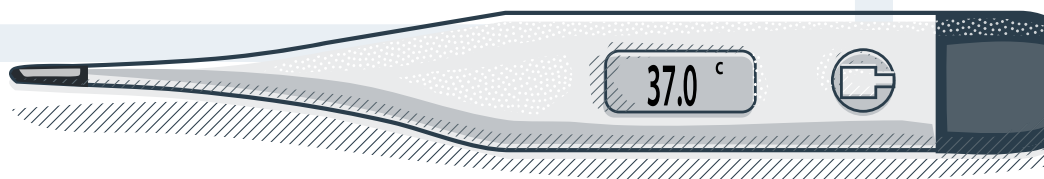
The initiative has also created a new value chain; waste transportation from participating Netcare hospitals and delivery to the My Walk factory, while ensuring that no contaminated material leaves a healthcare facility. Southern Basadi, a women-led business, is the first enterprise development partner to benefit, receiving assistance from Netcare to purchase a light delivery vehicle and customised trailer for the sorting and collection of the PVC items. We also assisted the business to obtain the relevant licences and registrations required by the Department of Environmental Affairs and we provide support on business processes and growth. The work provided by the initiative is helping the business to plan for expansion in the future.

▼  
More than **1 300** learners at Chivirikani Primary School in Katlehong (Johannesburg) were the first to receive brand new shoes made from recycled PVC.

▼  
Around **15 000** learners across SA received shoes during 2020.

▼  
More than **3 500** Netcare employees were trained to separate non-hazardous and uncontaminated PVC items at point of generation.

▼  
**Eight** additional jobs created by ESD partner, Southern Basadi.





## 2020 performance continued

### Job creation

- **Strategic initiative** Received HWSETA approval to increase our total YES complement to 1 074 learners and interns (since the inception of the initiative in March 2018). Learners are provided with skills development and experiential learning opportunities. At the end of September, 865 learners had commenced internships and training.
- **Strategic initiative** Continued to support the establishment of the YES Entrepreneurship Hub in Alexandra Mall, Gauteng. The hub's official opening has been rescheduled for January 2021<sup>1</sup>. We have invested R7 million in the hub, which offers business development, access to market and critical skills training opportunities. The YES hubs aim to foster centres of economic activity and growth within communities.

1. Opening delayed due to the COVID-19 impact on the construction of the hub.

 Job preservation: page 102.

### YES programme

**228 YES learners employed**. This equates to 97% of the 235 learners who successfully completed their YES learnership or internship. 206 are permanently employed at Netcare.

### ESD partnerships

**136 jobs sustained** through our ESD partnerships (2019: 188).

## Hluvuko Designs

Hluvuko Designs started off as an informal sewing cooperative to help women in Alexandra, Gauteng, gain financial independence. In 2015, Netcare entered an ESD partnership with the seven women and assisted them to formally register the business. At the time, the business's products were sold through an intermediary and the women received a fraction of the profits. We then commissioned Hluvuko Designs to sew items such as conference bags, pillowcases and kangaroo care wraps. The wraps are made from high-quality repurposed Netcare linen and included in the Netcare baby gift bags to assist mothers with skin-to-skin care for their babies.

In 2019, we arranged training for the women on how to run a factory effectively, which enabled the business to get more young women working quickly to keep up with demand. With the outbreak of COVID-19, the business was able to quickly scale up its operations to respond to the demand for cloth facemasks.



▼  
**32 women supported**,  
with 19 of them being  
young women.

▼  
**10 000 cloth facemasks**  
commissioned by Netcare to  
protect our employees and  
support the business's growth.

▼  
Hluvuko Designs is an  
anchor tenant in the  
**YES Entrepreneurship  
Hub** in Alexandra.

## Relationship capital continued

### Looking forward

- **Strategic initiative** Continue to improve procurement spend on QSEs, EMEs and designated suppliers, and gradually reduce payment times for small businesses to 10 days.
- **Strategic initiative** Implement a structured ESD support programme.
- **Strategic initiative** 516 unemployed youth will start a Netcare YES programme in nursing or a support services vocational programme in 2021.
- **Strategic initiative** Identify more opportunities for entrepreneurs and small black businesses, in particular, to become part of the My Walk Made with Soul value chain as the initiative matures.

## Force for social good

**Given the impact of COVID-19 on our workforce, we took the decision to reroute part of our corporate social investment (CSI) budget to ensure the health and wellbeing of our healthcare workers, providing them with financial assistance for COVID-19 testing or isolation and self-quarantine costs.**

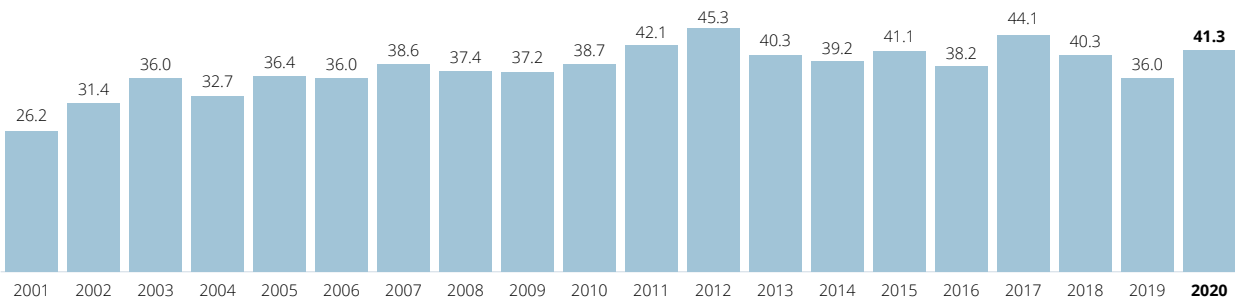
In addition, the Netcare Foundation assisted patients in dire need of care during the pandemic, particularly those who came to our hospitals and were uninsured and too ill to be transferred, and state patients needing urgent transplants. This spend of R27 million has been ringfenced as a COVID-19 disaster management allocation separate to our CSI spend.

Our CSI and the work of the Netcare Foundation is aimed at reaching low income earning and unemployed

South Africans to provide access to quality healthcare. The Netcare Foundation's person-centred programme allocates a coordinator to all beneficiaries of healthcare services, to navigate their journey from application and doctor assessment to examination, testing and hospitalisation as well as post-discharge follow-up and care. Our surgical procedures for beneficiaries include cleft lip and palate abnormalities, craniofacial anomalies and cataracts, and cochlear implants for the hearing impaired. Children accepted onto our cleft lip and palate programme remain on the programme for life as they often need hearing, speech, dentistry and orthodontic assessments.

Our first rape crisis centre, the Albertina Sisulu Centre, was opened 19 years ago at Netcare Sunninghill Hospital. Our 37 Sexual Assault Crisis Centres have assisted over 14 000 survivors since 2000. Survivors are treated free of charge. During the year, 41% of these survivors were under 18 years old and 95% were women.

**Percentage of rape survivors at Netcare crisis centres younger than 18 years of age**



Netcare upholds the WHO's maternal and neonatal care view that breastmilk provides immunological benefits for all neonates and, more importantly, for at risk neonates admitted to a neonatal ICU. More than ever, breastfeeding was vital in protecting the health of newborn babies during the initial COVID-19 outbreak. Our five Ncelisa Human Milk Banks continued operating uninterrupted during 2020 with more babies fed than in prior years.

 Human breastmilk bank donations: page 121.

The Professor Bongani Mayosi Netcare Clinical Scholarship provides bursaries in all branches of academic medicine for black South African specialists. It is awarded for a three-year period for full-time doctoral or post-doctoral research work in a chosen field at leading local or overseas institutions.

## 2020 performance

- Rerouted employees working in our CSI department to work in the National Joint Operations Centre during the pandemic.
- Halted all Netcare Foundation surgical procedures from the middle of March 2020 to protect our patients, employees and doctors. Procedures resumed in September 2020.
- Treated 75 (2019: 125) indigent patients.
- Prior to lockdown, we funded 55 cataract surgeries, three cleft lip and palate procedures, seven craniofacial procedures and three patients underwent treatment for elephantiasis. Three cochlear surgeries for children were funded during the year.
- 48% of our CSI spend qualified under the B-BBEE Codes' socioeconomic development pillar, equating to 1.8% of NPAT (dtic target: 1% of NPAT with 75% of beneficiaries being black).

### Looking forward

- As SA tackles intensifying socioeconomic hardship, it is envisaged that donor fatigue and budgetary constraints will negatively impact available funding for CSI initiatives countrywide.
- Review our strategic priorities for CSI following COVID-19.

## COVID-19 disaster management

**R27 million**

spent to assist our employees and patients in dire need of care during the pandemic.

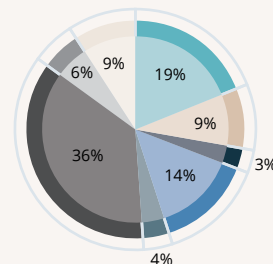
## CSI

**R18 million**

CSI spend (2019: R31 million).

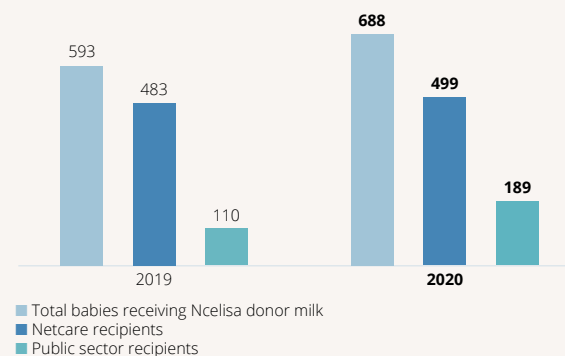
**93%**

of our CSI beneficiaries are black people (2019: 91%).



- Indigent emergency medical service
- Accessible procedures
- Sexual assault
- COVID-19 disaster management
- Community sponsorship
- Bursaries
- Contributions
- Discretionary spend

## Number of babies receiving donor breastmilk



# Human and intellectual capital

## Our people

The *Netcare Way* culture of caring encompasses the wellbeing of our employees, never more crucial than in the past year when our workforce became exposed to the risk of COVID-19 in their care of our patients. Not only did they have to deal with new work situations brought about by social distancing and COVID-19 protocols, sometimes changing on a weekly basis as new information came to light, but our nurses, doctors and support staff cared for patients who were anxious and separated from their loved ones. We thank our people for their unwavering commitment, calibre, resilience and agility and for their daily acts of courage and compassion during this challenging time.

We are working to recognise the contribution of our people in meaningful ways and to protect them against the threat that COVID-19 presents to their lives, their families' lives and their livelihoods. The value to Netcare and to society of protecting jobs is clear, and our budgets for 2021 have been designed to preserve jobs as far as possible to maintain the financial and emotional wellbeing of our workforce, and aid economic recovery.

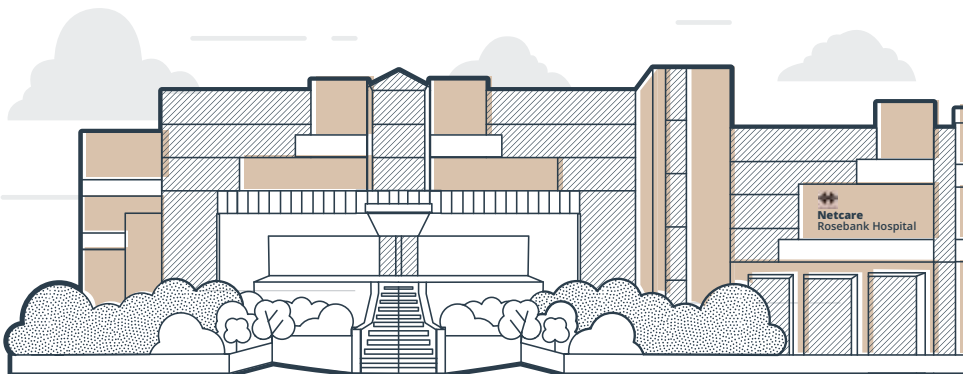


**NETCARE**  
2<sup>ND</sup> PLACE - HEALTHCARE CATEGORY

### Employee engagement

We place considerable importance on employee engagement and development to empower our people and encourage innovation, critical thinking, proactiveness, continuous development and life-long learning. We continue to strive to distinguish ourselves as an employer of choice, by providing our people with an attractive value proposition. EMRs will go some way to adding to our nurse value proposition, providing them with a valuable management tool and a new way to nurse without having to fulfil repetitive tasks and spend most of their time taking notes and filling out forms.

While work had started to develop a bespoke digital solution to facilitate our employee engagement survey, this was postponed due to COVID-19 as we refocused on ensuring the wellbeing and protection of our frontline employees.



### Mechanisms to measure and monitor employee satisfaction

- Employee engagement assessments (ordinarily conducted every two years).
- Workplace Transformation Committees at each site, comprising employee and management representatives trained on transformation-related legislation.
- Employee wellbeing programme.
- Strategy roadshows and dialogues, as well as Leadership in Touch Forums, providing managers and employees with the opportunity to engage on specific or general issues.
- Diversity dialogues to increase diversity awareness.
- Workshops on building resilience and responding with compassionate care and empathy (compassionomics).
- Change management interventions (change readiness surveys and emotional impact assessments).
- Individual development discussions and team performance reviews.
- Contract and salary negotiations, and quarterly national consultative forums with trade unions, representing employees in the Hospital and Primary Care divisions.
- Confidential SHOUT hotline, which enables employees to report incidents of racism, sexism, discrimination, harassment and any human rights violations.

### Stakeholder engagement in action

During the onset of the pandemic, ICAS shared educational information on the virus using a number of mechanisms, including desktops, posters, SMS messages and videos as well as the ICAS-on-the-go app, which widened our reach to include employees working remotely. Managers were encouraged to make referrals to ICAS when they identified any individuals or teams needing psychosocial assistance. We also introduced weekly nationwide webcasts to share information on COVID-19 and health and wellness knowledge, including how to manage stress, relationships and mental illness.

A communications coordinator was appointed to support the national COVID-19 Joint Operations Committee to ensure a coordinated and well-structured approach was followed when communicating our COVID-19 operational plans and processes across the Group.

A Staff Care booklet was published for our employees in self-isolation, providing them with advice and including activities such as puzzles to help them look after their mental and physical health and wellbeing.

Weekly COVID-19 update teleconferences were held with the four recognised trade unions during the months of April 2020 to September 2020 to communicate our processes and protocols for employee safety. Topics covered included PPE for employees, PPE stock levels, employee testing, working arrangements (theatre, administration, support and pharmacy), quarantine and associated leave types, managing vulnerable employees in the workplace, upskilling in preparation for increased activity in ICUs and the application of COVID-19 related policies (remuneration and transport arrangements), among others.

### Looking forward

- Conduct an employee wellbeing survey in 2021.

## Human and intellectual capital continued

### Employee wellbeing

Our employee wellbeing programme offers emotional and psychosocial support to employees and their immediate family members on a range of issues, including financial, legal, health, family, relationship and work-related matters, as well as stress and trauma. During COVID-19, our employees are given free access to Akeso Clinics' counsellors and therapists, and dedicated volunteer psychiatrists and social workers at each facility. Akeso Clinics' programme also offers training workshops for managers to help them improve team morale, build conflict resolution skills, and identify and support employees experiencing specific challenges.

### 2020 performance

- Provided hospital treatment or quarantine facilities to 261 employees to the end of November 2020. Suitable accommodation was provided at our expense for any healthcare worker unable to adequately and safely self-isolate due to personal circumstances.
- Introduced the 24-hour Netcare COVID-19 Care Line and SMS (reverse billed) service for nurses in self-quarantine to engage with them daily on their health and wellbeing.
- Developed a track and tracing system for employees impacted by COVID-19. The system automatically contacts an employee if they have come into contact with a COVID-19 patient, conducts an initial triage to identify if the employee requires emergency assistance or a place to isolate, maintains daily SMS follow-ups to monitor their health and track symptoms during self-isolation. The system tracks test results and clears employees to return to work. It also provides a central repository of data on the status of our employees and when we expect them to return to work.
- No healthcare worker was required to take sick leave as a result of having to self-isolate due to exposure. This is categorised as fully paid special leave.
- Paid all salaries during lockdown, whether employees were required to work or not.
- Introduced remote working and rotational shifts for non-nursing employees while ensuring that managers were still able to engage with their teams on a personal level. Nursing cohorts ensured that, as far as possible, the same nursing teams worked the same shifts in the same wards.
- Individual facilities implemented transport solutions for employees, where required.
- Delivered 103 wellness training sessions on financial wellness, goal setting, motivation, relationship and stress management and work-life balance, reaching 739 employees. Part of this initiative was an outreach programme to assist employees directly affected by COVID-19, with psychosocial support provided to 106 employees.

#### Overall ICAS engagement rate (uptake of all services)

**19.2%**

(2019: 21.1%).

#### Annualised individual ICAS usage of core services

**12.8%**

compared to 4.0% across all ICAS client companies (2019: 14.1%).

#### Most used services

**54.2%**

(2019: 54.3%) of employee interaction related to professional counselling with stress being the top presenting issue, accounting for 20.6% of all difficulties. 5.1% (2019: 7.2%) of cases were formally referred for assistance.

#### Manager assistance

**17.5%**

of ICAS cases related to difficulties experienced by managers (2019: 18.5%<sup>1</sup>).

#### Wellness days

**318 employees**

attended wellness days held at our Shared Services Centre and Netcare Greenacres and Netcare Pholoso hospitals prior to the pandemic.

1. Restated due to ongoing case and quality management processes at ICAS.

### Looking forward

- Introduce suitable solutions to ensure employee wellbeing, based on the outcomes of the employee wellbeing survey.
- Increase managerial support through webinar training.

## Remuneration and reward

Our remuneration philosophy rewards employees for their contribution to the Group, supports our ability to attract and retain talent at all levels of the organisation, and drives an ethical and high-performance culture. Remuneration decisions consider individual and team performance as well as values and behaviours that promote the delivery of person-centred health and care. We benchmark nursing salaries to ensure continued competitiveness.

## 2020 performance

- Introduced a team-based performance management process, which formally engages teams on collective performance and learning, and stimulates constructive engagement between management and employees.
- Developed a remuneration model for Medicross to guide experience-based salary offerings to new employees.
- **Strategic initiative** Completed the pilot recognition programme for employees – Heal My Guest – which leverages behavioural economics (the study of human psychology when making decisions) to drive compassionate engagement with patients. The programme is designed to recognise teams for good work, involve the patient, and drive better relationships between nurses and doctors. Rewards include internal recognition and gratitude cards from patients.

## Looking forward

- **Strategic initiative** Continue to roll out the recognition programme and associated compassionomics workshops.

 Remuneration report: page 204.



## Human and intellectual capital continued

### Change management

Over the past two years, a range of organisational change initiatives have been introduced to support the CareOn project (the Hospital division's EMR project), to drive acceptance of change and develop the resilience skills needed to ensure the project's successful implementation. The change management framework has given us a good base from which to implement other change management initiatives that support strategic delivery. In addition, our leadership programmes equip leaders with the skills to effectively engage and support employees impacted by change.

#### CareOn change management plan

▶ **Trained Clinical Application Support Specialists**

who assist nurses, pharmacists and doctors with the transition to CareOn.

▶ **Awareness sessions**

for management and employees of the hospitals, Emergency departments and pharmacies impacted. 'Frequently asked questions' (published on the Netcare intranet) are regularly updated with new questions raised at these sessions.

▶ **Regular communication**

(SMS and newsletters) keep employees updated on the CareOn implementations. In addition, tailored communication platforms are developed for specific groups of employees. Examples include our weekly nursing 'toolbox talks' and the Pharmacy Connect sessions.

▶ **Change readiness surveys**

to understand the levels of preparedness, attitude, understanding, acceptance and commitment to CareOn and identify where additional support is needed.

▶ **The CareOn organisational design plan**

covers doctor, nursing, pharmacy and technical structures, and is tailored for each hospital where CareOn will be implemented.

▶ **Training**

all employees impacted by CareOn, coupled with ongoing onsite support.

▶ **Care Sessions** (conducted before and after implementation)

provide employees with emotional support and a 'safe' forum to express concerns. Employees are taught how to manage stress, handle difficult situations and conversations, and build resilience. Feedback is communicated to the project development team to put action plans in place to address any issues. Updates are communicated to employees using the CareOn newsletters.

▶ **Go Live activities**

which include visits by senior project team members and executive management, a go live event, and SMS messages and gifts to create excitement.



## 2020 performance

- Continued to prepare employees and doctors for the implementation of CareOn. This included:
  - Filling three Clinical Application Support Specialist positions.
  - Appointing a team of hospital Digital Clinical Leads to assist with doctor adoption of CareOn. The team has received training on self-awareness, dealing with difficult clients, change resistance, conflict resolution, and impact and influence.
  - Delivering awareness sessions and Care Sessions to 1 350 employees at the three Western Cape hospitals where CareOn was implemented in general wards.
  - Adding a patient script to the CareOn training, which helps employees answer questions relating to CareOn.

### Looking forward

- Continue to apply our change management interventions as the roll out of the strategic initiatives progress across the Group.

## Workforce diversity

Our leadership is committed to dealing with the fear, awkwardness and stigma associated with racism, diversity and inclusion, and to breaking down the barriers to social cohesion. Our targeted people development strategy focuses on normalising our workforce diversity profile to reflect SA's EAP. Our focus remains on improving the representation of black people and, more specifically, black women at executive, senior and middle management levels and retaining our YES learners and interns, including those who are differently abled. At the junior management and skilled levels, our focus is to recruit men, specifically African and Coloured men, who remain under-represented.

The Operational Transformation Committee monitors transformation progress at a Group level against our employment equity plan, meeting three times a year. The plan sets out our employment equity targets and interventions, and is submitted to the Department of Labour annually.

Our performance under the skills development pillar of the B-BBEE scorecard came under pressure this year due to the amendments made to the B-BBEE Codes. The Codes now require that the skills development of black people equate to 2.5% of payroll and a cap of 15% has been placed on claimable indirect training costs. These changes reduced our B-BBEE skills development score from 17.07 to 8.77 points.

Our zero-tolerance approach to any form of discrimination covers our employees, contractors, doctors and partners as well as our patients and their families. Our recruitment processes are designed to ensure that we do not create any unintended barriers to access for non-designated groups at leadership and management levels.

## Human and intellectual capital continued

### 2020 performance

- **Strategic initiative** Started developing our new five-year employment equity plan to 2025, which includes meaningful and rigorous consultation with our workplace transformation committees.
- Exceeded our internal targets for black representation at all management levels, with the exception of black women in middle management which we marginally missed by 0.4% at year-end. We expect to achieve the target before the end of the calendar year. Good improvement was made at middle management level with black representation increasing 3.7% (up from 45.2% in 2019). Black representation at junior management and skilled levels is enabling us to build a representative talent pool for future leadership roles.
- 86.3% (2019: 86.2%) of all recruitments and promotions went to black people, with 68.3% (2019: 69.1%) being black women.
- Invested 90% of training spend in upskilling women. 92% was invested in developing black employees (target of 85%) and R2.6 million was invested in differently abled employees.
- Continued to focus on recruiting and developing black differently abled women, who often are marginalised and abused, resulting in the employment of 335 differently abled women at Netcare from 62 in 2011.

#### Looking forward

- **Strategic initiative** Roll out a diversity and inclusion programme informed by the issues raised in the wellbeing survey. The programme will aim to assist employees to confront their biases and privilege, and understand how they can be part of the solution.
- Continue to deliver active employee engagement and education sessions to encourage employees to voluntarily disclose their disability status so that we can provide them with support through reasonable accommodation.
- Partner with HWSETA to launch a 2021 Sinako intake, which will bring on board 35 differently abled unemployed youth, enabling them to achieve a business administration (NQF<sup>2</sup> level 4) qualification. We will also continue to invest in the development and career growth opportunities of our previous Sinako learners who are now part of our workforce to keep them actively engaged and motivated.

1. Excludes fixed term contractors.  
2. South Africa's National Qualifications Framework (NQF).

#### Black representation<sup>1</sup>

**79.0%** (15 184)

of our workforce comprises black employees against an EAP of 91% black people (2019: 78.3%).

**64.2%** (12 337)

are black women (2019: 64.0%).

#### Women representation<sup>1</sup>

**81.6%** (15 684)

of our workforce comprises women (2019: 82.1%).

**71.3%**

(2019: 75.1%) of our management and leadership are women with 39.6% (2019: 39.1%) being black women.

#### Foreign nationals

Foreign nationals represent 1.8% of the workforce (2019: 1.8%).

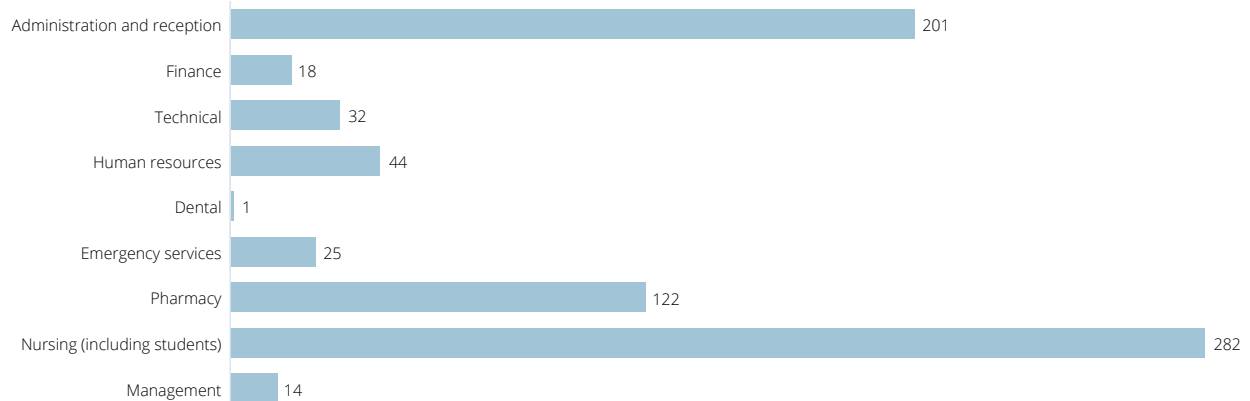
#### Differently abled people

**739 differently abled people employed,**

representing 3.8% of our workforce and comparing favourably against other South African organisations and above the national target of 2% (2019: 3.6%).

We ensure that our differently abled employees are able to work in professional capacities across the Group.

### Job roles for differently abled people



Workforce representation (at September 2020)	% of the workforce					Employment equity plan	
	2016	2017	2018	2019	2020	Target % for 2020	Stretch target % for 2020 <sup>1</sup>
Black <sup>2</sup>	26.9	28.0	29.2	41.4	<b>41.9</b>	37.0	43.8
Senior management							
Black women	15.4	12.0	16.7	24.1	<b>25.8</b>	22.2	25.0
Middle management							
Black	35.0	36.1	39.9	45.2	<b>48.9</b>	48.2	
Black women	18.5	20.7	21.7 <sup>3</sup>	25.1 <sup>3</sup>	<b>27.6</b>	28.0	
Junior management and skilled workers							
Black	60.9	64.9	68.0	71.2	<b>71.9</b>	66.4	72.0
Black women	52.6	56.2	58.9	61.9	<b>61.9</b>	54.2	63.0
Differently abled employees							
Overall	2.6	3.0	3.2	3.6	<b>3.9</b>	4.0	
Black	1.4	1.7 <sup>3</sup>	1.9	2.3	<b>2.5</b>	3.0	
Black women	0.9	1.1	1.3	1.6	<b>1.7</b>	2.0	

Note: excludes National Renal Care and public private partnerships (PPPs).

1. During the year, we set stretched targets for the occupational levels where our internal employment equity targets were achieved before year-end.

2. Here, black refers to African, Coloured and Indian employees.

3. Restated (incorrectly reported).



## Human and intellectual capital continued

### Training and development

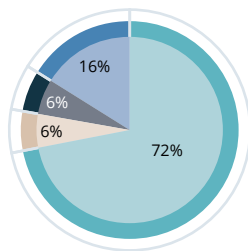
Our 'growing with passionate people' strategy focuses on upskilling all our people through formal qualifications in nursing, pharmacy and emergency services, driving the development of black people, developing a diverse pipeline of scarce and strategic skills, providing opportunities for unemployed youth through various vocational programmes, and the retention of unemployed youth on successful completion of their programmes. Our training programmes, are designed to develop the skillsets needed to deliver our core business strategy. Employee development areas are identified in the individual and team performance enhancement and needs analysis process.

Our training metrics are calculated for the skills period 1 April 2019 to 31 March 2020 as per the HWSETA measurement year.

### 2020 performance

- Started an ICU upskilling programme in April 2020 to develop nurses working in other wards. While the immediate priority was to increase our available ICU nursing resources to manage COVID-19, the training has enhanced the skillsets of the 899 participants (78 being nurses at the Queen 'Mamohato Memorial Hospital in Lesotho).
- 225 candidates were accepted onto our new nursing qualifications (higher certificate in auxiliary nursing and diploma in nursing), started in January 2020. The low student numbers approved by SANC for the Netcare Education campuses remain a concern, negatively impacting the adequate supply of trained general nurses for Netcare in future. Netcare Education's student numbers for formal nursing qualifications have decreased from over 3 400 in 2012 to only 1 500 at July 2020. We have submitted a request to the SANC to review the student allocation.
- 95 employees participated in our academic development programme, which addresses skills gaps in numeracy, business communication, research, computer literacy and English. The programme prepares a pipeline of candidates for our 2021 intake to our new nursing qualifications.
- Resumed the 2019 Sinako learnership for differently abled learners in November 2020. Out of 46 learners, seven have left the programme, four have been placed at Netcare, one has been placed externally, with 34 still participating.
- Continued to place YES learners in pharmacist internships, nursing learnerships and clinical engineering and support services vocational programmes (see page 141).
- Designed a customised electronic learner database, which provides efficiencies in the administration and reporting of our learning and development activities.
- 74% of our training spend was invested in structured career-advancement programmes registered on the NQF (2019: 79%).

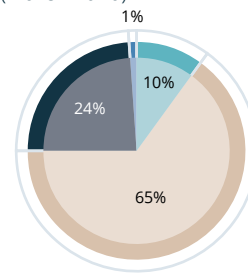
**Breakdown of training spend**  
(March 2020)



- Formal nursing training (2019: 69%)
- Emergency and critical care training (2019: 6%)
- Management and leadership development (2019: 4%)
- In-service and continuous professional development programmes (2019: 21%)

Netcare Education's campuses in Gauteng, Gauteng South West, Port Elizabeth and Western Cape have full SANC accreditation to offer new nursing qualification programmes for the next five years, effective January 2020.

**Breakdown of training spend**  
(March 2020)



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

Our investment per employment band aligns favourably to our workforce composition, comprising 89.5% semi-skilled and skilled workers (18 505) at March 2020.

Training (at March)	2020	2019	2018
<b>NETCARE<sup>1</sup></b>			
<b>Employees trained</b>			
Paramedics	31	19	57
Nurses enrolled on formal nursing programmes <sup>2</sup>	1 240	1 353	1 970
In-service programmes for nurses	352	530	541
Other training programmes	13 653	14 412	11 125
Total employees trained	15 276	16 314	13 693
% of employees trained who are women	90.0%	89.6%	85.9%
<b>Training interventions and spend</b>			
Number of training interventions delivered	50 378	59 618	30 813
Skills development spend	R66 million <sup>3</sup>	R84 million	R70 million
<b>NATIONAL RENAL CARE</b>			
Postgraduate nephrology nurses	0	11	12
Clinic technology students	5	6	13
Postgraduate clinical technologists	4	5	10

1. Excludes National Renal Care and PPPs.

2. SANC accredited and registered on the NQF.

3. 1.1% (2019: 1.4%) of payroll, comparing favourably with the 1% requirement prescribed in the Skills Development Act No 55 of 1998.

## Looking forward

- Continue to recruit clinical engineering interns from higher education institutions in partnership with the HWSETA following the success of the YES clinical engineering learning model. Through this model we are providing 10 learners with a 12-month workplace experience programme as part of their national diplomas in clinical engineering. This will ensure a steady supply of clinical engineers for the Technical division, a scarce skill in the healthcare sector.
- Invest R55 million in career and pipeline development and legislated and continuous professional development interventions. Around 85% will be spent on developing and upskilling black people, 86% on developing women and 3% on developing differently abled people.
- Enrol 169 nurses on our six-month in-service nursing certificate programme (post basic), equipping them with advanced clinical competencies to deliver person-centred health and care.
- Leverage our talent readiness programmes to attract and retain the best skills.

## Human and intellectual capital continued



### Leadership capability

Our leadership and management development programmes prepare key talent with the skills and experience to advance into higher management levels. The programmes address critical business needs, are designed to drive person-centred health and care with compassion, align to our race and gender objectives and create bench strength at various levels. The completion of most of these programmes was hindered by COVID-19, however, at the time of reporting they had resumed.

#### Our suite of leadership programmes

##### Executive leadership programme

A 14-month health systems management programme for middle managers delivered in partnership with the University of Pretoria. The programme will build a pipeline of candidates for senior management positions.

##### Management development programmes

Development programmes co-created with experienced external facilitators and researchers for shift leaders, unit managers and heads of departments.

##### Leading the **Netcare Way** programme

Supports tangible growth in emotional intelligence, strengthening the capabilities and resilience of our leaders and enabling them to drive Netcare's culture of compassion, care and quality.

## 2020 performance

- Recommended virtual individual mentoring sessions with the 13 delegates of the executive leadership programme from September 2020. The two remaining programme modules will be delivered in February and March 2021.
- Started four management development programmes in February 2020 (two in Gauteng, one in the Eastern Cape and one in the Western Cape) with 77 shift leaders enrolled (85.7% black people). Three modules were completed before the national lockdown with the remaining modules commencing in November 2020 for completion in March 2021.
- Designed a feedback tool for our lead facilitators, enabling them to provide insight on the challenges and highlights they experienced during their teaching, and to raise any issues and trends expressed by delegates that need to be addressed.
- Conducted an online survey for line managers on the impact of the management development programmes. The results indicated that line managers needed to be better informed on the programme's content. Information packs were developed to assist them in their role as coaches and to guide them on how to effectively transfer knowledge.

### Leadership development

(March 2020)

## Promoted

two black women who participated in the inaugural executive leadership programme into senior leadership roles.

## 387

future supervisors, managers and leaders participated in a development programme, equipping them with the skills to effectively lead their teams (2019: 468).

## 290 (75%)

of enrolments were black employees and 248 (64%) black women.

## Leading the Netcare Way

Rolled out the seventh phase of the initiative, reaching 86 leaders, including unit managers in Gauteng, KwaZulu-Natal and the Western Cape and Hospital executive members in Gauteng (2019: 194).

### Looking forward

- Include a change management symposium in the executive leadership programme, sharing the outcomes of key change initiatives implemented at Netcare, together with a facilitated panel discussion with key Netcare stakeholders. The organisation and change management modules of the programme (to be completed early next year) will enable delegates to think critically, strategically and innovatively. The second intake to the programme is aligned to our 2021 employment equity plans.
- Roll out eight new management development programmes in 2021. The programmes will be tailored for unit managers, shift leaders and heads of departments in Gauteng, KwaZulu-Natal and the Western Cape.
- Investigate e-Learning and blended delivery methods for our management and leadership programmes, minimising the need for classroom learning.

## Human and intellectual capital continued

### Employee relations

We strive for a harmonious and productive working environment based on trust and cooperation. Our workplace relations policies and documents are easily accessible to all employees. We encourage our line managers to attend to grievances promptly with written feedback provided to employees.

### 2020 performance

- Successfully concluded the 2020/21 wage negotiations with all four recognised trade unions.
- Retrenched 115 employees, where roles had become redundant, 52 in the Hospital division and 28 in the Primary Care division, 24 in Netcare 911, nine in Akeso Clinics and two from head office. All processes were undertaken in line with the requirements set out in our collective bargaining agreements.
- Facilitated national consultative forums with trade union representatives on workplace diversity and inclusion, skills development opportunities, a new standardised recognition agreement between Netcare and the four labour unions and a new OHS collective agreement.
- Six (2019: 14) grievances about labour practices were received with all six addressed and resolved.
- 1 165 new employees received awareness training on our zero-tolerance approach to discrimination and harassment.
- 11 (2019: 12) cases of unfair discrimination, racism and workplace bullying were reported to the SHOUT hotline and two (2019: five) were reported through the Employee Relations department. All cases were investigated with 12 resolved and one still under investigation at the time of reporting. ICAS provides support to those who have been aggrieved.

	2020	2019	2018
Number of employees	19 007	19 915	20 946
Employee turnover	13.5%	14.1%	12.1%
Union membership	52.7%	52.6%	50.9%

Note: excludes National Renal Care and PPPs.

### Looking forward

- Conclude the revised agreements with trade unions and continue to foster a relationship of mutual trust between Netcare, employees and their representatives.



# Operational excellence

## Digital transformation and data analytics enablement

**What COVID-19 has taught us, is that people are now more willing to embrace virtual healthcare services, reinforcing our belief that our strategy to provide person-centred health and care that is digitally enabled and data driven is relevant and will significantly differentiate Netcare from its competitors (see our strategy page 66).**

**Strategic initiative** The introduction of EMRs across all our service platforms is the backbone of our approach to person-centred health and care. At the pinnacle of our digitisation journey is the customer engagement platform (CEP), which will revolutionise how we engage with our patients. The CEP will unite all customer data across the Group to provide a single view of our patients, enabling a personalised patient experience and unlocking value from our considerable data assets. The CEP will house data from our transactional systems and data warehouse. Patients will 'own' their healthcare data and have seamless access to their Netcare electronic health record using multiple digital channels. In addition, utilising machine learning and AI, and enhancing our data analytics capabilities, we will be able to better inform treatment protocols and improve outcomes (see page 167).

While our focus on managing COVID-19 required a temporary interruption of some of our strategic projects, it allowed us to quickly pivot our energy and focus to developing several digital solutions that substantially improved our management and control of the pandemic (see page 11).

The IT tools and architecture procured and built over the last 14 years enabled us to quickly transition hundreds of workers to an offsite work environment when SA's national lockdown was instituted. We accomplished this transition in one week.

The digitisation of the Hospital division (CareOn project), our most complex strategic initiative, is expected to cost R368 million over 10 years (2017 – 2027). The project will deliver incremental growth in value for Netcare from 2022 as efficiencies start to offset costs. The restraint of trade on IT partners in the Southern African market ends on 31 October 2023.

### Scale

Around 186 approved enterprise architecture applications across our service platforms, supporting around 10 000 users.

### Founders Factory Africa

**Strategic initiative** In partnership with Founders Factory Africa, we selected five health-technology startups, giving them access to our technical expertise and data to stimulate innovative solutions to healthcare challenges in SA and Africa.

We are investing

**£10 million**, or approximately R180 million, over five years (2019 – 2023).

### Investment

The capital cost of our digital and data enablement strategy is budgeted at R600 million over 10 years.

Projects across all divisions remain within budget. R120 million has been spent to date and over the next two years to 2022, capital investment in our digital strategy is budgeted at R335 million (including CareOn).

## Human and intellectual capital continued

### Our digital strategy road map

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Eliminate disparate systems (55 in total)	Centralise key functions into a single Shared Services Centre	Create the Internet of Netcare Things platform	Build a customer engagement platform	Modernise our data infrastructure and management
<b>2006 – 2012</b> <ul style="list-style-type: none"> <li>Implemented SAP ERP, an enterprise resource planning software, in all service platforms (excluding National Renal Care) as the basic financial and administrative backbone.</li> </ul>	<b>2012 – 2016</b> <ul style="list-style-type: none"> <li>Centralised human resources payroll, Group IT, debtors, creditors, procurement, as well as the finance and administration functions of the Hospital division, Netcare 911, Primary Care and Akeso Clinics.</li> <li>Automated internal audit test procedures servicing the entire Group.</li> <li>The centralisation of asset management is in progress.</li> </ul>	<b>2016 – 2018</b> <ul style="list-style-type: none"> <li>Implemented interfaces across all business units to streamline and improve business processes. Examples include green procurement, robotic invoice processing, online Medicross appointments, mobile apps and electronic monitoring of stock inventory.</li> </ul>	<b>2018 – 2023</b> <ul style="list-style-type: none"> <li>Digitising the patient experience.</li> <li>Creating unique digital patient records across the Group.</li> <li>Developing a CEP.</li> </ul>	<b>2018 – 2022</b> <ul style="list-style-type: none"> <li>Enabling big data analytics and predictability to drive business and clinical decisions. This includes establishing a cloud-based enterprise platform, the Data Council and data teams.</li> </ul>
Inward focus with little impact on patients			Exceptional experience for patients	
Phase 4 and 5 are being tackled concurrently				

### Customer engagement platform

Stage 1 Completed	Stage 2 In execution	Stage 3 In execution	Stage 4 Still to do
Standardise our transactional systems (SAP ERP).	Enable EMRs for each service platform.	Loading clinical and demographic data on to our new platform.	Develop a platform that drives exceptional patient experience through our digital ecosystem.

The benefits of the customer experience platform.

**01 Longitudinal view** of a patient's medical history across service platforms during periods of wellness and recovery.

**02** Patients with **full access** to their medical records.

**03** Enhanced **patient engagement**, empowering patients to assume co-responsibility for and actively participate in their health and wellness.

**04** Optimised **permissions and consent management**.

**05** Improved **customer complaints management**.

**06** Focused digital and **multi-channel marketing**.

**07 Predictive and preventative care** using big data analytics.

**08 Standardised patient engagement** across mobile and web platforms.

## The benefits of our digital strategy

Qualitative		Quantitative	
Minimised duplication of tests or diagnostic procedures which often occur in a fragmented system, especially in the referral from primary care to tertiary care.	Improved safety, accurate records, reduction of medication-related errors and big data analytics to guide the most appropriate care.	Reduced medico legal risks and medical malpractice insurance premiums.	Reduction in stationery and physical storage costs.
Remote access to a live record 24/7/365.	Permanent EMRs for patients, ultimately across all service platforms, improving patient-focused care (managing the patient and not the records).	Improved digital billing and case management (financial efficiency).	Change to the nursing model in intensive and high care units and wards.

## Risks

The risks associated with our digital strategy will be managed through external assurance reviews conducted by international consulting and audit experts. Our biggest risks include:

- **01 Failure to roll out the CareOn project effectively:** weekly progress meetings and the CareOn Digitisation Project Steering Committee provide an additional layer of oversight to ensure successful implementation.
- **02 Speed of use – IT infrastructure and bandwidth:** significant investment has been made in IT and upgrading our bandwidth and Wi-Fi.
- **03 User acceptance by doctors and nursing staff:** our doctors and nurses were involved in designing the system and functionality. In addition, comprehensive change management initiatives are in place and 140 dedicated IT and doctor 'super users' (Clinical Digital Leads) ensure that doctors' needs are catered for and deliver training for doctors and other healthcare providers. They are also involved in extensive testing and provide input on refining existing functionality.

The Project Management Office coordinates, manages and mitigates the risks associated with CareOn according to a formal project charter and in line with Netcare's project management lifecycle and governance standards.

## Governance in action

IT is fundamental to Netcare's sustainability and growth, not only as an operational enabler across all aspects of our business, but also as an important strategic asset to create opportunities and gain competitive advantage. Our robust IT governance framework includes the involvement of various stakeholders and ensures that IT is managed in an effective and efficient manner and that the structures, processes and responsibilities are in place to ensure the integrity, continuity, confidentiality and availability of information in a cost-effective manner.

The Board, Audit and Risk Committees oversee various aspects of IT and are kept comprehensively updated on the progress of the EMR implementations and data analytic enablement. The digital and data strategy is a standing agenda item at Executive Committee meetings. The IT Steering Committee provides strategic direction in terms of IT across the business, including IT risk and opportunity management. The POPIA<sup>1</sup> Steering Committee and the Group Compliance Committee, together with various mechanisms, policies and procedures, ensure that legal and regulatory compliance requirements are achieved.

The CareOn Digitisation Project Steering Committee took the difficult decision to withdraw CareOn from all but two wards in Netcare Milpark Hospital and switch the CareOn implementation to the Western Cape as Gauteng COVID-19 infections surged, while the first surge in Western Cape stabilised from early June 2020. The Netcare Milpark Hospital implementation will resume in April 2021.

1. Protection of Personal Information Act.

## Human and intellectual capital continued

### CareOn implementation

CareOn implementations at Netcare Milpark Hospital and three hospitals in the Western Cape **achieved a number of firsts in SA and on the continent.**

CareOn is completely mobile and offers remote **access to patients' information away from the bedside and outside the hospital** – a capability that is offered by only a handful of hospitals globally. At last count, Netcare Milpark Hospital was **one of only six hospitals globally** with this functionality.

**Strategic initiative** In the wards where CareOn is operational, we have created fully paperless environments. The fully iOS-based application supports electronic nursing and doctor documentation and all patient information, whether administrative (medical aid details) or clinical (patient vitals), is captured and available electronically.

Some of the application's highlights include:

- **Digital scripting (e-scripting):** the prescription, dispensing, preparation and administration of medication are digitised. We will be the first in SA to have a closed loop for medication dispensing and e-prescribing. E-scripting was approved by the South African Pharmacy Council in August 2020, a first for SA and establishes the new sector standard.
- **Medication safety:** all prescriptions are checked against IBM Watson Health Micromedex, for any interactions between medication, duplicate medication and medication allergies the patient may have, achieving the highest level of medication safety in SA, and setting the sector benchmark.
- **Voice-to-text note dictation and handwriting recognition:** using Siri, iPad users can dictate their notes.
- **Computerised physician order entry:** doctors can electronically request nursing interventions, order tests and receive test results, radiology reports, electrocardiograms and live radiology images, another first for SA. This is a critical feature that allows seamless integration between all healthcare workers caring for a patient.



## IT implementations 2020 performance

### Hospital division

- **Strategic initiative** Held CareOn awareness sessions for nursing and pharmacy employees, the Emergency department, doctors and other healthcare providers at Netcare Blaauwberg, Netcare Kuils River and Netcare N1 City hospitals in the Western Cape in September 2020. Training of doctors and nurses was undertaken remotely using our eLearning platform, InSight. End-to-end and user acceptance testing was also conducted. The roll out of CareOn to the general wards of these hospitals has begun with specialised wards, theatres and Emergency departments scheduled from January 2021. These implementations will be the first full version of CareOn, including functionality for maternity and paediatric wards. CareOn implementation in Netcare Christiaan Barnard Memorial and Netcare University of Cape Town Private Academic hospitals will follow in 2021.
- Successfully migrated all oncology units onto the Netcare network, with greatly improved network performance and infrastructure support, reducing our reliance on external service providers.
- Continued to work on improving the hospital network's Wi-Fi infrastructure for internal users, doctors and guests. The guest network will provide users with one gigabyte of free data a day.

### Akeso Clinics

- **Strategic initiative** The Finance and Investment Committee approved the EMR digitisation project, functional specifications have been completed and a third-party vendor selected to commence development of the EMR.

### Netcare 911

- Implemented a modern state of the art fleet management and tracking system in the Emergency Operations Centre and vehicles, which will assist to optimise response times.


### Primary Care

- **Strategic initiative** Rolled out HealthOne Connect (the service platform's EMR solution) to an additional seven medical clinics (bringing the total number of implementations to nine). The Elixir Live billing module (an integrated cloud-based practice management system) is also operational in nine centres. Roll out of the module for the dental practices started in November 2020.
- Successfully piloted virtual training on Elixir Live at the Pretoria West Medicross to minimise COVID-19 exposure and the pandemic's impact on project timelines. Lessons learned were incorporated into a formal virtual training programme for the remaining Medicross implementations.
- Assessed the impact and adoption of HealthOne Connect among doctors, nurses and the project team. Feedback was used to further stabilise the system and enhance user experience. These improvements will be implemented by December 2020 for roll out in 2021.

### National Renal Care

- **Strategic initiative** Revised and finalised the EMR project charter and developed high-level timelines for implementation.
- Developed a mobile application for patients, to be launched in 2021.

### Other projects

-  SHEQ system implementation: page 124.
- Our telehealth platform: page 170.
- An electronic health code index for specialists: page 133.
- NetcarePlus implementations: page 172.

## Human and intellectual capital continued

### Our digital patient journey

As the only emergency service in Africa that is fully digitised, Netcare 911 exemplifies the full extent of the digital patient journeys we intend to offer across all our services platforms. It also illustrates the scope of the opportunities this provides for truly differentiated (emergency) care, where digital enablement and data insights drive operating and time efficiencies that save lives and improve clinical outcomes way beyond the event.



Digital training and retraining

In-house dispatch system

Netcare 911 'Locate Me' SMS geolocation

Automated patient information lookup



DIGITALLY ENABLED SOLUTIONS

Google navigation

Telehealth

Smart ambulances

Telemetry between ambulance and hospital

Patient information confirmation via USSD

Voiceless communication

Electronic invoice generation

Customer satisfaction electronic survey link



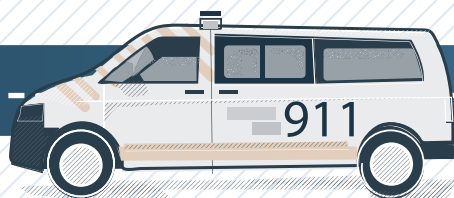
OPERATIONS

03








HOSPITAL

04



## Human and intellectual capital continued

### Looking forward

	EMR	CEP
 <b>NETCARE 911</b>	Completed	June 2021
 <b>NATIONAL RENAL CARE</b>	September 2021 (Revised due to COVID-19)	September 2021
 <b>PRIMARY CARE</b>	June 2022 (Revised due to COVID-19)	March 2022
 <b>AKESO CLINICS</b>	April 2022 (Revised due to COVID-19)	December 2021
 <b>HOSPITAL DIVISION</b>	December 2022	June 2021
 <b>CANCER CARE</b>	June 2022 <sup>1</sup>	June 2022 <sup>1</sup>

Note: projects may be further impacted given the resurgence in COVID-19 infections or if support teams contract COVID-19.  
1. Estimated timelines.

- Conduct post-CareOn implementation reviews, including retraining, in the Western Cape hospitals in 2021, and integrate CareOn with third parties such as laboratories, blood banks and radiation services.
- Refresh the Hospital division's Wi-Fi architecture with highly scalable, highly available and high performing Wi-Fi 6 architecture.
- **Strategic initiative** Enhance our IPC and antibiotic stewardship systems.
- **Strategic initiative** Migrate three regional radiotherapy planning systems (Gauteng, Cape Town and Durban) into a centralised database in 2021. This will simplify and streamline upgrades, backups and server maintenance, achieving cost efficiencies, reduced training requirements and improved business continuity. Once centralisation is complete, we will implement an integrated billing solution for all Netcare radiation units. Integration with CareOn has been delayed to 2022.
- **Strategic initiative** Continue to develop a proof of concept to connect all vital equipment (monitors, ventilators and glucometers) in Netcare 911 ambulances to Netcare Milpark Hospital's Emergency department. This will provide the receiving team with real-time information on the patient before arrival at the hospital and will reduce duplication on admission. The project has been impacted by the interruption of the CareOn implementation at Netcare Milpark Hospital and delivery is scheduled for 2021.



## HIMSS external assurance

### Our short-term goal

**Achieve EMRAM<sup>1</sup> Stage 7 validation for CareOn** at Netcare Milpark Hospital by the end of 2022 (revised due to COVID-19).

### Our medium-term goal

Ensure that **all Netcare healthcare-related services are measurable and comparable to international best-in-class standards.**

### Strategic initiative

The Healthcare Information and Management Systems Society (HIMSS), a global non-profit organisation, will provide external assurance, tracking the effectiveness of our EMR adoption and usage against other healthcare organisations across the world, using its eight-stage EMRAM benchmarking model. Stage 7 of the model signifies the most advanced and sophisticated EMR system delivering the best outcomes by integrating all clinical areas. Stages 0 to 6 measure progress and maturity in implementing an EMR system. The highest levels of maturity (Stages 6 and 7) correlate with improved patient safety and quality outcomes. This correlation to improved safety has been demonstrated by relating the maturity model to the Hospital Safety Grade Scale developed by the Leapfrog Group, a United States-based non-profit organisation that advocates for hospital transparency and safety. The Leapfrog Hospital Safety Grade evaluates 2 600 acute hospitals in the United States twice a year against 28 performance standards.

We have developed a detailed gap analysis to assess our implementation of CareOn at Netcare Milpark Hospital, and are evaluating the areas that will assist our progress towards achieving Stages 5, 6 and 7. We aim to achieve Stage 5 or 6 accreditation by the end of 2021. Stage 7 requires a year's worth of data and a sector-wide health information exchange.



2019 Netcare Integrated Report for details on the EMRAM benchmarking model.






1. Electronic Medical Record Adoption Model (EMRAM).



## Human and intellectual capital continued

### Digitising the person-centred health and care journey

Providing a unique value proposition to our patients at no additional cost.

	<p><b>Strategic initiative</b> The roll out of Netcare <b>appointmed™</b> was completed during the year. The free telephonic service allows the public and GPs to make appointments with a wide range of healthcare practitioners and specialists across our hospitals, Akeso Clinics and Medicross medical and dental centres. Well-trained representatives help callers select the right doctor for their needs and explain medical aid rates, scales of benefits, co-payments and charge implications of a medical procedure.</p> <p>159 669 calls and 29 004 appointments made since November 2016 (includes the pilot phase).</p>	<p>Formally launched 12 November 2020.</p>
	<p><b>Digital pre-admissions</b> (started: 2018)</p> <ul style="list-style-type: none"> <li><b>Strategic initiative</b> Online hospital pre-admission pilot underway with 8% of surgical admissions facilitated using the Netcare patient portal against a target of 20%. Benefits include fewer claims rejections and shorter waiting times on the day of admission.</li> <li>Check-in pilot at Netcare Pretoria East Hospital – a partnership with a major medical scheme to integrate authorisation and membership validation.</li> </ul>	<p>Both initiatives are due for implementation in 2021.</p>
	<p><b>Shorter waiting times</b> (started in 2019 but delayed due to COVID-19)</p> <p><b>Strategic initiative</b> This application uses machine learning to predict the waiting time for Priority 3 patients (non-urgent, non-critical ailments) in Emergency departments. Predictions are to within a 15-minute interval, and take into account time of arrival, the hospital concerned and the number of patients already being attended to. Our objective is to share waiting times with Priority 3 patients across all our Emergency departments.</p>	<p>Pilot completed. Implementation due in 2021.</p>
	<p><b>Geolocation</b></p> <p>The 'Netcare 911 Locate Me' service, accessed through the Netcare mobile app, uses automated SMS geolocation to identify and auto-populate a caller's address, reducing call handling time and increasing location accuracy.</p>	<p>Operational.</p>
	<p><b>Ambulance positioning</b> (started 2019 but delayed due to COVID-19)</p> <p><b>Strategic initiative</b> The application uses big data and advanced real-time analytics to place vehicles in areas where they are most likely to be needed. This provides better outcomes without incurring additional resources or cost, meaning we are able to operate a more efficient fleet without compromising the volume of patients transported. We are targeting a one minute improvement in response times.</p>	<p>Due for implementation in 2021.</p>

## Data analytics

**Strategic initiative** Our data strategy will improve how we use our extensive data assets, with many new applications and proofs of concept already delivering valuable insights and quality improvements. The Microsoft Azure cloud-based data analytics platform harnesses the full potential of machine learning, AI, predictive analytics and the Internet of Things. The platform is scalable and includes high availability and disaster recovery functionality. It can unify data in real time from various data sources.

**Strategic initiative** The Data Council prioritises data initiatives and works with the Data Governance and Quality Management team to implement Group-wide data definitions and standards for critical data sets to ensure data quality and continuous monitoring of these datasets.

## 2020 performance

- **Strategic initiative** Completed proofs of concept for the following data projects: predicting claims and billings rejections, revenue forecasting, antibiotic usage and probability of survival for Priority 1 trauma patients. Proofs of concept for the prioritisation of debt (to identify potential bad debt early) and the Emergency department waiting times for Priority 3 patients were started but interrupted by COVID-19.
- **Strategic initiative** Successfully migrated the data science models for debt prioritisation and claims rejections trends to the cloud platform.
- Implemented a new organisational structure to enable the data strategy. Skilled resources, including data engineers, data science and analytics specialists and data quality and governance analysts, have been and continue to be, recruited. We also made good progress in consolidating disparate data management and analytics departments into a single Group-wide function.
- Developed a data governance tool to manage data standards, data rules, metadata and the approval process by the relevant business data owners.

## Deputy Information Officers

# 35

Deputy Information Officers appointed and trained across all service platforms to address our privacy obligations.

## Technical stats

Around **50 terabytes** of data traverses our network weekly (equating to around 25 000 hours of movies).

On average around **5 million** inbound emails received each month (around 54% are rejected due to security reasons).

Over **5.3 million** unique SAP patient IDs.

- COVID-19 had a significant impact on the Data Council's mandated activities. Nevertheless, some progress was made, including the establishment of a Clinical Data Council (see page 116), the definition of initial rules to govern patient demographic data, the development of a data catalogue and initiatives to centrally manage doctor data.
- Developed the value and prioritisation framework to assist the Data Council to prioritise our data initiatives and ensure projects add value to the business based on financial benefit, alignment to the strategic drivers and reduced risks.
- Retained an external service provider to roll out an online survey for senior management to assess Netcare's digital maturity across six dimensions: strategy, agile delivery and culture, technology, data, organisation and talent, and adoption and scaling. Feedback will help us better understand how to accelerate digitisation and prioritise our digital initiatives.

## Human and intellectual capital continued

### Looking forward

- **Strategic initiative** Populate the CEP with more detailed medical information as the digital EMR projects are implemented across service platforms, to create a comprehensive electronic health record per patient.
- **Strategic initiative** Migrate the data science models for revenue forecasting, IPC and antibiotic stewardship and deploy the data governance tool.
- **Strategic initiative** Initiate proofs of concept to predict mortality, sepsis, renal failure, the care pathway for psychiatric patients and the risk of readmission as well as to detect outbreaks of superbug infections and to forecast Netcare 911 call volumes and where to place emergency vehicles.
- Drive a data quality management culture and processes.
- Refine mechanisms to centrally and consistently store and utilise data from the various digitisation applications and develop deeper insights from the data.

### Cybersecurity

Our hybrid approach to cybersecurity applies the wealth of experience and knowledge of our insourced Cybersecurity team, responsible for our cybersecurity strategy and operational management, as well as additional layers of expertise, market knowledge and defence from external service providers. Our cybersecurity framework ensures that we can effectively monitor, govern and enforce cybersecurity policy as well as appropriately respond to and recover from cyber-related incidents and prevent or minimise data loss. Comprehensive cyber liability insurance guards against losses resulting from cybercrime.

### 2020 performance

- Implemented additional controls to assess and improve our cybersecurity profile over and above the extensive measures already in place, to mitigate against the heightened cyber risks brought about by the pandemic.
- Delivered additional security awareness communications for employees working from home.
- Enlisted an external service provider to perform a full health check of our IT environment.
- Performed vendor health checks of end point protection technologies.

### Looking forward

- Continue to invest in our cyber defence toolsets and technologies, including an upgrade of our site-based firewalls, implementation of additional recovery tools for critical elements of our infrastructure and integration of further products into our central identity and access management platform.
- Leverage additional functionality provided by our SIEM tool.
- Develop detailed playbooks for cyber incident scenarios.



## Business improvement

**Salaries are our largest cost driver. In the first five months of the financial year, nursing teams achieved efficiencies in higher acuity wards, amounting to year-on-year savings of around R30 million.**

These gains, however, were diluted by COVID-19, which required additional resources to treat related admissions and nursing hours to screen patients. Efficiencies were further impacted by the inability to cohort patients, and the need for overtime to cover nurses attending COVID-19 training or unable to work due to COVID-19 exposure or testing positive.

Costs associated with cleaning, security, waste management, laundry and consumables increased considerably due to heightened precautionary measures to contain and prevent the spread of COVID-19. Creating 'COVID-19 free' facilities will be paramount in reducing nursing support expenses and addressing the reluctance of patients to seek clinical care out of fear of contracting the virus.

Our cost containment and efficiency programmes will remain key measures to optimally manage our business and margin pressure, while continuing to ensure our safety protocols remain in place to protect our employees, doctors and patients.

## 2020 performance

### Group

- Payroll accounted for 67.9% of our operating cost base (2019: 66.5%).
- Increased our stock levels to ensure we were adequately prepared to treat COVID-19 patients during the initial surge. Stock levels are closely monitored to ensure we appropriately balance preparedness and operational efficiency.

### Hospital division

- Deployed nurses from day theatres to hospital wards and expanded the cancer navigator role to assist with chemotherapy infusions. This helped to address the nursing shortage created by the need to split teams into two shifts to adhere to social distancing protocols and provided additional support to doctors. Students participating in bridging courses were also deployed back into hospitals.
- Single use ventilator-associated consumables were cleaned, sterilised and stored as 'disaster stock' to be used only in the event of an emergency.
- Increased our physical security awareness and measures, particularly at our pharmacy receiving areas in our hospitals, to protect our PPE stocks. Measures included strict access control, daily monitoring of PPE, hand sanitiser and medication, and more frequent inventory counts. We also ensured adequate insurance cover for PPE stock in transit and stock on hand.
- Integrated 15 Medicross day theatres under the management of the Hospital division.

### Primary Care

- Introduced a working hours model to align staff hours with clinic-specific patient activity while ensuring the delivery of good quality care was not compromised. Where the reduction of working hours was necessary, timely negotiations were undertaken with labour unions.

### Looking forward

- Implement targeted nursing efficiencies in hospital wards and theatres to aid financial recovery while preserving jobs.
- Close three Medicross day theatres that are not delivering the required return on invested capital.

## Human and intellectual capital continued

# New business development

**The South African healthcare market is complex with multiple health insurance and financial services companies providing funding solutions for healthcare. Relationships with customers are largely owned by them, with healthcare providers limited to dealing with customers episodically, when they become patients. Data and digitally driven technologies allow us to play a bigger role in the day-to-day lives of people by offering them a range of simple, integrated and tailored solutions that meet their needs. This section of our report sets out our key business development areas targeting healthcare market disruption and organic growth by increasing market share and developing new markets.**

### Netcare VirtualCare (Telehealth)

Convenient technology-powered options for accessing healthcare have become more relevant than ever during the COVID-19 pandemic. In May 2020, we implemented Netcare VirtualCare, an innovative and secure platform for virtual doctor consultations. These can take the form of either video (using mobile devices or computers) or telephonic consultations.

Medicross spearheaded the pilot and Netcare VirtualCare was successfully implemented across 51 centres, with patients of all ages responding enthusiastically to the service. During the first COVID-19 surge, over 12 800 consults a month were conducted virtually. At the time of reporting, this had reduced to around 4 000 a month. This new direction for connecting communities to primary healthcare practitioners is most effective in instances where physical in-person medical consultations are not necessary, for example, to obtain a repeat prescription. The platform is secure with all data encrypted to protect the patient's privacy and confidential information. Patients do not need to download an app to use the service and can use the dial-in function if they do not have access to data. The platform integrates with the electronic health record and billing systems.

### Investment

**R63 million** invested in new business development.

### Recognition

**Achieved second place in the 2020 BCX Digital Innovation Awards (corporate category).**

VirtualCare was developed together with A2D24 and has been rolled out to around 3 000 doctors.

Appointments can be made using Medicross' online booking system, phoning the medical practice or through Netcare **appointmed™**.

A recent improvement to the platform is the ability to host group telehealth sessions for up to 20 users, specifically developed for Akeso Clinics' group therapy sessions.

In addition, the platform has been rolled out to specialists in the Hospital division.

### Looking forward

- Continue to improve the VirtualCare platform and market it to doctors and patients.

## Akeso Clinics

In line with our strategy to expand our market beyond the insured population and given the expected downturn in medical aid members, Akeso Clinics is focused on attracting more private patients and building capability to offer high-value low-cost services that deliver new revenue streams and increase activity.

### Research and development focus areas

#### Value-based care

funding models and day admission programmes to diversify earning streams while continuing to deliver value to patients and funders.

#### Exploring partnerships

to offer mental illness-related disability management solutions.

#### Employer-based mental health products,

including employee assistance and occupational health programmes (EAP).

#### Accessible and affordable products

for the uninsured market, including virtual out-of-hospital care models using telehealth and computerised cognitive behavioural therapy programmes.

## 2020 performance

- Improved affordability of Akeso Clinics' facilities for self-pay patients.
- **Strategic initiative** Piloted a mental health service offering (a modified EAP) for healthcare workers, giving us the opportunity to test the solution in the Hospital division and Netcare 911 before launching the service to the broader market. The modified EAP provides employees with access to mental wellness programmes that address common challenges such as burnout, anxiety, depression and sequelae of COVID-19 infection. The programme also provides support for middle managers.

### Looking forward

- Pilot the innovative mental health solutions designed by Akeso Clinics by December 2021.
- Build a more dynamic online and social presence for Akeso Clinics with a strong focus on virtual mental health services.
- Integrate the services of Akeso Clinics and ICAS to enhance our EAP offering.
- Partner with NetcarePlus to enable simplified purchasing of healthcare for transactional patient sessions.
- Integrate our mental health offering with Netcare Cancer Care to support person-centred care and enhanced patient experience for cancer patients.
- Expand our 'hub and spoke' referral network to broaden our patient base geographically through satellite campuses or regional centres that reach underserved areas. Patients requiring more intensive medical interventions are referred to an Akeso Clinic. This will improve access to high-quality and affordable mental healthcare services in differentiated care settings.

## Human and intellectual capital continued

### Independent Counselling and Advisory Services

During the year, we acquired 40% of market leading ICAS, which offers organisations in SA a comprehensive range of employee health, work-life and wellness services as well as absence, incapacity and disability management services. ICAS has over 600 clients and covers over 700 000 lives across multiple industries in SA.

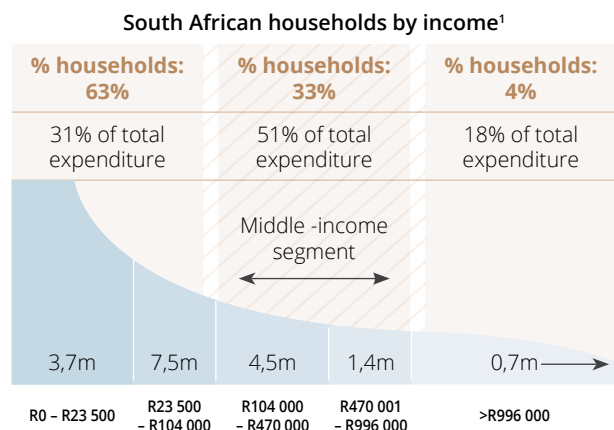
ICAS oversees and coordinates the management of its programme. Utilisation data is analysed by business intelligence analysts and shared with organisations to inform their strategic and tactical decision-making and address areas of concern and improvement.

### NetcarePlus

**Strategic initiative** Netcare's newly established Innovative Healthcare Solutions division comprises a team of skilled professionals across actuarial, medical, product development, digital and distribution disciplines. Operating under the NetcarePlus brand, our products and services aim to improve the lives of South Africans by enhancing access to affordable private healthcare, and are targeted at those in the middle income segment who are employed

but do not have adequate healthcare cover. It is estimated that this market represents a third of South African households and accounts for more than half of the total household expenditure in SA<sup>1</sup>.

#### Our target market



1. Bureau of Market Research Expenditure Analysis.

### Our strategic focus areas (over five years)

#### 01

##### Develop innovative products that meet identified healthcare needs

- Launch the initial product offering and set up capabilities (internally and through strategic partnerships) for future product development.
- Establish the NetcarePlus brand through various marketing activities.

#### 02

##### Create access to these products through a variety of distribution channels

- Build a digital platform to drive customer engagement.
- Establish a distribution capability (digital, call centre and corporate and retail advisers) to drive sales.
- Build a network of professional healthcare partners.

#### 03

##### Build a sustainable business through robust systems and processes

- Implement customer-centred administration and claims management systems.
- Design for data and analytics capability upfront to inform product offerings, optimise operations and ensure an excellent customer experience.

### Trusted provider network

We aim to establish a national multi-disciplinary network of trusted healthcare providers (including providers in the Netcare ecosystem and third-party providers who share our values) based in both rural and urban areas. These partners will have access to tools such as our telehealth platform and Netcare **appointmed**<sup>TM</sup>. A team of relationship managers will provide further support across disciplines.

NetcarePlus offers practitioners the opportunity to attract more patients without additional administration costs, with validated vouchers that guarantee payment for consultations. Virtual consultation software is provided free of charge for those who agree to this method of consultation.



## Products

Our first product offers a selection of vouchers for physical GP consultations, with or without medication, as well as virtual consults. It leverages the Netcare ecosystem and the NetcarePlus trusted provider network to give customers the assurance that they will receive reliable quality care at an affordable price.

Our Single Pay Procedure products offer affordable pre-paid hospital procedures which provide customers with cost certainty. A pre-paid cataract procedure is already available, and covers all related costs, including specialist fees. In the product pipeline are pre-paid urology, ear, nose and throat (ENT) and orthopaedic procedures.



## 2020 performance

- Set up a call centre and claims management capability, and integrated NetcarePlus with Netcare **appointmed**<sup>™</sup>.
- Started building a partner network with over 1 000 GPs across all nine provinces joining our network. At this stage, our partners are located in major cities but can be consulted virtually.
- Launched our pre-paid GP vouchers, offered at a discount to medical aid tariffs and comparing favourably with private GP consultation fees, and launched our first Single Pay Procedure.
- Launched NetcarePlus on the Netcare website, allowing customers to buy vouchers using PayU.
- Established a key partnership with FNB, enabling the bank's customers to buy our NetcarePlus vouchers on the eBucks website.

## Looking forward

- Explore alternative ways to help people pay for primary care and hospital procedures.
- Expand our primary healthcare voucher offering in 2021 to include optometry and dentistry solutions. Product development beyond 2021 will be determined based on customer needs and opportunities identified.

# Manufactured and natural capital

## Estate and medical equipment

**In addition to digitising our business, we invest to expand our services in higher demand disciplines and in upgrading, replacing and maintaining our estate and medical equipment as a cornerstone of our value proposition to patients, doctors and funders. To ensure economic value is created, we maintain a disciplined approach to financial investment, using financial models that stress test our operating and financial assumptions. This ensures that we factor in a variety of possible outcomes to minimise risk.**

To preserve cash and liquidity in the early days of the COVID-19 crisis, we elected to defer capital expenditure amounting to approximately R800 million, set aside for new and uncommitted capital projects. This ensured that we retained sufficient liquidity and access to funding to continue operating and to be able to pay employees, suppliers and fixed costs. Capital expenditure of R156 million was directed to enhancing the readiness of our facilities in preparation for COVID-19 patients, which included ICU and high care changes, medical equipment, oxygen storage, ventilation and air purification equipment.

The capital expenditure budget for 2021 is R1.2 billion, including the new Netcare Alberton Hospital (which will replace the current Netcare Union and Netcare Clinton hospitals), new Akeso Clinics in Richards Bay and Port Elizabeth and digitisation projects as well as the continued focused investment in our estate and medical equipment.

The Finance and Investment Committee ensures that capital expenditure is managed within budgeted targets and is allocated to achieve the most appropriate returns. Board approval is required for projects exceeding R50 million.

 Digital transformation: page 157.  
Chief Financial Officer's review: page 186.



## 2020 performance

### Hospital division

- **COVID-19:** allocated R67 million of additional funds to upgrade hospital ICUs and high care units, including the introduction of high-efficiency particulate air purification and filtration units and the upgrade of our oxygen delivery infrastructure. A team of engineers was tasked with providing assistance to hospital Technical Services Managers on the installation of partitioning and cubicles to increase isolation capacity in these units.
- **COVID-19:** allocated R89 million of additional funds to purchase essential medical equipment, distributed across the hospital network to treat confirmed or suspected COVID-19 patients and ensure the safety of healthcare practitioners. In total, 62 adult ventilators and 427 nasal high-flow ventilators were procured. In addition, 189 critical care beds were prepared and temporarily commissioned to augment treatment capacity.
- **Bed conversions:** 56 under-utilised acute beds were converted to higher demand disciplines and a further 52 beds were commissioned in February 2020 for Netcare Milpark Hospital (transferred from Netcare Rand Hospital).
- **New facilities opened:** a new infusion unit at Netcare Linksfield Hospital and 15 new surgical ICU beds and 13 new medical ICU beds at Netcare St Augustine's Hospital.
- **Upgraded facilities opened:** Netcare Sunninghill Hospital's 13-bed neonatal ICU, a 30-bed medical ward at Netcare Garden City Hospital, five theatres at Netcare Akasia Hospital, six doctor consulting rooms at Netcare Montana Hospital, a 36-bed medical ward at Netcare Park Lane Hospital, a 25-bed haematology ward and a 20-bed chemotherapy unit at Netcare Olivedale Hospital, a 32-bed medical ward and the neonatal ICU at Netcare Margate Hospital and catheterisation laboratories at Netcare St Augustine's and Netcare Greenacres hospitals.
- **Under refurbishment:** 12 theatres and theatre infrastructure at Netcare Pretoria East Hospital, a 30-bed surgical ward at Netcare Garden City Hospital, a brachytherapy unit at Netcare Parklands Hospital and the entrance and building façade of Netcare Linksfield Hospital.
- Opened a helipad and additional parking and upgraded the reception at Netcare St Augustine's Hospital. We were also granted a day hospital licence for this facility (15 day beds, three theatres and a gastrointestinal unit).
- Opened 72 parking bays at Netcare Parklands Hospital.
- Commenced construction of the Netcare Alberton Hospital in January 2020.
- Installed new state-of-the-art Ziehm 3D C-arm navigation technology at Netcare Kuils River Hospital, which gives a three-dimensional view of the anatomy to enable a high degree of surgical accuracy in the treatment of degenerative spinal conditions.
- Focus is being given to acquiring or transferring medical equipment to our Medicross day theatres to attract surgeons following the transfer of these facilities from the Primary Care division to the Hospital division.

### Looking forward

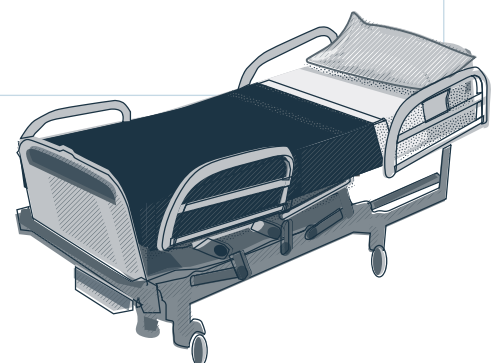
**R770 million** capital expenditure budgeted for 2021 to maintain the quality of our facilities.

#### 2021

- Relocate the linear accelerator in Netcare Christiaan Barnard Memorial Hospital to Netcare Milpark Hospital.
- Start construction on a 40-bed ICU and high care unit at Netcare Garden City Hospital.
- Refurbish a 32-bed surgical ward at Netcare Garden City Hospital.
- Upgrade the emergency department at Netcare Parklands Hospital.

#### 2022

- Complete the construction of the 427-bed Netcare Alberton Hospital (R400 million). The completion date has been revised to February 2022 due to COVID-19 related delays.
- Refurbish the 15-bed neonatal ICU at Netcare Sunninghill Hospital.
- Upgrade the 14-bed neonatal ICU at Netcare Unitas Hospital.



## Manufactured and natural capital continued

### Netcare 911



- Launched a single engine helicopter service in Gauteng, providing a more cost-efficient daylight helicopter service. High-acuity patients flown to hospital increased 33%.
- Completed the vehicle fleet replacement project with the new response vehicles being more efficient in terms of repairs and maintenance as well as accident damage expenditure.
- Closed one emergency base and retained most industrial site operations (which during the year provided onsite COVID-19 screening services to corporate and industrial clients).

#### Looking forward

- Complete the replacement of the ambulance fleet.
- Introduce a single engine helicopter service in the coastal region for daylight operations.
- Expand industrial sites.

### Akeso Clinics



- Purchased five patient transport vehicles, bringing outsourced patient transport services in-house. A further five vehicles will be procured in 2021.

#### Looking forward

- Strategic initiative** – Resume the following three projects (delayed due to COVID-19):
- The 36-bed Akeso Clinic in Richards Bay (R30 million) (complete and commission by September 2021).
  - A new 72-bed Akeso Clinic in Port Elizabeth (R40 million) (completion scheduled for September 2022).
  - A new 150-bed Akeso Clinic in Polokwane, which will be our flagship clinic once commissioned (preparatory planning in 2021).

### Primary Care



All the quality care you need.

- Made minor refurbishments to some medical and dental centres and closed seven Medicross clinics for strategic reasons.

#### Looking forward

- Continue to refurbish medical and dental centres.



## National Renal Care

- Opened two National Renal Care chronic facilities (one each in the Eastern Cape and Gauteng). One clinic was temporarily closed as the facility space was required by Netcare N17 Hospital to accommodate COVID-19 patients. The facility was reopened to our dialysis patients in November 2020.
- Acquired fogging machines, 11 additional machines to provide continuous renal replacement therapy, and portable reverse osmosis systems to manage the impact of COVID-19 on dialysis patients.
- Constructed a mobile COVID-19 red unit at Netcare St Augustine's Hospital.

### Looking forward

- Purchase additional medical equipment and reverse osmosis systems.

## Facilities and assets

	2020	2019	2018
<b>Hospital division</b>			
Owned and managed acute hospitals <sup>1</sup>	53	55	57
– Registered beds	9 986 <sup>2</sup>	10 046	10 187
– ICU and high care beds	1 885	1 813	1 837
– Wards	477	467 <sup>3</sup>	485
– Theatres	349	350	360
– Emergency departments	41	44	44
– Hybrid theatres, catheterisation and electrophysiology laboratories	34	33	34
– Cancer Care centres	15	15	16
Mental health hospitals	12	12	12
– Registered beds	891	891	834
Medicross day clinics	15 <sup>4</sup>	15	15
<b>Primary Care</b>			
Medicross centres and Netcare Occupational Health clinics	68	75 <sup>3</sup>	83
Sub-acute facilities	2	2	2
<b>Netcare 911</b>			
Emergency bases	82	83	80
Vehicles	211	202	181
Helicopter ambulances	8	6	2
<b>National Renal Care</b>			
National Renal Care facilities	68	67	63
Dialysis stations	979	936	867

1. Excludes Lesotho.

2. Decrease is due to the closure of a PPP.

3. Restated.

4. Three day clinics were closed just after financial year-end.

## Manufactured and natural capital continued

### Asset management

Our physical asset management system is designed to obtain optimum sustainable performance of our significant investment in plant and medical equipment while ensuring we comply with SHEQ requirements. We adopt a 'whole-of-life' approach to acquisition, operation, maintenance, performance and disposal of assets, and pursue best operating procedures in all aspects of asset management. The Asset Management Improvement project (AMIP), overseen by a formal steering committee, serves to enhance our system. The project is being finalised in the Hospital division and will be extended to Akeso Clinics and the Primary Care division<sup>1</sup> in future.

### 2020 performance

- Reviewed all critical equipment maintenance strategies, and updated our maintenance plans and frequency of implementation. Maintenance and replacement of critical equipment has been brought forward.
- Developed various technical risk assessment tools and updated technical documents (guidelines and task lists) to cater for COVID-19 risk mitigation.

The table below shows a summary of our progress over the four phases of the AMIP implementation.

<b>PHASE 1 Systems integration</b>	Integrate the asset acquisition system (My-Market) and our computerised maintenance management system (SAP PM). This ensures that asset-related data is collected in an integrated manner and is correctly captured on relevant systems.	Completed
<b>PHASE 2 Asset verification</b>	Verify assets from each facility and link the equipment in SAP PM to the fixed asset register as far as possible.	90% completed (impacted by COVID-19).
<b>PHASE 3 Centralisation</b>	Establish an Asset Management Shared Services Centre to provide specialised engineering advice and problem solving. The centre manages the maintenance function, focusing on risk mitigation, best supplier sourcing, centralised scheduling and execution of all maintenance and support activities required by hospitals. It also manages centralised reporting and service level agreements and warranties. Embedding the operating model is supported by review meetings once every two weeks between the team and hospitals.	Completed at end of 2019 calendar year.
<b>PHASE 4 Technical skills upliftment programme</b>	Train 126 clinical engineers, clinical engineering assistants and technical assistants. The programme includes OHS training to meet legislative requirements.	Training resumed in November 2020.

	2020	2019	2018
<b>Expenditure on equipment</b>			
Purchase of new equipment	<b>R494 million</b>	R622 million	R530 million
Repairs and maintenance	<b>R404 million</b>	R384 million	R345 million

1. Roll out to the Primary Care division has been delayed due to COVID-19.

### Looking forward

- Enhance our asset management system to further align to best practice principles of the ISO 55000 Standards.
- Explore the feasibility of a mobile work management app to digitise the manual work order process to gain efficiencies and reduce printing.

# Environmental sustainability

**Environmental sustainability is an integral part of our strategy, with a clear objective to maintain and improve our global and local leadership in environmental sustainability in healthcare and drive environmental performance excellence.**

Our environmental sustainability programme supports all six of our strategic pillars.

## Our strategic pillars

	<b>Consistency of care</b>	Contributes to the <b>Quadruple Aim</b> by efficiently managing the use and cost of utilities, lowers healthcare's contribution to climate change and ensures a sustainable supply of energy and water.
	<b>Disruptive innovation</b>	Uses data analytics and machine learning to monitor plant performance and efficiencies and to forecast future water and energy use.
	<b>Transformation of our society</b>	Outsources transportation of our PVC waste to a small women-led enterprise. The waste is recycled into school shoes for disadvantaged children (see page 140).
	<b>Organic growth</b>	Lowers consumption of utilities, thereby achieving reductions in operating costs and supporting EBITDA.
	<b>Integration</b>	Integrates with key functions within the Group, specifically finance and asset management, and assists with new builds or upgrades of facilities to ensure investments in infrastructure, plant and equipment are informed by our environmental objectives.
	<b>Investment</b>	Our environmental sustainability investments support, and at times exceed our ROIC targets. All initiatives must meet internal rate of return hurdles and are subject to regular post implementation reviews.

## Manufactured and natural capital continued

COVID-19 introduced new challenges, requiring that we redeploy our engineering capacity to assist hospitals to prepare for surges in infections. This included:

- Rolling out a live oxygen monitoring system to assist in securing oxygen supply to our patients (see page 09).
- Reconfiguring ventilation requirements to enhance capacity for managing an airborne disease at scale, optimising environmental safety for patients and healthcare practitioners.

This shift, and the deferral of capital expenditure to preserve liquidity, affected some of our 2020 plans to develop and implement new projects that enhance operational efficiency. Nevertheless, environmental sustainability remains a key priority in our capital expenditure with a budget of around R392 million over the next five years.



### Recognition

We are the only hospital group globally to be awarded Gold in all four categories of the 2020 Health Care Climate Challenge Awards.

### Gold

- Greenhouse gas reduction (energy).
- Renewable energy.
- Climate resilience.
- Climate leadership.

The Global Green and Healthy Hospitals network has over 1 350 members in 72 countries who represent the interests of over 43 000 hospitals and health centres. The network promotes healthcare without harm.

### Capital expenditure and savings

**R527 million invested** in the environmental sustainability programme since 2013.

Initiatives have contributed savings of **R492 million** – **returning more than 93% of the capital expenditure** to date.

By the end of the 2025 financial year, we expect to achieve compound savings of around R1.1 billion.

### Sustainability loan and energy target

In 2013, Netcare received a R500 million loan from Nedbank Corporate Bank in association with the French Development Agency. Linked to this loan, we set a goal to reduce our energy intensity by 30% in 10 years. COVID-19 has slightly impeded our progress, but we still expect to reach our target by 2023. To date, we have achieved a 24% decrease in seven years.

### CDP

Achieved a **B score** in the climate change and water disclosures.



## Environmental management and oversight

The Sustainability Committee, chaired by the CEO, is a management committee that considers the impact of climate change on current and future operations, monitors environmental performance, sets environmental targets and reviews compliance with applicable environmental legislation and the CDP. At Board level, environmental sustainability is overseen by the Social and Ethics Committee (see page 50).

 Our comprehensive approach and governance of environmental issues: GRI report.

## Ensuring continuous care during outages

In the event of large-scale electricity or water disruption, our major incident plan defines the managerial and administrative actions and processes to be taken at all Netcare facilities to ensure a rapid, coordinated and appropriate response and the minimal possible disruption to essential care services. The Netcare Emergency Water Conservation Mode reduces a facility's water consumption during a disruption, doubling the period of available backup water supply.

Our mitigating measures include:

### Electricity

- A fleet of approximately 200 generators, which together with our self-generation capacity, ensures continuity of patient care during electricity outages.
- Uninterrupted power supply and generators at all acute and day hospitals, which supply power to critical functions.

- Dual redundancy (on critical generator capacity only) at seven acute and two day hospitals, enabling continued operation and admission of new patients despite an electricity outage.
- Full island load capacity, including dual redundancy, at 27 hospitals (representing 59% of our hospital beds) and 13 day hospitals, able to supply all operations for each facility with no impact in the event of a power outage.

### Water

- Between 24- and 48-hours of backup water supply stored at most Netcare facilities.
- A desalination plant at the Netcare Christian Barnard Memorial Hospital, which supplies 100% of the hospital's water and is capable of supplying water to all our facilities in the Western Cape independently of the water utility.
- A 500 000 litre water reservoir, installed at the new building expansion of the Netcare Milpark Hospital, is able to supply water to other hospitals in Gauteng in the event of an emergency.
- Boreholes and filtration plants at four hospitals that have experienced chronic water shortages in the past. We added a borehole to supply Netcare Greenacres Hospital (Eastern Cape), with a filtration plant under construction. Other projects include drilling boreholes and adding water treatment plants at Netcare Cuyler Hospital – due to the drought – and Netcare Ferncrest Hospital – due to infrastructure unreliability and low dam levels. We are also investigating the feasibility of installing water purification plants on all available boreholes.
- Additional water tanks were installed at the Netcare Ferncrest and Netcare Garden City hospitals during the year.

 Full disclosure on our environmental risks and mitigating measures and opportunities: GRI report.



## Manufactured and natural capital continued

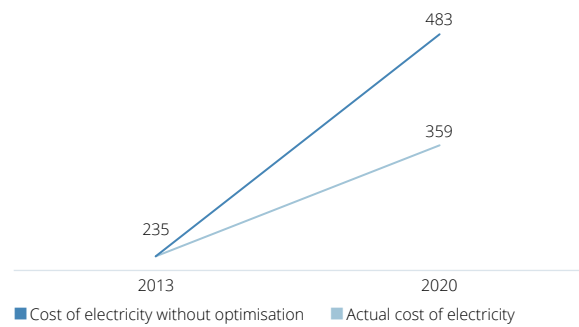
### 2020 performance

#### Energy

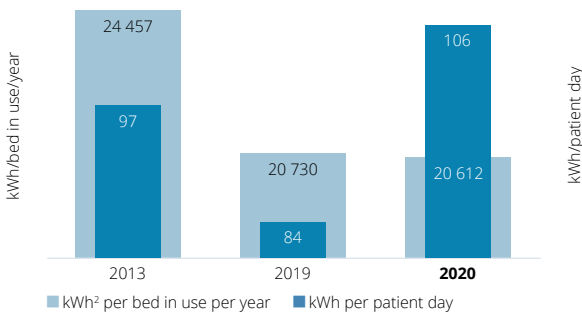
- Electricity expense was R359 million (2019: R325 million<sup>1</sup>) – 10.5% higher than 2019. Without the efficiency projects implemented since 2013, our electricity cost would have been R483 million, avoiding an expense of R124 million.
- The solar photovoltaic (PV) installations generated 13.4 gigawatt hours (GWh) of renewable energy, contributing more than R23 million to the electricity saving. New PV systems were installed at four Netcare hospital facilities and seven Akeso Clinics facilities.
- Diesel usage increased by 24% as a result of the increase in electricity outages experienced.

1. Restated from R343 million due to a reporting error.

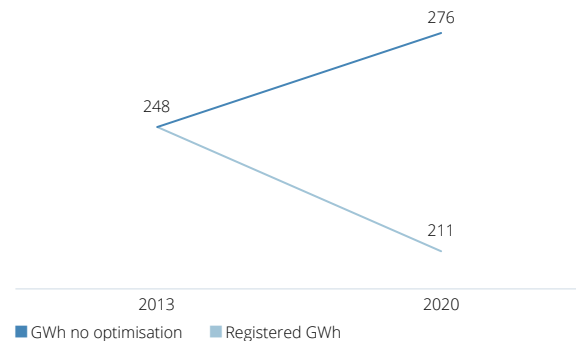
#### Financial impact of optimisation (SA operations and Lesotho) (Rm)



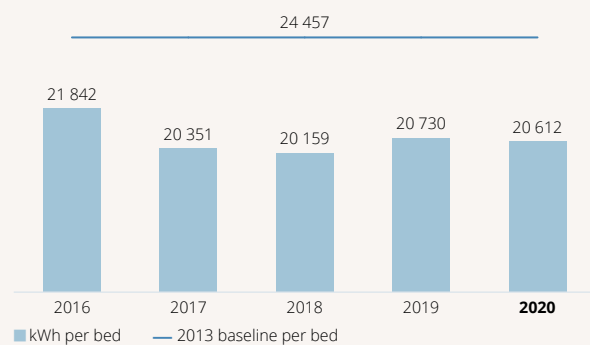
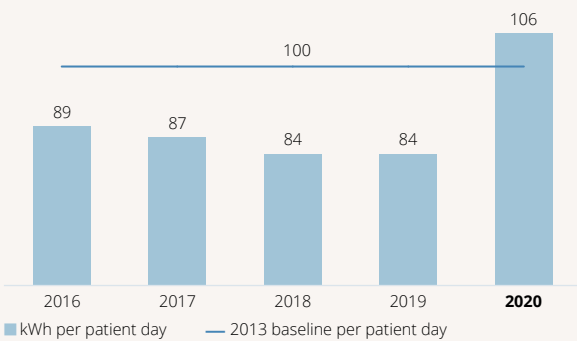
#### Electricity intensity on monitored facilities



#### Trend of optimisation impact (SA operations and Lesotho) (GWh)



#### Negative impact on energy intensity due to COVID-19



2. Kilowatt hours (kWh).

Note: COVID-19 lowered patient days in the same size facilities with a constant building load on the electrical system and higher fresh air requirements.

## Water

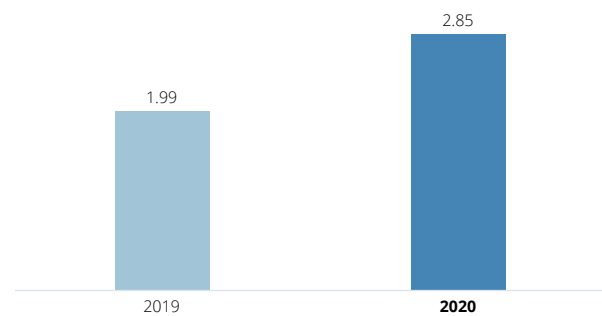
- Water cost increased by 8.6% and consumption reduced by 11.9%. Most of this reduction is attributable to lower patient day activity during the COVID-19 period.
- Commissioned an analysis of the infrastructure and water quality of SA's municipalities. This will assist us to assess the water supply risk per hospital. Specific water testing strategies and risk mitigations will be developed per facility based on the findings.

## Waste

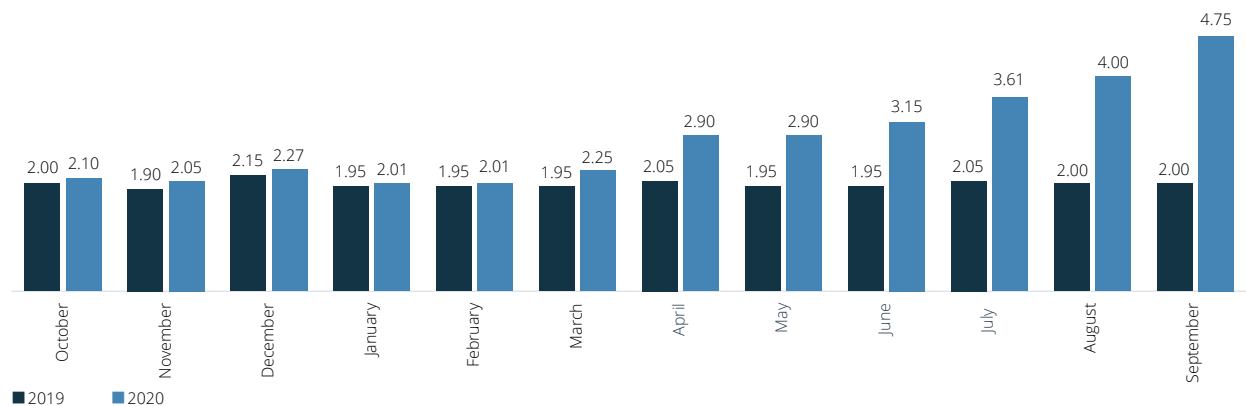
- The cost of HCRW increased by 9.8% and the costs associated with other waste disposal increased by 1.6%.
- Total volumes of waste generated reduced by 9.6% to 10 238 tonnes.
- HCRW intensity was impacted by COVID-19, resulting in more waste per patient day but a slight decrease per bed intensity due to overall lower volumes.
- Recycling of waste was also negatively impacted by COVID-19, however we recycled 12.2 tonnes of PVC waste as part of the My Walk Made with Soul initiative (see page 140).

- Started implementing an integrated waste management solution, which will support accurate data, the identification and quantification of waste streams, benchmarking, target setting and developing, implementing and monitoring progress towards reaching a zero waste to landfill target, in support of government targets.

### Healthcare risk waste (kilograms per patient day)



### Year-on-year comparison with COVID-19 impact from April 2020 (kilograms per patient day)



## Sustainability programme

- Our energy initiatives achieved year-on-year electricity cost savings of R17 million, exceeding our target of R6 million for monitored facilities for the year. Other operational cost savings achieved from tariff and billing corrections, waste management and centralised and controlled tenant billing, culminated in a year-on-year financial saving of R109 million across the environmental sustainability programme, meeting our overall forecast target. Some operational cost was incurred by engaging external consultants to assist with the research and design of risk mitigation strategies to prepare our hospitals for COVID-19.

## Manufactured and natural capital continued

### Climate change

We were one of the first companies in Africa to commit to the Science-based Target Initiative (SBTi) in line with the Paris Agreement of the United Nations Framework Convention on Climate Change. The SBTi aims to reduce emissions to a level that will limit the global mean temperature increase to below 2°C. We have set an absolute emissions reduction target of 28.4% by 2030. In 2023, we will review whether we can adjust the target to below 2°C and, if possible, set a 1.5°C limit.

### Achieving our efficiency goal



#### Over 131 projects

completed over seven years;  
36 active projects.



#### Solar PV systems installed

at 63 facilities. This is the second largest commercial solar PV fleet in SA.



#### 12.1 megawatt peak

installed solar PV capacity, capable of generating approximately 20 GWh of renewable energy per annum.



#### 140 000 lights replaced.



#### 24% energy reduction

from baseline<sup>1</sup>, the equivalent of taking 1 700 beds (or 17% of our bed base) off the grid.

1. SA and Lesotho operations.

### Looking forward

- **Strategic initiative** Conclude the new 10-year environmental sustainability strategy for the period 2020 to 2030. The new strategy will include updated medium- and long-term targets for electricity and water consumption as well as waste management.
- Increase the installed base of solar PV to above 12 megawatt peak and investigate further projects to procure renewable energy to achieve our science-based target.
- **Strategic initiative** Ensure a 100% renewable energy supply by 2030, maximising our opportunity to reduce emissions, lower operational costs and support the SBTi goal. This goal will be achieved using a phased approach and will generate and store grid-wheeled solar and wind energy. In the first phase (2022 to 2025), we aim to have 25% of the energy we consume generated from renewable sources (in addition to the Netcare-owned PV plants which already produce 7%).
- **Strategic initiative** Investigate the feasibility of additional solar PV installations at Akeso Clinics facilities.
- Investigate alternative means of re-using grey water.
- Implement grey water systems to reduce our impact on water sources already under pressure and develop risk mitigation measures for our operations in the Eastern Cape, which are currently experiencing drought conditions.
- **Strategic initiative** Conclude our two waste project proofs of concept, namely to convert all infectious HCRW to inert products onsite and achieve zero waste to landfill for waste outside the HCRW stream. We will also fully implement the integrated waste management system.

Utilities	Unit	2020	% change	2019	2018	Baseline (2013)
<b>Energy use<sup>1</sup></b>						
Total energy consumed	gigajoules	<b>956 560</b>	(2.7%)	983 418	961 802	1 038 540
<b>CO<sub>2</sub> emissions<sup>2</sup></b>						
Scope 1 emissions	tCO <sub>2</sub> e <sup>3</sup>	<b>36 392</b>	6.4%	34 192	40 212	38 337
Scope 2 emissions	tCO <sub>2</sub> e	<b>203 514</b>	(3.6%)	211 026	187 422	231 467
<b>Total Scope 1 and 2 emissions</b>	tCO <sub>2</sub> e	<b>239 906</b>	(2.2%)	245 218	227 634	269 804
Scope 3 emissions	tCO <sub>2</sub> e	<b>33 014</b>	8.6%	30 395	28 835	41 961
<b>Total Scope 1, 2 and 3 emissions</b>	tCO <sub>2</sub> e	<b>272 920</b>	(1.0%)	275 613	256 469	311 765
<b>CO<sub>2</sub> intensity ratios</b>						
Ratio of Scope 1 and 2 emissions to revenue	tCO <sub>2</sub> e/Rm	<b>12.73</b>	12.1%	11.36	10.99	20.09
Ratio of Scope 1 and 2 emissions to registered beds	tCO <sub>2</sub> e/bed	<b>21.23</b>	(1.6%)	21.58 <sup>4</sup>	21.45	33.56
<b>Water consumption<sup>5</sup></b>						
Total water consumption	kilolitres (kl)	<b>1 878 400</b>	(11.9%)	2 132 022	2 072 375	1 803 026
Ratio of total water to revenue	kl/Rm	<b>100</b>	1.0%	99	100	116
Ratio of total water to registered beds	kl/bed	<b>166</b>	(11.7%)	188 <sup>4</sup>	195	194
<b>Waste</b>						
Healthcare risk waste incinerated (SA) <sup>6</sup>	tonnes	<b>75</b>	(13.8%)	87	79	68
Healthcare risk waste incinerated (Lesotho)	tonnes	<b>66</b>	(19.5%)	82	105	–
Healthcare risk waste treated and landfilled	tonnes	<b>4 992</b>	5.5%	4 731	4 753	4 110
Landfill waste <sup>2</sup>	tonnes	<b>5 106</b>	(20.5%)	6 425	4 813	6 860
Recycled waste <sup>7</sup>	tonnes	<b>1 830</b>	(55.8%)	4 136	1 781	517
Ratio of total waste generated to revenue	kilograms/Rm	<b>543</b>	3.4%	525	471	729
Ratio of total waste generated to registered beds	kilograms/bed	<b>906</b>	(9.1%)	997 <sup>4</sup>	919	1 188

Note: Global Carbon Exchange SA Proprietary Limited independently assured the above environmental indicators. The verification, at a limited level of assurance, was performed in accordance with the principles of the WBCSD/WRI GHG Protocol Corporate Accounting Standard, 2nd Edition, 2004, and with ISO 14064-3 (2006). Metrics have been selected that are deemed appropriate for hospital providers.

1. Total energy use includes purchased electricity and other fossil fuels but excludes renewable energy. Electricity meters cover more than 90% of the hospital network, 75% of Primary Care's electricity expense and 100% of Akeso Clinics' electricity expense. Data covers SA and Lesotho.
2. Data covers SA and Lesotho.
3. Tonnes of carbon dioxide equivalent.
4. Restated.
5. Water meters cover more than 90% of the hospital network. Data covers SA and Lesotho utility water consumption.
6. Hospital consumables are mainly surgical in nature and classified as healthcare risk waste which by law cannot be recycled.
7. Data covers SA only.



Detailed review of our environmental management approach and performance: GRI report.

# Financial capital

## Chief Financial Officer's review

"The emergence of COVID-19 in South Africa in March made the 2020 financial year one of the most extraordinary periods in Netcare's 23-year history. However, our efforts in past years to achieve an optimal capital structure resilient to economic shocks is standing us in good stead in our comprehensive response to the COVID-19 pandemic and ensuing socioeconomic crisis."

Keith Gibson, Group CFO



### Financial overview<sup>1</sup>

Revenue

**R18 843 million**

▼12.7%

EBITDA

**R2 088 million**

▼52.4%

Adjusted HEPS

**47.6 cents**

▼72.2%

Net debt/EBITDA

**3.1x**

(2019: 1.2x)

Cash and committed facilities

**R5.6 billion**

Suspension of final dividend

1. Normalised to exclude impact of IFRS 16 and exceptional items, comprising a once-off non-cash share-based payment expense on the B-BBEE transaction, a net profit on disposal of an associate and 2019 realisation of foreign currency translation reserve.

## Overview

The year ended 30 September 2020 (FY2020) was a year of two halves. For the first five months, it was largely business as usual and the Group was tracking reasonably well against key operational and financial indicators, despite the already difficult socioeconomic conditions in SA.

During November and December 2019, Netcare executed the buyback and cancellation of 12.7 million shares for R251 million at an average price of R19.68 per share, growing value for our shareholders. Total patient days at the end of February 2020 were 1.2% lower than the comparative period, with an increase in Akeso Clinics patient days of 4.7% offset by a decline in acute patient days of 1.7%. In our acute hospital business, EBITDA margins were in line with guidance of 20.5%, assisted by cost savings initiatives. At this stage, our net debt/EBITDA ratio was comfortable at 1.4 times, well below banking covenants.

The second half was dedicated to weathering the COVID-19 storm and navigating extreme uncertainty, especially in making robust assumptions to underpin our financial planning. The additional expenses associated with operating in these circumstances more than offset the cost savings achieved early in the year. This, in combination with declining activity levels across our service lines, resulted in negative operating leverage with the reduction in EBITDA exceeding that of revenue due to the fixed component of our cost base.

Despite the pressure, Netcare's statement of financial position remains strong, and debt levels are manageable.

This was largely due to the success of our cash preservation measures, aided by the receipt of R778 million from the sale of the UK properties owned by GHG PropCo 2. At 30 September 2020, the Group had cash resources and committed undrawn facilities of R5.6 billion available.

Looking to FY2021, we anticipate capital expenditure of R1.2 billion including approximately R400 million on the new Netcare Alberton Hospital (replacing the Netcare Union and Clinton hospitals), a further R30 million on the implementation of CareOn, R70 million to upgrade our hospital Wi-Fi and firewall systems, and R30 million on the new 36-bed Akeso Clinics facility in Richards Bay due to open towards the end of the financial year. We will also invest an estimated R40 million in the new 72-bed Akeso Clinics facility in Port Elizabeth, to be completed in September 2022.

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

**We adopted International Financial Reporting Standards (IFRS) 16: *Leases* in FY2020, applying the modified approach, which requires no restatement of the prior year's results. Additional disclosure is provided in this review to aid comparability in year-on-year performance.**

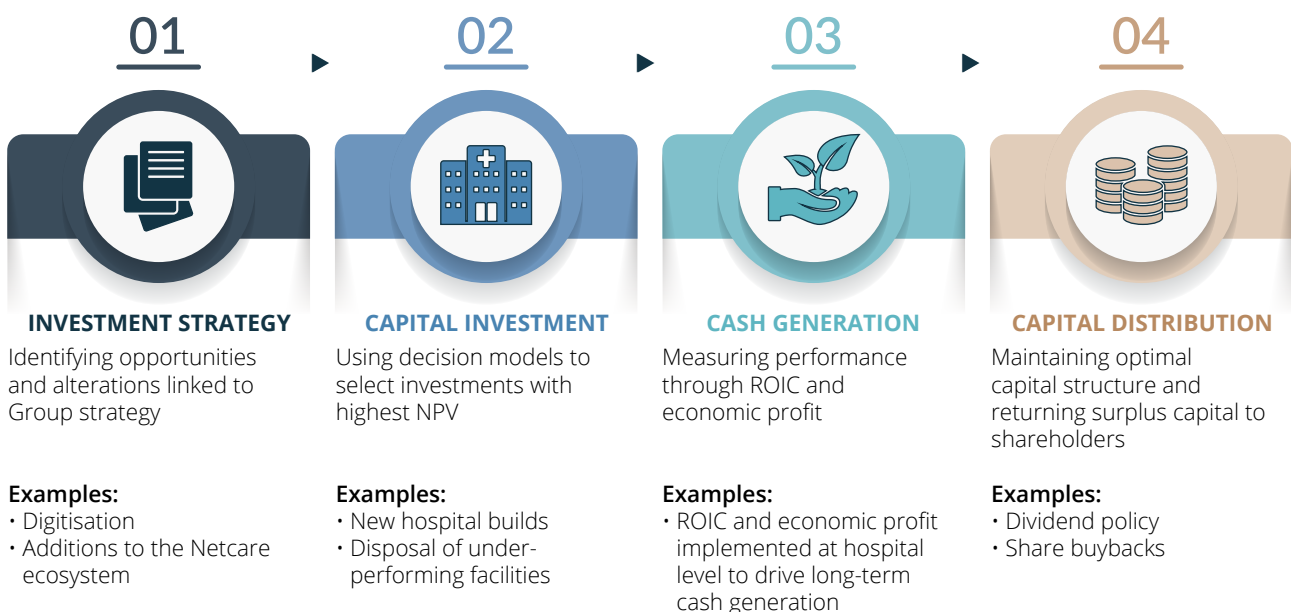


## Financial capital continued

### Disciplined capital management approach

Our ambition is to remain a world-class provider of healthcare, which requires disciplined capital allocation to strategic initiatives that will drive Netcare's ability to compete, innovate and grow; while maintaining an optimal capital structure. We will achieve this through diligent application of the capital management framework (below), which has been implemented over several years and which we continue to refine and embed in the way we operate and measure value.

#### OUR DISCIPLINED APPROACH THROUGH THE CAPITAL CYCLE INVOLVES:



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

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

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

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



The COVID-19 crisis has required that we make capital allocation decisions more quickly and having this framework in place has proven beneficial in this respect.

Detailed scenario analysis informed Netcare's planning during this period, enabling us to assess the potential impacts of the pandemic on our operating performance and cash flow. Our demand forecasting model, aligned to the scenario analysis, allowed us to adjust our operational plans and manage our bed capacity on a risk-stratified basis. This model is dynamic and adjusts daily based on actual experience as more data is obtained.

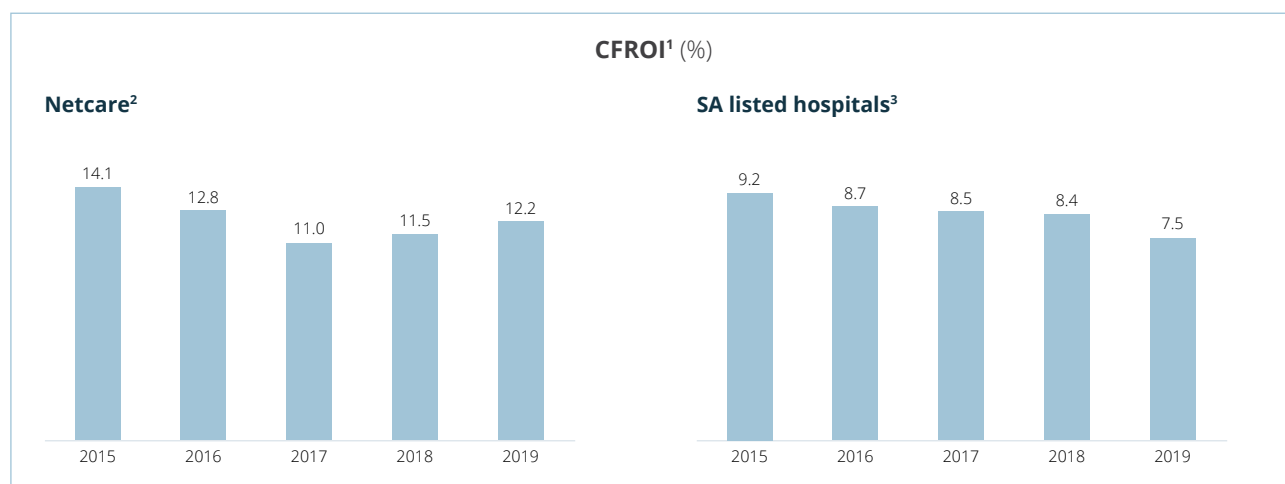
Given the uncertainty surrounding the future impact and longevity of the pandemic, our short-term focus on cash preservation remains crucial. However, we will ensure we balance this with faithful application of our long-term capital management policies. As our operating environment normalises, we will advance our asset light strategy by favouring investments in strategic projects that will drive revenue growth, operational excellence and cost-efficiency.

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

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

### Robust returns in a sector under pressure

The CFROI of healthcare facilities, both globally and in SA, has shown a declining trend over the past five years (shown below). This is also true for Netcare, with downward pressure on tariffs and the introduction of low-cost networks by funders, while cost pressures related to the shortage of nurses and rapidly rising utility costs have curbed margins. Our strategy seeks to mitigate these pressures; a key example being our environmental sustainability strategy, which has seen us invest in a substantial solar fleet to counter rising electricity costs and reduce our dependence on unreliable national supply.

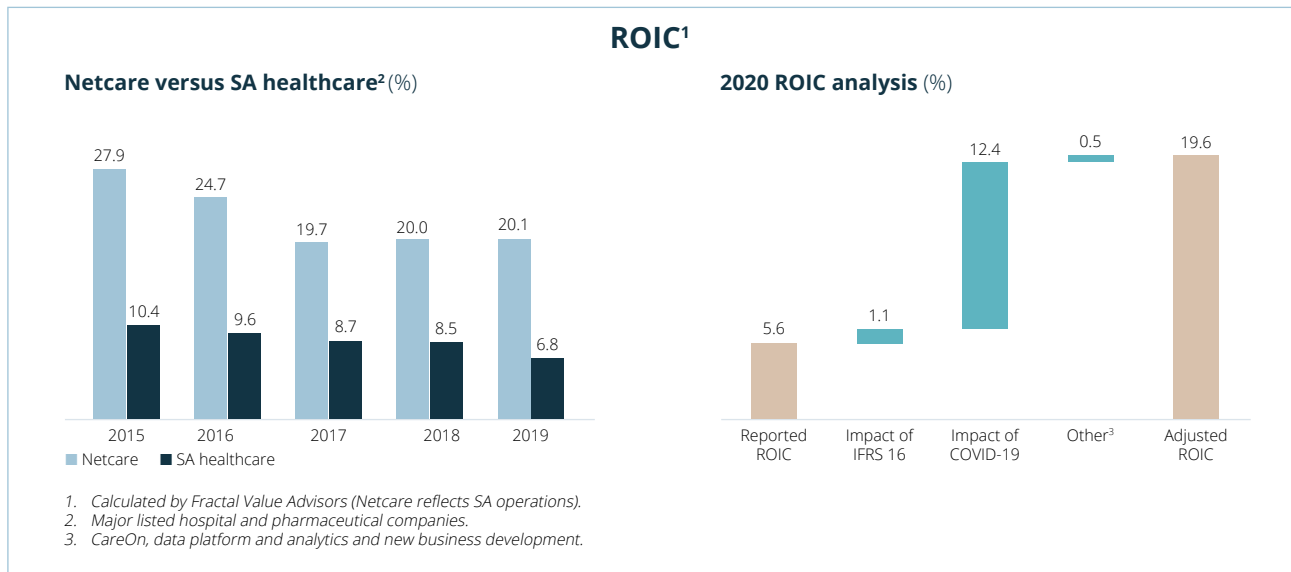


1. CFROI is a measure of real returns on capital (inflation adjusted).  
 2. Calculated by Fractal Value Advisors on Netcare's SA operations.  
 3. Source: Credit Suisse HOLT Lens.

## Financial capital continued

Despite the declining sector trend, Netcare has generated CFROI that exceeds our cost of capital to the extent that we are a best-in-class, top quartile performer globally, and we have delivered returns well above our South African peers for the five years to 30 September 2019. Comparing Netcare's ROIC to the aggregate of the SA healthcare sector, our returns are at the top of the range.

However, FY2020 created an anomaly in these trend lines. If we adjust reported ROIC for the impacts of IFRS 16, the estimated impact of COVID-19 and central costs relating to CareOn (the Hospital division's digitisation project), data enablement and new business development, ROIC reconciles to a respectable 19.6%.



### Impact of COVID-19 on operating results

The COVID-19 pandemic had a materially negative impact on Netcare's performance for the year ended 30 September 2020, with our estimates showing declines of about R3.7 billion and R2.3 billion in revenue and EBITDA, respectively. The Group incurred additional operating costs amounting to R300 million to keep our patients, nurses, doctors, contractors and employees safe during the pandemic. Mostly, this was spent on PPE, screening, training and sanitising. We also spent R156 million on COVID-19 related capital expenditure, and earned R78 million less from rental and parking income following concessions granted. The impact on working capital amounted to R700 million, including a build-up of inventory reserves to ensure adequate levels of PPE, drugs and consumables.

In the second half, the suspension of non-urgent surgery during levels 5 and 4 of the national lockdown impacted patient days. This impact was most acute in July 2020 when COVID-19 infections peaked, exacerbated by the significant fall in typical seasonal flu or respiratory viral cases. Emergency and trauma-related activity also fell dramatically during the initial stages of lockdown. As lockdown levels eased and COVID-19 admissions reduced, medically necessary and time-sensitive surgeries resumed, which led to a gradual and steady uplift in patient days. However, this was insufficient to counter the falloff in activity in the initial months of the lockdown.

## Analysis of financial performance

To aid comparability, the commentary that follows excludes the impact of IFRS 16 and exceptional items (comprising a profit on disposal of investment in an associate and a once-off non-cash share-based payment expense on the B-BBEE transaction), unless otherwise indicated.

## Key financial results

Rm	Year ended			Six months ended
	30 September 2020 <sup>1</sup>	30 September 2019	YoY % change	31 March 2020 <sup>1</sup>
Revenue	18 843	21 589	(12.7)	10 713
Normalised EBITDA <sup>2</sup>	2 088	4 388	(52.4)	2 127
Normalised operating profit <sup>2</sup>	1 303	3 640	(64.2)	1 738
Profit before taxation <sup>2</sup>	837	3 229	(74.1)	1 523
Taxation <sup>2</sup>	(322)	(879)	63.4	(442)
<b>Profit after taxation<sup>2</sup></b>	<b>515</b>	2 350	(78.1)	1 081
Exceptional items – net of taxation:				
– Profit on disposal of investment in associate	474			
– Share-based payment expense on B-BBEE transaction	(348)			(348)
– Realisation of foreign currency translation reserve		128		
<b>Profit for the period</b>	<b>641</b>	2 478	(74.1)	733
Adjusted HEPS (cents)	47.6	171.2	(72.2)	79.0
ROIC (%)	6.7	20.1		18.1

1. March and September 2020 reported on a pre-IFRS 16 basis. (Please refer to note 11 and annexure E of the audited Group financial statements.)

2. 'Normalised' to exclude the impact of exceptional items, comprising a net profit on disposal of investment in an associate and a once-off non-cash share-based payment expense on the B-BBEE transaction.

- As a result of lower patient days, Group revenue declined by 12.7% to R18 843 million (2019: R21 589 million).
- Normalised EBITDA declined 52.4% to R2 088 million (2019: R4 388 million), and the EBITDA margin contracted to 11.1% from 20.3% in the previous year.
- Higher costs resulted in negative operating leverage with operating profit down 64.2% to R1 303 million (2019: R3 640 million).
- Impairments of financial assets recognised under IFRS 9: *Financial Instruments* increased to R274 million (2019: R123 million) as a result of the detrimental impact of COVID-19 on the broader business environment.
- Net interest paid increased marginally to R504 million (2019: R484 million) benefiting from a lower average cost of debt, although applied to higher average debt levels during the year.
- Profit before taxation decreased by 74.1% to R837 million (2019: R3 229 million). The taxation charge amounted to R322 million (2019: R879 million) reflecting an effective tax rate of 38.5% (2019: 27.2%).
- Profit after taxation decreased by 78.1% to R515 million (2019: R2 350 million).

## Exceptional items

In FY2020, an after tax profit of R474 million was realised on the disposal of the GHG PropCo 2 associate, following the sale of its UK hospital properties, while a once-off non-cash share-based payment expense of R348 million was recognised on the implementation of Netcare's B-BBEE transaction in October 2019. This transaction benefits over 20 000 Netcare employees, of whom 80% are black and 65% are black women. In FY2019, a gain of R128 million was recognised on the realisation of a foreign currency translation reserve related to the deregistration of a foreign subsidiary.

## Financial capital continued

### Operational performance

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

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

Rm	Hospital and pharmacy operations <sup>1</sup>	Non-acute services	Hospital and Emergency services	Primary Care	Inter-segment elimination <sup>2</sup>	Total
<b>30 September 2019</b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	<b>19 800</b>	<b>1 104</b>	<b>20 904</b>	<b>701</b>	<b>(16)</b>	<b>21 589</b>
<b>EBITDA – before item below</b>	<b>4 162</b>	<b>118</b>	<b>4 280</b>	<b>108</b>	<b>-</b>	<b>4 388</b>
Depreciation and amortisation	(645)	(58)	(703)	(45)	-	(748)
<b>Operating profit – before item below</b>	<b>3 517</b>	<b>60</b>	<b>3 577</b>	<b>63</b>	<b>-</b>	<b>3 640</b>
Realisation of foreign currency reserve	128	-	128	-	-	128
<b>Operating profit</b>	<b>3 645</b>	<b>60</b>	<b>3 705</b>	<b>63</b>	<b>-</b>	<b>3 768</b>
<b>Additional segment information</b>						
Impairment of property, plant and equipment	-	(7)	(7)	-	-	(7)

1. EBITDA and operating profit in 2019 are inclusive of UK-related restructure costs amounting to R13 million, Hospital division restructure costs amounting to R22 million, a loss on disposal of a subsidiary amounting to R27 million, and a profit on disposal of property, plant and equipment of R69 million.

2. Relates to revenue earned in the Hospital and Emergency services segment.

The 2019 operational results have been restated to reflect the impact of the integration of 15 Medicross day clinics into our Hospital and pharmacy operations.

## Hospital and Emergency services

This segment is disaggregated into Hospital and pharmacy operations, covering our acute hospital network and 15 Medicross day clinics, and non-acute services.

Non-acute services include emergency medical services, mental health clinics and cancer services.

Segment revenue declined by 12.7% to R18 250 million (2019: R20 904 million). For the first six months, total patient days declined by 2.6%, made up of 3.2% less acute hospital patient days, offset by 2.9% growth in Akeso Clinics. From March 2020, activity in our hospitals tracked the various lockdown alert levels, with further impact coming from internal measures to balance capacity and demand for COVID-19 beds, especially in our critical care units.

Total patient days for the full year declined by 19.8%, made up of a 19.6% decline in acute hospital patient days and a 21.2% decline in Akeso Clinics patient days. In the first five months, average full-week acute hospital occupancy was 62.5% and 67.7% on weekdays. However, full-week occupancy ended the year at 52.5% (2019: 66.0%), with weekday occupancy of 56.2% down from 71.6% a year earlier. Acute revenue per patient day increased by 8.7%, primarily due to a higher mix of more severe admissions.

In line with the acute services, trading activity in Akeso Clinics dropped in the second half as lockdown measures and the suspension of group therapy sessions necessitated a shift to outpatient treatment for the majority of patients. Overall occupancy for the year was 55.0% (2019: 71.6%).

Normalised EBITDA for the segment decreased by 52.0% to R2 052 million from R4 273 million in 2019, with EBITDA margin contracting to 11.2% from 20.4%. Additional costs of R300 million were incurred as a result of the pandemic. The impact of rental concessions granted in respect of doctors' rooms, imaging and diagnostics, coffee shops and retail pharmacies, as well as lost parking revenues amounted to R78 million. In addition, R15 million was spent on the CareOn EMR project, R22 million on the development of a data platform and analytics capabilities, while R63 million was invested in new business development. Normalised EBITDA margins, excluding the estimated impact of IFRS 16 and COVID-19, as well as these central costs, were marginally lower than the prior year.

In our Hospital and pharmacy operations, EBITDA margins during the pre-COVID-19 period (October 2019 to February 2020) were in line with guidance of 20.5%, assisted by cost-saving initiatives. Full-year EBITDA margins of 12.3% (before CareOn, data enablement and new business development costs) were negatively affected by lower activity and subsequent negative operating leverage.

## Primary Care

**Effective 1 October 2019, 15 Medicross day clinics were integrated into the Hospital operations. The results of these day clinics are therefore included in Hospital and pharmacy operations. To aid comparability, the 2019 results have been restated.**

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

Primary Care revenue decreased by 12.8% to R611 million (2019: R701 million) due to a sharp reduction in patient visits in the second half, along with the rationalisation of seven previously loss-making Medicross clinics. Underlying revenue decline (excluding rationalised clinics) amounted to 6.0%. There has been a steady improvement in activity levels since the severe COVID-19 impact experienced in April 2020, and the service platform turned EBITDA positive from June 2020.

EBITDA reduced to R36 million (2019: R108 million) due to lower activity levels, which more than offset the benefits of the clinic rationalisation, while the EBITDA margin contracted to 5.9% (2019: 15.4%) primarily due to the fixed component of the cost base.

## Financial capital continued

### Statement of financial position

Rm	30 September 2020 <sup>1</sup>	30 September 2019
<b>Assets</b>		
Property, plant, equipment, goodwill and intangible assets	14 469	14 322
Right of use assets	3 755	–
Other non-current assets	1 670	1 569
Current assets	6 050	5 298
Assets classified as held for sale	–	226
<b>Total assets</b>	<b>25 944</b>	<b>21 415</b>
<b>Equity and liabilities</b>		
Total shareholders' equity	9 799	10 235
Borrowings	7 873	6 846
Lease liability – long and short term	4 045	–
Other liabilities	4 227	4 334
<b>Total equity and liabilities</b>	<b>25 944</b>	<b>21 415</b>

1. September 2020 reported on an IFRS 16 basis; September 2019 not restated.

At 30 September 2020, total assets increased to R25 944 million from R21 415 million in the previous year. This included the recognition of a right of use asset of R3 755 million under IFRS 16. The right of use asset is offset by the corresponding recognition of total short- and long-term lease liabilities of R4 045 million at year-end.

Due to the cash preservation measures put in place during the pandemic, capital expenditure for the year (including intangible assets) reduced to R999 million (2019: R1 429 million), of which R193 million was invested in expansionary projects.

The optimisation of working capital is a key focus at operating level, and is managed and monitored by the Working Capital Committee. Working capital was well managed in the year. However, given our priority to procure additional inventory reserves, especially of PPE, drugs and consumables at a time of scarce global supply, the Group was carrying higher levels of inventory at year-end.

Total shareholders' equity decreased to R9 799 million from R10 235 million, largely due to lower operating profit and the repurchase and cancellation of shares during the year.

### Net debt

Rm	30 September 2020	30 September 2019
Gross debt	7 873	6 846
Cash	(1 450)	(1 732)
Net debt	6 423	5 114
Net debt to EBITDA <sup>1</sup> (times) <sup>2</sup>	3.1	1.2
Cost of debt (%)	6.4	8.6
Net interest expense:		
Other net interest expense	504	484
Interest on lease liability	371	–
	875	484
Interest cover <sup>1</sup> (times) <sup>2</sup>	2.6	7.5

1. Normalised to exclude impact of exceptional items, comprising a once-off non-cash share-based payment expense on B-BBEE transaction, a net profit on disposal of an associate and 2019 realisation of foreign currency translation reserve.

2. Pre IFRS 16.

**GCR credit rating**

- Long term AA-
- Short term A1+

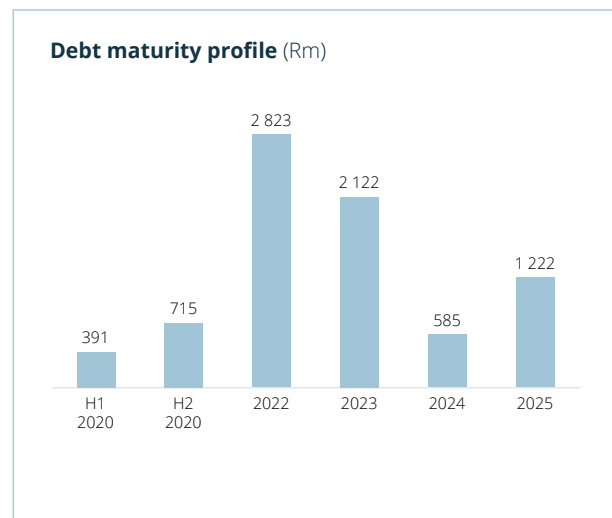
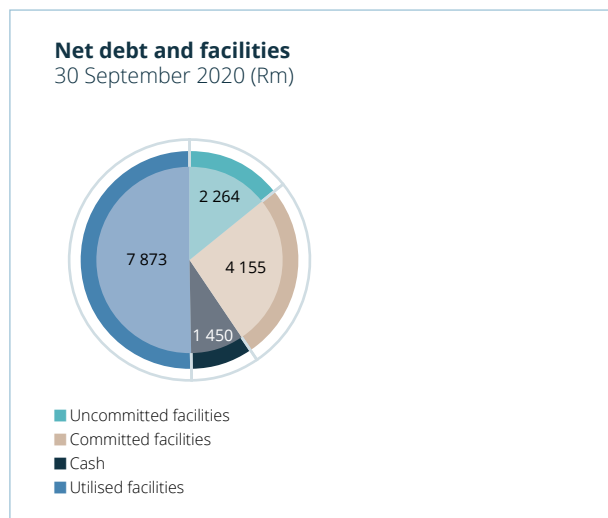
- Bank covenant waivers secured for 31 March 2021
- 40% of borrowings at fixed rates

**Post IFRS 16 metrics**

- Net debt to EBITDA: 2.5 times
- Interest cover: 1.6 times

At 30 September 2020, Group net debt (exclusive of IFRS 16 liabilities) increased to R6 423 million (2019: R5 114 million). Leverage increased with net debt to EBITDA coverage moving up to 3.1 times on a pre-IFRS 16 basis. This is above our banking covenants, which require this metric to be below 2.75 times. However, we proactively obtained a waiver of the September 2020 covenant test. As a precaution, we have also secured a waiver of the March 2021 covenant test.

The cost of debt has decreased from 8.6% to 6.4% as a result of reductions in borrowing rates during the year. Net interest paid increased slightly to R504 million from R484 million in 2019. Interest cover has dropped to 2.6 times as a result of lower trading performance.

**Debt facilities**

The pressures introduced by the COVID-19 pandemic heightened the need to secure access to liquidity. Netcare had cash balances of R1.4 billion on hand, as well as committed undrawn debt facilities of R4.2 billion at its disposal at year-end. We have access to sufficient resources from which to fund the Group's future needs. In addition to securing additional facilities, we are maintaining a prudent approach to liquidity management through cash preservation initiatives that include:

- Tight control of costs;
- Managing capital expenditure spend in terms of our asset light strategy; and
- The decision not to pay an interim or final dividend.

Our debt maturing profile is appropriately staggered with only R391 million maturing in the first half of FY2021 and R715 million maturing in the second half. The Group is well placed to withstand the uncertainties of the year ahead.

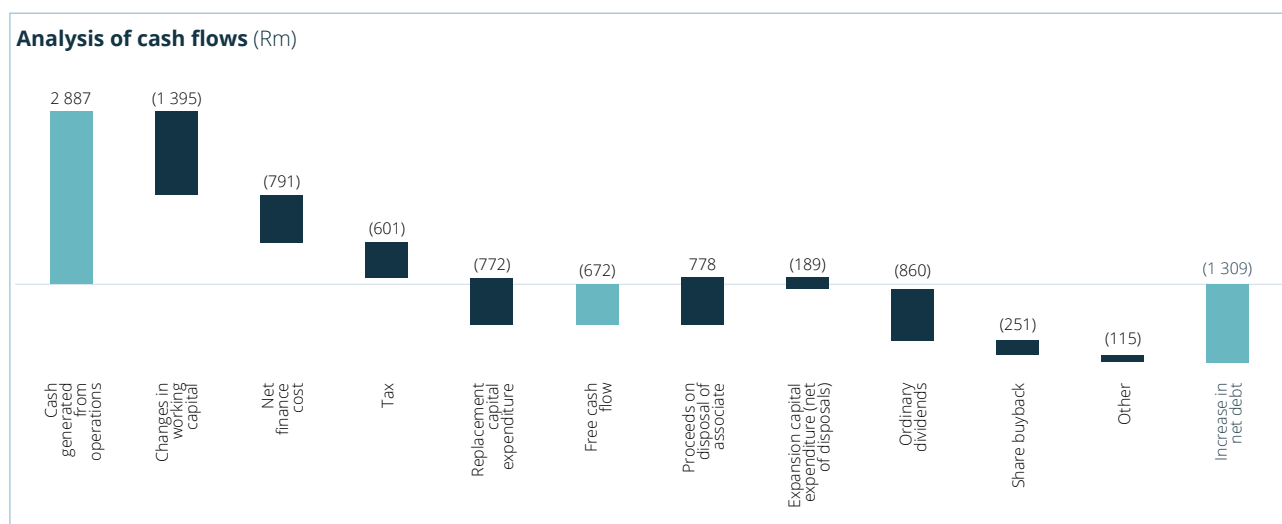
## Financial capital continued

### Statement of cash flows

Rm	30 September 2020	30 September 2019
<b>Cash generated from operations</b>	<b>1 492</b>	4 888
Interest paid on debt	(580)	(602)
Interest paid on lease liabilities	(367)	-
Taxation paid	(601)	(967)
Ordinary dividends paid by subsidiaries	(11)	(21)
Ordinary dividends paid	(860)	(1 454)
Special dividends paid	-	(542)
Preference dividends paid	(54)	(54)
Distributions to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts	(11)	(26)
<b>Net cash from operating activities</b>	<b>(992)</b>	1 222
<b>Net cash from investing activities</b>	<b>58</b>	(1 125)
<b>Net cash from financing activities</b>	<b>653</b>	265

1. Health Partners for Life B-BBEE transaction.

As a result of the suppressed trading results in FY2020, cash generated from operations reduced from R4 888 million to R1 492 million. Cash outflows included R1 395 million relating to a net increase in working capital, which despite the need to prioritise additional inventory reserves, was well managed. After paying net finance costs of R791 million and cash taxes of R601 million, as well as investing R772 million to maintain our facilities, the Group experienced a free cash outflow of R672 million. Proceeds on the disposal of GHG PropCo 2 of R778 million were received in September 2020. An amount of R189 million, net of disposal proceeds, was invested in value creating expansionary capital projects. A total of R1 111 million was distributed to shareholders prior to the onset of the pandemic in ordinary dividends and share buybacks. As a result of the above, the Group's net debt increased by R1 309 million, with a closing net to EBTDA leverage of 3.1 times. This is illustrated in the graph below.





## Outlook

In line with global trends, a relaxation of lockdown measures and COVID-19 fatigue is resulting in a second wave of infections. Our experience of bed demand during the initial surge and reduced lengths of stay due to more effective treatment modalities suggest that the second wave should not place hospital capacity under constraint. Our digital systems, policies and procedures and changes in ways of working should allow us to continue operating our facilities without major disruption. While the demand for and provision of healthcare services will remain fluid into the first half of FY2021, we do not foresee wide-scale suspension of elective surgery and activity over the short term. Nevertheless, hospital occupancy and margins may be impacted by changes in volume and case-mix. This will be determined by the timing and pattern of a COVID-19 resurgence and subsequent recovery, as well as increased costs of risk mitigation measures that are essential in delivering healthcare in these circumstances.

Our strategy to deliver a sustainable competitive advantage is firmly back on track. Our performance into FY2021 may be tempered by a weak macroeconomic outlook and the threat of a second wave, but we do expect volumes to recover into the second half. Our job preservation strategy will go hand-in-hand with extremely tight cost control and maintaining efficiencies. We expect margins to improve off a low base, and we reaffirm our commitment to drive our capital management metrics with diligence and discipline.

## Appreciation

I extend my gratitude to our finance staff across the Group, who have adapted very quickly and efficiently to different ways of working to ensure ongoing quality reporting, and have done so without disruption or delay to our timetables, which has been no small feat.



**Keith Gibson**  
Chief Financial Officer

# Five-year review

Rm	2020	2019	2018	2017	2016
<b>Summarised statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	12 665	12 541	12 098	13 908	14 421
Right of use assets	3 755	–	–	–	–
Goodwill and intangible assets	1 804	1 781	1 749	2 037	4 256
Deferred taxation	812	512	447	1 092	1 318
Other non-current assets	858	1 057	1 006	2 916	2 619
<b>Total non-current assets</b>	<b>19 894</b>	15 891	15 300	19 953	22 614
<b>Total current assets<sup>1</sup></b>	<b>6 050</b>	5 524	5 464	8 159	8 045
<b>Total assets</b>	<b>25 944</b>	21 415	20 764	28 112	30 659
<b>Equity and liabilities</b>					
<b>Total shareholders' equity</b>	<b>9 799</b>	10 235	10 415	8 862	13 009
Long-term debt	6 761	5 061	5 114	7 232	6 132
Long-term lease liabilities	3 546	–	–	–	–
Financial liabilities	64	44	21	1 187	2 158
Deferred taxation	288	238	210	1 049	1 207
Other non-current liabilities	469	541	582	2 116	664
<b>Total non-current liabilities</b>	<b>11 128</b>	5 884	5 927	11 584	10 161
<b>Total current liabilities<sup>2</sup></b>	<b>5 017</b>	5 296	4 422	7 666	7 489
<b>Total equity and liabilities</b>	<b>25 944</b>	21 415	20 764	28 112	30 659
<b>Summarised statement of cash flows</b>					
Cash generated from operations before working capital changes	2 887	4 516 <sup>3</sup>	4 570	4 395	5 541
Working capital changes	(1 395)	372 <sup>3</sup>	(343)	(126)	(259)
<b>Cash generated from operations</b>	<b>1 492</b>	4 888	4 227	4 269	5 282
Interest paid on debt	(580)	(602)	(729)	(732)	(678)
Interest paid on lease liabilities	(367)	–	–	–	–
Taxation paid	(601)	(967)	(916)	(874)	(950)
Ordinary dividends paid by subsidiaries	(11)	(21)	(23)	(37)	(9)
Ordinary dividends paid	(860)	(1 454)	(1 388)	(1 296)	(1 250)
Special dividends paid	–	(542)	–	–	–
Preference dividends paid	(54)	(54)	(55)	(56)	(52)
Distributions to beneficiaries of the HPFL <sup>4</sup> trusts	(11)	(26)	(21)	(49)	(74)
<b>Net cash from operating activities</b>	<b>(992)</b>	1 222	1 095	1 225	2 269
<b>Net cash from investing activities</b>	<b>58</b>	(1 125)	(3 087)	(2 029)	(2 513)
<b>Net cash from financing activities</b>	<b>653</b>	265	884	1 360	(83)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(281)</b>	362	(1 108)	556	(327)
Translation effects on cash and cash equivalents of foreign entities	–	–	(81)	21	(170)
Cash and cash equivalents at beginning of year	1 727	1 365	2 525	1 979	2 476
Cash and cash equivalents related to assets held-for-sale	–	–	29	(31)	–
<b>Cash and cash equivalents at end of year</b>	<b>1 446</b>	1 727	1 365	2 525	1 979

1. Includes assets held for sale.

2. Includes liabilities held for sale.

3. Movement in expected credit losses and bad debts related to trade and other receivables and decrease in trade and other receivables adjusted to provide additional information.

4. Health Partners for Life.

Rm	Compound growth % <sup>1</sup>	2020	Restated <sup>2</sup> 2019	2018	2017	2016
<b>Summarised income statement</b>						
<b>Continuing operations</b>						
Revenue	(15.9)	<b>18 843</b>	21 589	20 717	19 114	37 729
Operating profit before items listed below	(23.8)	<b>1 393</b>	3 640	3 486	3 331	4 128
Profit on disposal of investment in associate		<b>522</b>	-	-	-	-
Share-based payment expense on B-BBEE transaction		<b>(348)</b>	-	-	-	-
Realisation of foreign currency translation reserve		-	128	-	-	-
Impairment of contractual economic interest in the debt of BMI Healthcare		-	-	(1 544)	-	-
Profit on sale of old Netcare CBMH <sup>3</sup> land and buildings		-	-	-	203	-
<b>Operating profit</b>		<b>1 567</b>	3 768	1 942	3 534	4 128
Net financial expenses		<b>(893)</b>	(486)	(327)	(143)	(2 420) <sup>4</sup>
Attributable earnings of associates and joint ventures		<b>56</b>	75	73	89	157
<b>Profit before taxation</b>		<b>730</b>	3 357	1 688	3 480	1 865
Taxation		<b>(291)</b>	(879)	(682)	(942)	(831) <sup>4</sup>
<b>Profit for the year from continuing operations</b>		<b>439</b>	2 478	1 006	2 538	1 034
<b>Discontinued operations</b>						
(Loss)/profit for the year from discontinued operations		-	-	(467)	(5 267)	14
Profit on loss of control		-	-	4 205	-	-
<b>Profit/(loss) for the year</b>		<b>439</b>	2 478	4 744	(2 729)	1 048
Attributable to:						
Owners of the parent		<b>392</b>	2 393	4 885	(549)	1 667
Preference shareholders		<b>54</b>	54	55	56	52
		<b>446</b>	2 447	4 940	(493)	1 719
Non-controlling interest		<b>(7)</b>	31	(196)	(2 236)	(671)
		<b>439</b>	2 478	4 744	(2 729)	1 048
<b>Divisional analysis</b>						
<b>Revenue</b>						
<b>South Africa</b>	(0.1)	<b>18 843</b>	21 589	20 717	19 114	18 891
Hospitals and Emergency services	0.7	<b>18 250</b>	20 904	20 000	18 403	17 713
Primary Care	(15.1)	<b>611</b>	701	717	711	1 178
Inter-segment elimination		<b>(18)</b>	(16)	-	-	-
<b>United Kingdom</b>		-	-	-	-	18 838
		<b>18 843</b>	21 589	20 717	19 114	37 729
<b>Operating profit</b>						
<b>South Africa</b>	(18.4)	<b>1 567</b>	3 768	1 942	3 534	3 528
<b>SA before items listed below</b>	(20.7)	<b>1 393</b>	3 640	3 486	3 331	3 528
Hospitals and Emergency services	(20.1)	<b>1 403</b>	3 577	3 427	3 268	3 449
Primary Care		<b>(10)</b>	63	59	63	79
Profit on disposal of investment in associate		<b>522</b>	-	-	-	-
Share-based payment expense on B-BBEE transaction		<b>(348)</b>	-	-	-	-
Realisation of foreign currency transaction reserve		-	128	-	-	-
Impairment of contractual economic interest in the debt of BMI Healthcare		-	-	(1 544)	-	-
Profit on sale of old Netcare CBMH <sup>3</sup> land and buildings		-	-	-	203	-
<b>United Kingdom</b>		-	-	-	-	600
		<b>1 567</b>	3 768	1 942	3 534	4 128

1. Compound annual growth rate for the period 2016 to 2020.

2. The 2019 divisional analysis has been restated to reflect the impact of the integration of 15 Medicross day clinics into Hospital and pharmacy operations.

3. Christiaan Barnard Memorial Hospital.

4. Includes an exceptional technical, non-cash fair value RPI swap loss of R1 988 million and related tax credit of R130 million.

## Financial capital continued

		Compound growth % <sup>1</sup>	2020	2019	2018	2017	2016
<b>Key performance indicators</b>							
<b>Exchange rates</b>							
Closing rate at 30 September	R:£		<b>21.61</b>	18.60	18.42	18.15	17.79
Average rate for the year	R:£		<b>20.67</b>	18.30	17.55	16.94	21.04
<b>Ratios</b>							
EBITDA margin <sup>2</sup>	%		<b>13.6</b>	20.3	20.3	20.8	14.6
Operating profit margin <sup>2</sup>	%		<b>7.4</b>	16.9	16.8	17.4	10.9
Interest cover <sup>2</sup>	times		<b>1.6</b>	7.5	10.7	22.8	11.1
Effective tax rate <sup>2</sup>	%		<b>43.7</b>	27.2	28.0	27.7	24.9 <sup>3</sup>
Return on invested capital	%		<b>5.6</b>	20.1	20.0 <sup>4</sup>	19.7 <sup>4</sup>	24.7 <sup>4</sup>
Current ratio	:1		<b>1.2</b>	1.0	1.2	1.1	1.1
<b>Invested capital<sup>5</sup></b>							
Property, plant and equipment			<b>12 665</b>	12 541	12 098	11 127	10 329
Right of use assets			<b>3 755</b>	–	–	–	–
Intangible assets			<b>198</b>	175	135	127	133
Deferred lease assets			<b>32</b>	28	25	23	21
Deferred taxation			<b>812</b>	512	447	433	423
Current assets			<b>4 446</b>	3 444	3 748	3 150	3 205
Inventories			<b>1 206</b>	564	589	565	610
Trade and other receivables			<b>3 102</b>	2 837	3 124	2 579	2 579
Taxation receivable			<b>138</b>	43	35	6	16
Current liabilities			<b>(3 291)</b>	(3 485)	(3 350)	(2 716)	(3 116)
Trade and other payables			<b>(3 230)</b>	(3 462)	(3 288)	(2 653)	(3 035)
Taxation payable			<b>(61)</b>	(23)	(62)	(63)	(81)
			<b>18 617</b>	13 215	13 103	12 144	10 995
<b>Shareholder returns</b>							
Basic earnings/(loss) per share	cents	(30.7)	<b>28.3</b>	176.7	357.7	(40.9)	122.6
Continuing operations	cents		<b>28.3</b>	176.7	68.5	182.1	121.6
Discontinued operations	cents		<b>–</b>	–	289.2	(223.0)	1.0
Headline (loss)/earnings per share	cents		<b>(3.6)</b>	165.9	49.3	109.9	119.0
Continuing operations	cents		<b>(3.6)</b>	165.9	68.8	169.2	118.0
Discontinued operations	cents		<b>–</b>	–	(19.5)	(59.3)	1.0
Adjusted headline earnings per share	cents	(36.5)	<b>32.5</b>	171.2	152.1	146.2	199.5
Continuing operations	cents		<b>32.5</b>	171.2	171.6	170.6	198.5
Discontinued operations	cents		<b>–</b>	–	(19.5)	(24.4)	1.0
Total dividends per share	cents		<b>–</b>	111.0	144.0	95.0	95.0
Ordinary dividends per share	cents		<b>–</b>	111.0	104.0	95.0	95.0
Special dividend per share	cents		<b>–</b>	–	40.0	–	–
Dividend cover	times		<b>–</b>	1.5	0.3	1.2	1.3
Net asset value per share	cents		<b>733</b>	761	764	652	959

1. Compound annual growth rate for the period 2016 to 2020.

2. Based on continuing operations and excluding extraordinary items.

3. Excluding non-cash fair value RPI swap charge and related tax credit.

4. Restated.

5. South African operations.

	2020	2019	2018	2017	2016
<b>Key performance indicators</b>					
continued					
<b>Operational performance indicators</b>					
<b>South African acute hospitals</b>					
Number of hospitals <sup>1</sup>	53	55	57	58	57
Registered beds	9 986	10 046	10 187	10 181	10 088
Theatres	349	350	360	364	358
Hybrid theatres, catheterisation and electrophysiology laboratories	34	33	34	33	33
Day clinics	15	-	-	-	-
(Decrease)/increase in patient days <sup>2</sup>	% (19.6)	(1.4)	1.7	(1.0)	4.7
Average length of stay <sup>2</sup>	days 4.27	3.88 <sup>3</sup>	3.83	3.79	3.78
<b>Mental health</b>					
Number of facilities	12	12	12	-	-
Registered beds	891	891	834	-	-
(Decrease)/increase in patient days	% (21.2)	17.9	25.8 <sup>4</sup>	-	-
Average length of stay	12.22	12.23	12.08	-	-
<b>Emergency services</b>					
Netcare 911 sites	82	83	80	84	85
<b>Oncology</b>					
Number of Cancer Care facilities	15	15	15	10	7
<b>National Renal Care</b>					
Renal dialysis facilities	68	67	63	63	62
Renal dialysis stations	979	936	867	843	796
<b>Primary Care</b>					
Primary healthcare centres and travel clinics	68	75 <sup>3</sup>	83	83	82
Sub-acute facilities	2	2	3	3	2
Registered sub-acute beds	46	46	66	66	36
Day clinics	-	15	15	15	14
Total number of visits – millions	2.1	2.7	2.9	3.0	3.1
<b>United Kingdom hospitals</b>					
Number of hospitals <sup>1</sup>	-	-	-	56	56
Registered beds	-	-	-	2 797	2 797
Increase in inpatient and day admissions (total cases)	% -	-	-	0.5	1.1
Increase in outpatient cases	% -	-	-	0.4	3.7

1. Owned and managed hospitals.

2. 2018 excludes Netcare Bell Street and Netcare Rand hospitals. 2019 and 2020 excludes Netcare Bell Street, Netcare Rand, Port Alfred and Settlers hospitals.

3. Restated.

4. Year-on-year growth.

## Financial capital continued

		2020	2019	2018	2017	2016
<b>Key performance indicators</b>						
continued						
<b>Social performance indicators</b>						
Total employees		<b>19 214</b>	20 193	22 165	30 056	30 086
South Africa <sup>1</sup>		<b>19 214</b>	20 193	22 165	21 172	20 985
United Kingdom		-	-	-	8 884	9 101
Employee turnover						
South Africa	%	<b>13.5</b>	14.1	12.1	13.3	15.7
United Kingdom	%	-	-	-	18.5	18.1
Gender split						
South Africa						
Male	%	<b>18.4</b>	17.9	17.5	18.6	18.1
Female	%	<b>81.6</b>	82.1	82.5	81.4	81.9
United Kingdom						
Male	%	-	-	-	42.8	21.7
Female	%	-	-	-	57.2	78.3
Employees trained						
South Africa		<b>15 276</b>	16 314	13 693	14 335	14 191
United Kingdom		-	-	-	8 884	9 101
Training costs						
South Africa	Rm	<b>66</b>	84	70	54	51
United Kingdom	£m	-	-	-	1.9	2.2
Black (African, Coloured and Indian) employee representation <sup>2</sup>	%	<b>79.0</b>	78.3	77.0	75.4	73.3
Unionised employees <sup>2</sup>	%	<b>52.7</b>	52.6	50.8	51.3	51.2
Corporate social investment <sup>2,3</sup>	Rm	<b>18</b>	31	35	26	37
<b>Environmental performance indicators</b>						
<b>South Africa and Lesotho</b>						
Energy usage	gigajoules	<b>956 560</b>	983 418	961 802	1 052 635	1 141 465
Water usage	kilolitres	<b>1 878 400</b>	2 132 022	2 072 375	2 015 752	2 147 653
Carbon dioxide equivalent (CO <sub>2</sub> e) emissions	tonnes	<b>272 920</b>	275 613	256 469	281 632	313 552
Total CO <sub>2</sub> e per R1 million revenue		<b>12.73</b>	11.36	10.99	13.16	14.88
<b>United Kingdom</b>						
Energy usage	megawatt hours	-	-	-	135 740	146 174
Carbon dioxide equivalent (CO <sub>2</sub> e) emissions	tonnes	-	-	-	41 840	46 480

1. Includes PPPs.

2. SA operations only.

3. Inclusive of bursaries.

		2020	2019	2018	2017	2016
<b>Key performance indicators</b>						
continued						
<b>Ordinary share statistics</b>						
Shares in issue	million	<b>1 439</b>	1 452	1 471	1 462	1 462
Shares in issue net of treasury shares	million	<b>1 335</b>	1 345	1 363	1 360	1 356
Weighted average number of shares	million	<b>1 336</b>	1 345	1 362	1 359	1 354
Diluted weighted average number of shares	million	<b>1 343</b>	1 358	1 378	1 374	1 376
Market capitalisation <sup>1</sup>	R million	<b>18 592</b>	25 483	35 613	34 796	49 167
<b>JSE statistics</b>						
Market price per share						
at 30 September	cents	<b>1 292</b>	1 755	2 421	2 380	3 363
highest	cents	<b>2 132</b>	2 762	3 161	3 632	4 040
lowest	cents	<b>1 154</b>	1 481	2 144	2 310	2 910
weighted average	cents	<b>1 676</b>	2 123	2 632	2 879	3 366
Number of share transactions		<b>730 041</b>	761 431	570 951	833 192	856 974
Value of share transactions	R million	<b>30 711</b>	26 233	31 499	39 232	47 507
Volume of shares traded	million	<b>1 832.5</b>	1 235.5	1 196.8	1 362.7	1 411.2
Volume traded to issued	%	<b>127.3</b>	85.1	81.4	93.2	96.5
<b>Market performance ratios</b>						
Earnings yield <sup>2</sup>	%	<b>(0.3)</b>	9.5	2.0	4.6	3.5
Distribution yield <sup>2</sup>	%	<b>-</b>	6.3	4.3	4.0	2.8
Price: earnings ratio <sup>2</sup>	times	<b>(358.9)</b>	10.6	49.1	21.7	28.3

1. Based on shares in issue.

2. Based on continuing operations.

# Remuneration report

## Part 1 Background

**The Remuneration Committee is pleased to present Netcare's remuneration report for the financial year ended 30 September 2020. The report sets out our approach to fair and responsible remuneration, and considers feedback from shareholders on remuneration matters.**

Our remuneration report aligns with the principles and recommended practices of the King Report on Corporate Governance for South Africa (King IV) and continues to

apply Principle 14's three part structure. The report meets JSE Limited (JSE) Listings Requirements, and to the extent applicable, the requirements of the Companies Act.

### Remuneration policy overview: page 206

The remuneration policy overview sets out the criteria that inform the remuneration of executive management, explains the changes made to remuneration practices during the year and provides a high-level account of the aspects informing the remuneration for the balance of the workforce.

### Implementation report: page 212

The implementation report provides an account of the key decisions taken by the committee to acknowledge the dedication of our frontline teams in providing health and care to South Africans, as well as the agility of Netcare's leaders in steering the strategic and operational focus of the organisation to effectively manage the complex, disruptive and fluid conditions and pressures presented by COVID-19.

## Key activities and decisions of the Remuneration Committee

Issue	Key activities and decisions	Page
Non-executive director fees	<ul style="list-style-type: none"> <li>Engaged PwC to conduct an independent benchmarking exercise of non-executive director fees. The results informed the proposed adjustments to non-executive director fees for 2021 to be presented at the annual general meeting (AGM) on 5 February 2021.</li> </ul>	218
Short term incentives (STIs)	<ul style="list-style-type: none"> <li>Reviewed and approved the executive balanced scorecard, which identifies performance parameters and areas of focus for the year. Most performance indicator targets have been deferred to the 2021 financial year given the need in the current year to prioritise the management of the COVID-19 crisis.</li> <li>Approved an ex gratia STI payment in lieu of no STIs, for primarily frontline employees and managers who worked under the immense pressure, anxiety and unprecedented circumstances presented by COVID-19.</li> </ul>	212
Long term incentives (LTIs)	<ul style="list-style-type: none"> <li>Reviewed and approved the performance conditions for FSP 2 and 3.</li> <li>Approved 50% of the performance share allocations of FSP 2 and 3 based on 50% of the performance conditions having been met.</li> <li>Approved the principles of FSP 4, the new LTI plan. In line with shareholder feedback and subsequent approval at the 2019 AGM, FSP 4 includes but is not limited to:               <ul style="list-style-type: none"> <li>performance shares for executives only;</li> <li>performance and retention shares for other levels of leadership;</li> <li>minimum shareholding for executives; and</li> <li>malus and clawback provisions.</li> </ul> </li> <li>Delayed the implementation of FSP 4 to 2021 given the impact of the pandemic on the broader economic landscape. FSP 4 performance targets will be set for return on invested capital (ROIC) and earnings before interest, taxation, depreciation and amortisation (EBITDA) margin aligned to the post COVID-19 recovery strategy and the impact of IFRS 16.</li> </ul>	216



Issue	Key activities and decisions
<b>Annual salary increases</b>	<ul style="list-style-type: none"> <li>Approved annual salary increases linked to the consumer price inflation (CPI) index. Executives received a 4% increase in March 2020. Salary increases at non-management levels were at a higher percentage rate.</li> </ul>
<b>Salary negotiations</b>	<ul style="list-style-type: none"> <li>Successfully concluded the 2020/21 wage negotiations with all four recognised trade unions.</li> </ul>

## Remuneration Committee

The Remuneration Committee's core function is to ensure that remuneration at senior levels motivates superior performance and that executives are suitably rewarded and retained. It comprises three independent non-executive directors – Mr D Kneale as Chair (appointed to the Board and the committee with effect 1 January 2020), Mr MR Bower (appointed to the committee on 1 October 2019) and Mrs T Brewer. All three members have a wealth of operational and remuneration experience. The committee met twice during the reporting year. It is satisfied that it has fulfilled the requirements of its terms of reference.

Committee member, Mr Norman Weltman, retired with effect from 30 September 2020 as a non-executive director of the Netcare Board. Netcare thanks him for his invaluable contribution and astute guidance over the years as a committee and Board member. We wish him well.

## Shareholder engagement

The Remuneration Committee is committed to ensuring that Netcare's remuneration reporting is straightforward, comprehensive and transparent, and meets shareholder information requirements and understanding of the performance measures used to award short- and long-term incentives. The Remuneration Committee is satisfied that it has successfully responded to shareholder concerns and expectations – evidenced by their positive feedback.

Pleasingly, 96.2% of votes received at the 2020 AGM were in favour of the remuneration policy (2019: 96.1%).

AGM held on 31 January 2020	Votes in favour	Votes against	Abstentions
Remuneration policy	96.2%	3.4%	0.4%
Implementation report	96.7%	3.3%	0.0%

The committee strives for continual improvement of remuneration reporting in line with shareholder expectations and an inclusive stakeholder engagement approach.

## Non-binding advisory votes

The remuneration policy and implementation report that follow will be presented for separate non-binding advisory votes from shareholders at the AGM to be held on 5 February 2021. These resolutions are set out in the 2021 AGM Notice.

Should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2021 AGM, the committee undertakes to fully understand reasons for dissenting votes and address legitimate and reasonable objections raised.

## Board approval

The Remuneration Committee reviewed and recommended the remuneration report to the Board for approval, which was obtained on 16 November 2020.

## Remuneration report continued

### Part 2

#### Remuneration policy overview

Subject to non-binding advisory vote at the AGM on 5 February 2021

**Our remuneration policy is an integral part of our employee value proposition. It is designed to attract, retain, motivate and reward the right talent with the right competencies and attitudes at every level in the organisation. It supports the delivery of our strategy and drives alignment between our corporate strategy, performance and the values and behaviours of our passionate people. The policy strives to achieve a fair balance between competitive guaranteed package (GP), STIs, LTIs and retention mechanisms. It is updated regularly to ensure that our remuneration structure reflects best practice, aligns to our operating model and strategic objectives, complies with the applicable laws and is effective in achieving our remuneration objectives.**

### Remuneration policy objectives

#### Attract, retain and grow

Recruit, retain and grow high-quality employees to achieve Netcare's strategic objectives.

#### Financial wellbeing

Recognise the basic needs of employees and ensure that compensation levels consistently address the cost of living and inflation.

#### Reward

Ensure that all employees are recognised and rewarded for their performance in a fair, equitable and consistent manner.

#### Set goals

Reward employees for achieving predetermined business and personal performance targets, and ensure that remuneration is aligned to documented performance targets.

#### Competitive remuneration

Ensure that remuneration and benefits provided are competitive within the healthcare industry.

#### Sustainability

Ensure that employee costs are within budget as determined by the Executive Committee and are thereby sustainable.

The remuneration policy outlines the principles used to determine the payments, accruals and awards made to executive directors (CEO and CFO), non-executive directors, prescribed officers and senior executives (Executive Committee members and other executives) for the year ended 30 September 2020.



Remuneration policy: <https://www.netcare.co.za/Netcare-Investor-Relations/Governance/Remuneration-Policy>

## Remuneration philosophy

We drive a high-performance culture in an active and responsible manner to deliver performance that aligns with Netcare's strategy and values, stakeholder expectations and market factors. Our remuneration philosophy centres on fairly, reasonably, responsibly and competitively rewarding our employees for their contribution to the Group's strategic, operating and financial performance. It guides our remuneration policy.

### Principle

Secure crucial skills.

Reward the achievement of strategic and operational priorities and exceptional performance using STIs.

Provide key talented executives and managers with LTIs as a reward and retention mechanism.

### Value creation

Provide world-class health and care.

Delivery of the Netcare strategy and an engaged workforce.

Continued alignment between management and stakeholder objectives for the long-term sustainability of the business.

## Benchmarking

All elements of remuneration, including salary increases, incentive payments and benefits, are periodically reviewed against industry and market benchmarks and trends to ensure our remuneration levels are appropriate and competitive, and take into account factors affecting the Group's financial position, the industry and SA.

The guaranteed remuneration packages of executive directors, prescribed officers and senior executives are benchmarked against relevant comparators, and non-executive directors' fees are benchmarked annually with market norms.

The benchmarking conducted by PwC over the past three years has confirmed broad alignment with market peers. The cost of the 2020 benchmarking exercise amounted to approximately R75 000, excluding value added tax (VAT).

## Executive remuneration

Strategic and financial performance and the achievement of non-financial objectives are used to determine executive compensation. This is measured using a balanced scorecard and considers our values and the behaviours that promote value creation.

Employment contracts do not provide for contractually agreed termination payments. Only the CEO has a restraint of trade of six months and Executive Committee members have a three-month notice period.

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

The remuneration packages for executive directors, prescribed officers and senior executives for the year ending 30 September 2020 comprised a GP, an ex gratia STI and LTIs.

### Guaranteed 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 group life assurance cover, funeral cover and disability insurance contributions.

## Remuneration report continued

### Short-term incentives (variable)

#### Objective

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

#### Eligibility

Executive directors, prescribed officers, senior executives and managers.

#### Basis of determination

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

<b>STI formula</b>	Bonus paid if targets met	=	Annual GP	X	Potential eligibility (%)	X	Weighted average of balanced scorecard
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The threshold for the CEO is a maximum of 75% and for the CFO a maximum of 60%.

#### Balanced scorecard

The balanced scorecard incorporates Group-based, divisional and individual key performance metrics. Group-based targets ensure alignment among team members with the Group's strategic objectives and key focus areas. For the Executive Committee, Group-based targets carry a 40% weighting with divisional and individual responsibilities accounting for the remaining 60% weighting.

The individual, divisional and Executive Committee balanced scorecards include financial and non-financial strategic and operational targets aligned to the Group's strategic objectives. The targets drive the achievement of sustainable growth and long-term value creation. Weighting and targets vary between executives depending on their function.

Individuals must score a minimum of 60% on their individual scorecard to be eligible for participation in the STI plan.

#### 2020 allocation

The shift in operational focus and redirection of capital expenditure towards protecting our employees and healthcare practitioners, and caring for South Africans during the pandemic, meant that our strategic projects were placed on hold and our 2020 strategic objectives not met. Most performance targets, with the approval of the Remuneration Committee, have been deferred to the 2021 financial year. No performance based STIs were awarded for the 2020 financial year. The implemented and deferred balanced scorecard can be found on page 212.

#### Remuneration Committee discretion

In instances where extraneous factors outside the control of executives are considered to have impacted on overall performance resulting in targets not being met, ex gratia STIs may be awarded at the Remuneration Committee's discretion.

In light of the critical role played by our teams in supporting SA's response to the pandemic, the committee has exercised this discretion for the 2020 financial year, approving an ex gratia STI payment amounting to R47 million. 71.9% of this amount was allocated to frontline teams, 18.8% to senior managers and select employees who showed exemplary care and dedication and the remaining 9.3% to executives. The CEO has elected to voluntarily forego a discretionary STI.

The ex gratia STI payment meant that 1 341 employees at management levels based on the Patterson Grading System received a percentage of a 13th cheque. 95% (1 268) are frontline Nursing Unit Managers, Heads of Departments, Hospital management teams, Operations Managers and Operations teams, primarily in the Hospital division (including pharmacy operations) and Emergency services. 72% (972) of rewarded employees are women and 57% (766) are black<sup>1</sup>.

#### Looking forward to 2021

Depending on whether a second wave of COVID-19 manifests, or its duration if it does, efficient strategic delivery could be further disrupted. Notwithstanding this, STIs will be calculated using the normal approved formula and strategic parameters, including parameters deferred from 2020. Focus will remain on meeting the Board-approved budget aligned to EBITDA and other key financial and non-financial targets.

1. Here, black refers to all South Africans of colour.

## Long-term incentives (variable)

### Objective

To attract and retain executive directors, prescribed officers and senior executives, and reward sustainable value creation which aligns with stakeholder interests over the long term. The design of LTIs is considered and does not expose shareholders to any financial risk or encourage any form of short termism.

### FSP 1, 2 and 3 (past allocations)

FSP 1, 2 and 3 provided benefits in line with recommended governance practice, delivering both performance- and retention-based share awards. Performance shares were awarded against strictly monitored targets which, if not met, resulted in the forfeiture of the shares. The retention-based award incentivised executive directors, prescribed officers and senior executives to remain in the Group's employ.

The number of forfeitable shares subject to an FSP award and the ratio between performance and retention shares was primarily based on the employee's annual GP, grade, performance, retention requirements and market benchmarks. The split in shares favoured performance-based targets over retention-based awards, with weightings being 75% for performance and 25% for retention for executive directors, prescribed officers and Executive Committee members, and equal weightings of 50% for other senior managers.

The performance-based targets are stretch goals linked to financial targets and the Netcare share price, considering a minimum return over and above inflation.

#### Performance parameter

Return on capital employed (ROCE)  
**50% weighting**

Headline earnings per share (HEPS)  
**50% weighting**

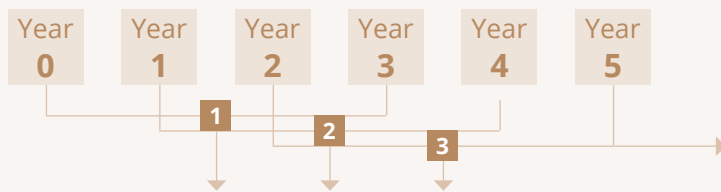
#### Target

▶ Weighted average cost of capital (WACC) +6%.

▶ Compound annual growth rate of the average CPI index +4% for the performance period.

### Delivery

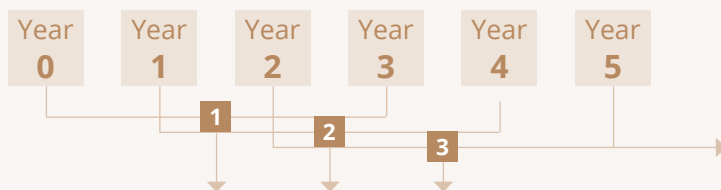
Delivered in Netcare shares over the retention or performance period and provides dividends but not voting rights. The awards vest in thirds (a third each year) over a three-year period following a three-year waiting period.



1/3 of the 'performance shares' allocated are tested for performance  
Targets equally weighted between ROCE (50%) and HEPS (50%)

#### Performance shares

Three distinct performance periods aligned with the financial year, for portion of allocated shares subject to performance conditions.



1/3 of the 'retention shares' vest, subject to continued employment

#### Retention shares

Three distinct vesting periods of allocated shares, which do not have performance conditions associated with them.

The performance shares allocated to the performance targets are forfeited if the targets are not met within the performance period.

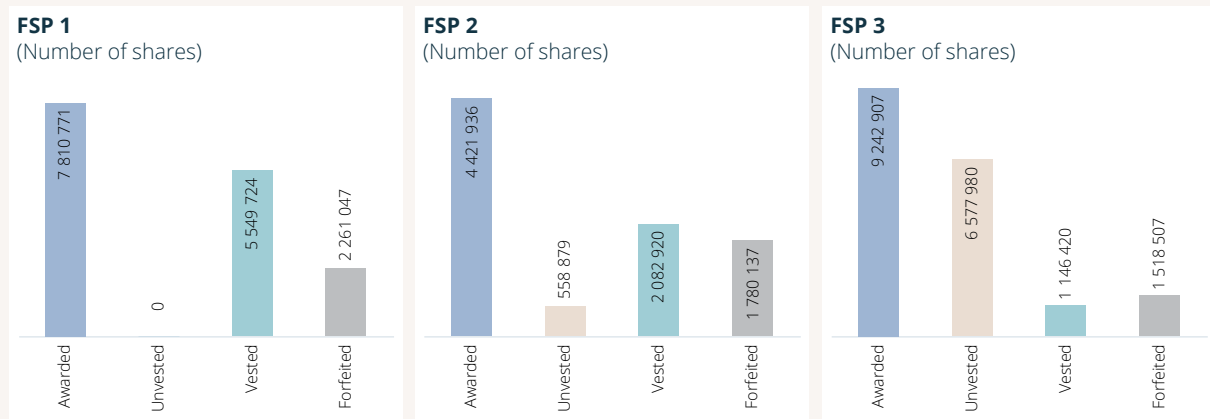
## Remuneration report continued

### Termination of employment

Unvested shares are forfeited on termination of employment.

### The positions of the three tranches of the FSP

(at 30 September 2020)



Since inception, approximately 21.5 million shares have been allocated through the three FSPs, of which 8.8 million shares have vested, benefiting participants. To date, 7.1 million are unvested and 5.6 million have been forfeited.

### FSP 4 (future allocations)

Shareholder-approved FSP 4 was due for implementation in 2020, however, has been deferred to 2021 due to COVID-19. The deferral enables the Remuneration Committee to set IFRS 16 adjusted performance targets, ensuring alignment with the post COVID-19 recovery strategy while adhering to the conditions approved by shareholders in January 2020.

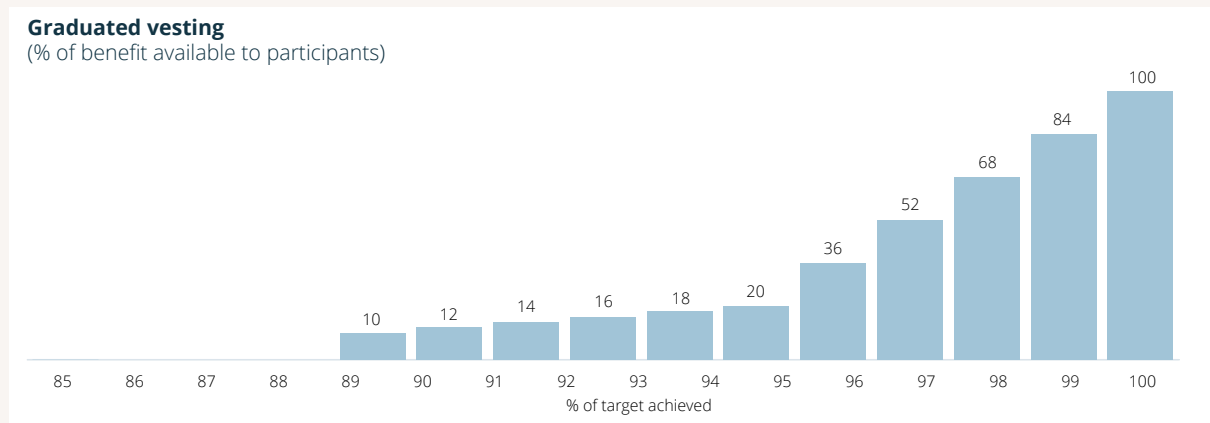
Shareholder-approved conditions include:

- Performance shares issued to executive directors, prescribed officers and senior executives only.
- Performance and retention shares awarded to senior and other management levels only.
- Ensure meaningful benefits accrue to participants based on medium-term and sustained delivery of results.

The performance conditions will continue to be based on ROIC and EBITDA margin.

### Graduated vesting

Graduated vesting will apply after a three-year waiting period in thirds over a further two-year period as illustrated in the graph below.



## Criteria

The following criteria apply to the LTI:

- The shares will be awarded subject to a malus and clawback policy.
- Executive directors and prescribed officers who are awarded shares will be required to maintain a minimum level of shares that vest and use these towards accumulating a level of shareholding in Netcare linked to a ratio of annual GP.

The ratios that apply will be as follows:

- **CEO:** 2.5 x Annual GP.
- **CFO:** 2.0 x Annual GP.
- **Prescribed officers and other senior executives:** 1.5 x Annual GP.

We aim to achieve this over an eight to 10-year period through, either the retention of at least 10% of shares that vest and are not forfeited, or through existing shareholding.

- The maximum aggregate number of shares which may at any time be allocated to all FSP participants shall not exceed 50 million shares, either alone or when aggregated with existing share plans. This equates to 3.4% of Netcare's issued share capital inclusive of treasury shares (at 30 September 2020).
- The intention is to spread the allocation of shares over a minimum of 10 years, equating to approximately 15 million shares per issue.
- The maximum number of shares which may at any time be allocated to any one participant shall not exceed five million shares.
- The participant will not be required to pay for the FSP award.

## Malus and clawback

Our malus and clawback clauses set out in the remuneration policy align with shareholder expectations.

### Malus (pre-vesting)

All LTI awards to executive directors, prescribed officers and senior executives made after 1 January 2020 are subject to malus provisions. The vesting levels of these awards may be reduced, including to nil, in the following (but not limited to) instances:

- Deliberately misleading the Group, the market and/or shareholders in relation to the Group's financial performance.
- Misconduct, incompetence or gross negligence with regards to the financial reporting or performance of the Group.

### Clawback (post-vesting)

Clawback clauses apply to any variable remuneration awarded from 1 January 2020 onwards. In the case of the LTI, the Remuneration Committee may apply clawback at any time during the three-year period from the date on which variable remuneration vests, if there is reasonable evidence of material misconduct in line with the malus provisions above.

## Employee remuneration

Employees at non-management levels are remunerated based on their structured package plus benefits, which include employer contributions to retirement fund and medical aid membership. Permanent employees receive a 13th cheque for each completed 12-month period worked at 31 December of each year. This is paid out to employees in service on 31 December of each year, with exceptions for retirement, retrenchment, death and disability.

In considering King IV's Principle 14 and in recognition of the income gap, higher percentage increases are applied to the annual salary adjustments of employees at the lower end of the pay scale than those awarded to executive directors, prescribed officers and senior executives.

## Remuneration report continued

### Part 3

#### Implementation report

Subject to non-binding advisory vote at the AGM on 5 February 2021

**During 2020, the increases to the annual GPs for executive directors, prescribed officers and senior executives were linked to the CPI index and are awarded at levels below those of management and operational employees. This principle will also be applied in 2021.**

#### Balanced scorecard

Group performance parameter	Actual	Target
EBITDA	R2 558 million	R4 358 million x

In addition to EBITDA and EBITDA margin, the achievement of Netcare's strategic objectives accounted for 40% of executive directors, prescribed officers and senior executives' balanced scorecard as set out below. The scorecard implemented was robust and included both financial and non-financial targets, where non-financial targets covered digitisation projects, transformation initiatives, clinical outcomes and key business development projects.

#### Short-term incentives

● Achieved ○ Partially achieved ★ Paused or impacted due to COVID-19

##### Consistency of care

Publish clinical outcomes data on the Netcare website	○ <b>Target partially met</b> Content completed but publication only took place in October 2020, after financial year end (delayed due to COVID-19).
Populate and publish a clinical outcomes index	○ <b>Target partially met</b> Completed for quality and safety measures reported to funders on a quarterly basis. Balance of the project delayed by COVID-19.
Improve compliance to general surgical and drug formulary	○ <b>Target partially met</b> Achieved 86.9% against a target of 92.5% for general formulary compliance.
Improve compliance to revised specialised surgical formulary	● <b>Target met</b> Achieved 77.0% against a target of 76.0% for specialised formulary compliance.
Refine and upgrade the framework for the Clinical Practices Committee	○ <b>Target partially met</b> Completed but not rolled out due to COVID-19.
Roll out revised patient survey feedback form	★ <b>Target not met</b> Project paused due to COVID-19.



● Achieved ◉ Partially achieved ✱ Paused or impacted due to COVID-19

## Disruptive innovation

<b>Hospital division</b> Complete roll out of CareOn (the EMR project) at Netcare Milpark Hospital	✱ <b>Target not met</b> Project was on track prior to the pandemic but temporarily suspended to comply with strict site access protocols during the COVID-19 surge.
<b>Primary Care</b> Roll out HealthOne (EMR project)	✱ <b>Target not met</b> Roll out completed at nine of targeted 25 sites (roll out disrupted by COVID-19).
<b>Akeso Clinics</b> EMR project	● <b>Target met</b> Developed and approved the project business case, defined the functional specifications and selected a vendor.
<b>National Renal Care</b> EMR project – develop a solution for roll out in October 2020	◉ <b>Target partially met</b> Revised and finalised the project charter and developed high-level timelines for implementation. Balance of the project delayed due to COVID-19.
Data analytics and platform	● <b>Target met</b> Existing data science use cases transferred to Microsoft Azure cloud platform.

## Transformation of society

<b>Workforce and leadership diversity</b> Meet the objectives set out in the Netcare 2020 Employment Equity Plan	◉ <b>Target partially met</b> Achieved targets for black and black women senior managers, black middle managers and black and black women junior managers. The targets for black women at middle management level and differently abled people were marginally missed.
<b>Preferential procurement</b> Drive greater inclusion of black-owned and black women-owned enterprises in our supply chain	✱ <b>Target not met</b> Achieved 34.1% (R4.0 billion) preferential procurement spend with >51% black-owned suppliers (against targets of 50% or R5.3 billion) impacted by lower activity during COVID-19.
	◉ <b>Target partially met</b> Achieved 21.6% (R2.5 billion) preferential procurement spend with >30% black women-owned businesses (against targets of 26% or R2.7 billion).
<b>Enterprise and supplier development (ESD)</b>	● <b>Target met</b> Invested 16.2% (R71 million) exceeding the target of 3% of net profit after tax (NPAT) in ESD programmes.
<b>Socioeconomic development</b> Create access to quality healthcare for indigent patients and support quality clinical research through scholarships	● <b>Target met</b> Invested 1.8% (R8 million) exceeding the target of 1% of NPAT in socioeconomic development programmes.

## Remuneration report continued

● Achieved ○ Partially achieved ★ Paused or impacted due to COVID-19

## Organic growth

EBITDA margin – Hospital and Emergency services	★ <b>Target not met</b> EBITDA margin fell below target due to lower activity and higher operating costs brought about by COVID-19.
Recruitment of new doctors	○ <b>Target partially met</b> Net gain of 82 doctors (against target of 88).
Acquire equity stake in Independent Counselling and Advisory Services (ICAS)	● <b>Target met</b> 40% stake acquired effective March 2020.
Launch NetcarePlus	● <b>Target met</b> NetcarePlus platform launched.
Launch Primary Care vouchers	● <b>Target met</b> Primary Care vouchers developed, tested and launched on FNB platform.
Grow occupational health customer base	● <b>Target met</b> Target to secure two new occupational health customer contracts achieved.

## Integration

Roll out the Netcare <b>appointmed™</b> doctor and specialist booking service	● <b>Target met</b> Successful onboarding of 50 targeted hospitals.
Digital pre-admission across Netcare hospitals	○ <b>Target partially met</b> Digital pre-admission achieved for 8% of surgical admissions against a target of 20%. Project adversely impacted by COVID-19.
Revamp of the Netcare website to achieve better integration across Netcare's ecosystem of services	● <b>Target met</b> New Netcare website developed and launched.

## Investment

EBITDA	★ <b>Target not met</b> EBITDA fell below target due to lower activity and higher operating costs brought about by COVID-19.
ROIC	★ <b>Target not met</b> Achieved ROIC of 6.7% due to the impact of COVID-19 on the business (target: >20.0%).
Net debt to EBITDA	★ <b>Target not met</b> Achieved net debt to EBITDA coverage of 3.1 times due to the impact of COVID-19 on the business (target: less than 2.0 times).
EBITDA/net interest (times)	★ <b>Target not met</b> Achieved EBITDA to net interest coverage of 4.1 times due to the impact of COVID-19 on the business (target: greater than 5.0 times).
Cash conversion	★ <b>Target not met</b> Achieved cash conversion of 58.3% due to the impact of COVID-19 on the business (target: 100.0%).
Sale of UK hospital properties	● <b>Target met</b> Sale of UK hospital properties concluded and funds repatriated to SA.

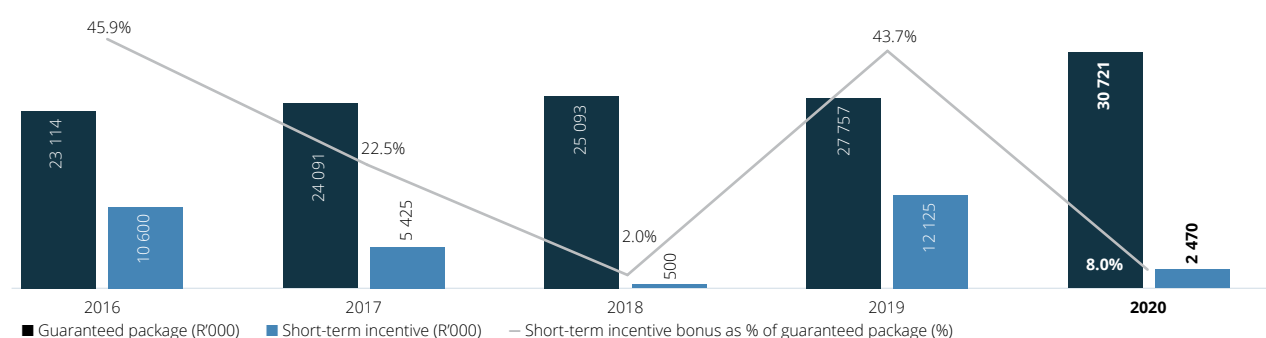
## Variable remuneration

### STIs relative to annual GP

(executive directors and prescribed officers)

The graph below illustrates incentives awarded over a five-year period. The ex-gratia incentive for the 2020 financial year was awarded in December 2020.

(R'000)



### Executive director STIs

The table below provides a view of the STIs received by the CEO and CFO over the last three years.

R'000	2020	2019	2018 <sup>1</sup>
RH Friedland	- <sup>2</sup>	5 000	-
KN Gibson	618	1 825	-

1. The CEO and CFO chose to voluntarily forego the discretionary STIs awarded to them.

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

### Executive remuneration

The table below summarises executive remuneration for the 2020 financial year.

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

## Remuneration report continued

The table below summarises executive remuneration for the 2019 financial year.

R'000	Guaranteed package	Bonuses	Total
<b>Executive directors</b>			
RH Friedland	9 826	5 000	14 826
KN Gibson	5 103	1 825	6 928
<b>Prescribed officers</b>			
J du Plessis	4 639	2 000	6 639
C Grindell	3 140	1 250	4 390
S Mhlongo	1 161	600	1 761
WN van der Merwe	3 888	1 450	5 338

### LTI vesting outcomes

Following the review of the performance conditions imposed in respect of the FSP 2 and 3, the Remuneration Committee was satisfied that one of the performance conditions had been achieved and as a result 50% of the performance shares of FSP 2 (tranche 3) and FSP 3 (tranche 1) vested on 1 December 2020.

Performance parameter	Target
ROCE (over three years) <b>50% weighting</b>	▶ ROCE of WACC plus 6% = 17.3% <b>Target met: 22%</b>
HEPS <b>50% weighting</b>	▶ HEPS of CPI plus 4% <b>Target not met</b>

The committee was also satisfied that the retention conditions for FSP 2 (tranche 3) and FSP 3 (tranche 1) were met in June 2020.

### Forfeitable shares

Held by executive directors and prescribed officers at 30 September 2020 (number of options)

Number of options	Grant date	1 Oct 2019	Granted	Shares forfeited during the year	Exercised (sold and retained)	30 Sep 2020	Market price at exercise date (cents)	Gain arising on exercise (R'000)
<b>Executive directors</b>								
RH Friedland <sup>1</sup>		1 207 236	-	(68 036)	(187 530)	951 670	15.73	2 949
KN Gibson <sup>2</sup>		515 116	-	(28 862)	(79 802)	406 452	15.73	1 254
<b>Prescribed officers</b>								
J du Plessis	FSP 2: 20 Jan 2016	408 013	-	(22 094)	(62 231)	323 688	15.67	975
C Grindell	FSP 3: 20 Jan 2018	199 453	-	(4 364)	(29 980)	165 109	14.23	427
S Mhlongo		-	125 000	-	(10 416)	114 584	13.93	145
WN van der Merwe		251 207	-	(5 559)	(34 831)	210 817	14.32	499
		2 581 025	125 000	(128 915)	(404 790)	2 172 320		6 249

1. RH Friedland exercised 187 530 (2019: 113 393) share options during the year in terms of the Forfeitable Share Plan.

2. KN Gibson exercised 79 802 (2019: 48 103) share options during the year in terms of the Forfeitable Share Plan.

The audited financial table has been included in the annual financial statements under note 4.1.2.

## Non-executive director remuneration

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

The Board and the Remuneration Committee review the remuneration of non-executive directors annually, with consistent approval of proposed fees received from shareholders at our AGMs.

### Fees paid to non-executive directors for the period 1 October 2019 to 30 September 2020

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

R'000	Board	Audit	Risk	CoC <sup>1</sup>	Rem <sup>2</sup>	S&E <sup>3</sup>	Nom <sup>4</sup>	Fin & Invest <sup>5</sup>	Tariff <sup>6</sup>	2020 Total	2019 Total
MR Bower	685	235	132		126			210		1 388	1 356
T Brewer	1 340		132		126	126	179	210		2 113	2 177
B Bulo	685	179	132	186						1 182	1 169
L Human	685		132				126			943	405
D Kneale*	513	134			139		63			849	–
MJ Kuscus	685		132	235		126				1 178	1 162
K Moroka	685					179	126			990	990
N Weltman <sup>Δ</sup>	685	179	186	186	126				84	1 446	1 508
<b>Total</b>	<b>5 963</b>	<b>727</b>	<b>846</b>	<b>607</b>	<b>517</b>	<b>431</b>	<b>494</b>	<b>420</b>	<b>84</b>	<b>10 089</b>	<b>9 936</b>

\* Appointed 1 January 2020.  
<sup>Δ</sup> Retired 30 September 2020.

#### Committee names:

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

The non-executive directors elected to donate R344 000 of their fees to the Netcare Foundation in support of healthcare workers, particularly the families of frontline workers who lost their lives due to the pandemic. The fees reflected in the table above are the gross fees for the period.

## Remuneration report continued

### Proposed non-executive directors' fees

The Remuneration Committee has proposed a variable increase, based on governance committee, in non-executive directors' fees exclusive of VAT for 2021. The increases are informed by a PwC benchmarking exercise, and take into account the increasing demands faced by non-executive directors in respect of personal liability and ongoing regulatory requirements. The increases remain subject to shareholder approval at the AGM on 5 February 2021. 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 comparator group of companies listed on the JSE.
- Quartile benchmarks to ensure that accurate data is provided.

Based on PwC's findings, a 4% increase for the Risk Committee Chair, and a 3% increase for the Audit Committee Chair and Risk Committee members are being tabled for shareholder approval at the 2021 AGM. All other fees remain unchanged.

### Proposed non-executive director fees

R'000	Proposed 2021	Increase	Actual 2020	Actual 2019
<b>Board</b>				
Chair	1 340		<b>1 340</b>	1 340
Member	685		<b>685</b>	685
<b>Audit Committee</b>				
Chair	242	3%	<b>235</b>	225
Member	179		<b>179</b>	179
<b>Nomination Committee</b>				
Chair	179		<b>179</b>	179
Member	126		<b>126</b>	126
<b>Risk Committee</b>				
Chair	193	4%	<b>186</b>	179
Member	136	3%	<b>132</b>	126
<b>Remuneration Committee</b>				
Chair	186		<b>186</b>	179
Member	126		<b>126</b>	126
<b>Social and Ethics Committee</b>				
Chair	179		<b>179</b>	179
Member	126		<b>126</b>	126
<b>Consistency of Care Committee</b>				
Chair	235		<b>235</b>	225
Member	186		<b>186</b>	179
<b>Payable per meeting</b>				
Ad hoc committees	42		<b>42</b>	42

Note: values exclude VAT.

# Summarised Group annual financial statements

for the year ended 30 September 2020



# Summarised Group

## annual financial statements

for the year ended 30 September 2020

These summarised Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2020 that were approved by the Netcare Board on 19 November 2020. The summarised Group annual financial statements do not contain sufficient information to allow for a complete understanding of the results of the Group, as would be provided in the complete audited Group annual financial statements. These summarised Group financial statements, and the audited Group financial statements from which they have been derived, were compiled under the supervision of KN Gibson CA(SA), Chief Financial Officer of the Group.

The summarised consolidated annual financial statements comprise:

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

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



The complete audited annual financial statements are available at  
[www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results](http://www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results).

### Operating activities

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

- **Hospital and emergency services**

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

- **Primary Care**

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

### Going concern

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

COVID-19 has had a significant negative impact on the Group's performance for the current financial year. However, Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 3.1 times (pre-IFRS 16) at 30 September 2020. Available committed undrawn facilities amount to R4.2 billion which will ensure the availability of liquidity for the foreseeable future. Netcare has secured a waiver of its covenant testing for the September 2020 period as well as for the March 2021 period. The budgets prepared for the 2021 and 2022 years indicate a recovery from the impact of COVID-19 during the first half of 2021, and an improved second half with no indicators of a covenant breach at September 2021. On this basis the Board is confident in the Group's ability to continue as a going concern for the foreseeable future.



## Accounting policies

The accounting policies and methods of computation applied in the preparation of the Group annual financial statements are in accordance with IFRS. Aside from the adoption of IFRS 16: *Leases*, all policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2019.

## Independent report of the auditors

These summarised Group annual financial statements for the year ended 30 September 2020 have been extracted from the complete audited Group annual financial statements on which the auditors, Deloitte & Touche, have expressed an unmodified audit opinion on the full set.

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

# Summarised Group statement of profit or loss

for the year ended 30 September

Rm	2020	2019	
<b>Revenue</b>	<b>18 843</b>	21 589	As a result of a 19.8% decline in total patient days, revenue declined by 12.7%.
Cost of sales	(9 810)	(10 653)	
<b>Gross profit</b>	<b>9 033</b>	10 936	
Other income – excluding items below	<b>386</b>	446	The impact of rental concessions granted in respect of doctors' rooms, imaging and diagnostics, coffee shops and retail pharmacies, as well as lost parking revenues amounted to R78 million during FY2020.
Administrative and other expenses – excluding items below <sup>1</sup>	(7 752)	(7 619)	
Impairment of financial assets <sup>1</sup>	(274)	(123)	Impairments of financial assets recognised under IFRS 9: <i>Financial Instruments</i> increased as a result of the detrimental impact of COVID-19 on the broader business environment.
<b>Operating profit before items below</b>	<b>1 393</b>	3 640	
Profit on disposal of investment in associate	<b>522</b>	—	Profit on disposal of UK properties, with repatriation of R778 million sale proceeds.
Share-based payment expense on B-BBEE transaction	(348)	—	The B-BBEE transaction benefits 20 370 Netcare employees (80% black and 65% black women).
Realisation of foreign currency translation reserve	—	128	
<b>Operating profit</b>	<b>1 567</b>	3 768	
Investment income	<b>156</b>	172	
Finance costs	(1 031)	(656)	Excluding the interest expense on lease liabilities of R371 million, net interest paid increased marginally, benefiting from a lower average cost of debt, although applied to higher average debt levels during the year.
Other financial losses – net	(18)	(2)	
Attributable earnings of associates	<b>20</b>	29	
Attributable earnings of joint ventures	<b>36</b>	46	
<b>Profit before taxation</b>	<b>730</b>	3 357	
Taxation	(291)	(879)	Reduced taxation charge with an effective tax rate of 39.9%.
<b>Profit for the year</b>	<b>439</b>	2 478	
<i>Attributable to:</i>			
Owners of the parent	<b>392</b>	2 393	
Preference shareholders	<b>54</b>	54	
Profit attributable to shareholders	<b>446</b>	2 447	
Non-controlling interest	(7)	31	
	<b>439</b>	2 478	
Cents			
<b>Basic earnings per share</b>	<b>28.3</b>	176.7	
<b>Diluted earnings per share</b>	<b>28.1</b>	175.0	

1. Impairment of financial assets is re-presented on the face of the statement of profit or loss. This is for disclosure comparability and enhancement purposes. The value disclosed in administrative and other expenses in the prior year was reduced as a result.

# Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	2020	2019
<b>Profit for the year</b>	<b>439</b>	2 478
<b>Items that will not subsequently be reclassified to profit or loss</b>	<b>(14)</b>	66
Remeasurement of defined benefit obligation	50	91
Fair value adjustment on equity investments	(50)	—
Taxation on items that will not subsequently be reclassified to profit or loss	(14)	(25)
<b>Items that may subsequently be reclassified to profit or loss</b>	<b>(55)</b>	(161)
Effect of cash flow hedge accounting	(82)	(44)
Amortisation of cash flow hedge accounting reserve	86	5
Change in the fair value of cash flow hedges	(168)	(49)
Effect of translation of foreign entities	—	(1)
Realisation of foreign currency translation reserve	4	(128)
Taxation on items that may subsequently be reclassified to profit or loss	23	12
<b>Other comprehensive income for the year</b>	<b>(69)</b>	(95)
<b>Total comprehensive income for the year</b>	<b>370</b>	2 383
<i>Attributable to:</i>		
Owners of the parent	323	2 298
Preference shareholders	54	54
Non-controlling interest	(7)	31
	<b>370</b>	2 383

# Summarised Group statement of financial position

as at 30 September

Rm	2020	2019	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12 665	12 541	Capital expenditure of R961 million, including R193 million spent on expansionary projects and R34 million spent on CareOn.
Right of use assets	3 755	—	
Goodwill	1 606	1 606	
Intangible assets	198	175	
Investment in joint ventures	213	259	
Investment in associates	378	476	Impairment losses of R105 million recognised against loans and receivables in FY2020.
Loans and receivables	158	289	
Financial assets	77	5	
Deferred lease assets	32	28	
Deferred taxation	812	512	
<b>Total non-current assets</b>	<b>19 894</b>	<b>15 891</b>	
<b>Current assets</b>			
Loans and receivables	154	122	
Inventories	1 206	564	Working capital well managed despite the need to prioritise additional inventory reserves, including adequate levels of Personal Protective Equipment, drugs and consumables.
Trade and other receivables	3 102	2 837	
Taxation receivable	138	43	
Cash and cash equivalents	1 450	1 732	
	6 050	5 298	
Assets classified as held for sale	—	226	
<b>Total current assets</b>	<b>6 050</b>	<b>5 524</b>	
<b>Total assets</b>	<b>25 944</b>	<b>21 415</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital	4 297	4 334	Share buyback and cancellation of 12.7 million shares for R251 million.
Treasury shares	(3 851)	(3 853)	
Other reserves	783	447	
Retained earnings	7 894	8 611	
Equity attributable to owners of the parent	9 123	9 539	
Preference share capital and premium	644	644	
Non-controlling interest	32	52	
<b>Total shareholders' equity</b>	<b>9 799</b>	<b>10 235</b>	
<b>Non-current liabilities</b>			
Long-term debt	6 761	5 061	At 30 September 2020, Group net debt increased to R6 423 million (2019: R5 114 million). The increase is due to lower operating profit in conjunction with ongoing capital expenditure, tax, the 2019 final dividend payment, and share buybacks effected in November and December 2019. These items amounted to R2 711 million (2019: R4 308 million). This outflow was partially offset by receipt of the proceeds from the sale of the UK properties.
Long-term lease liabilities	3 546	—	
Financial liabilities	64	44	
Post-employment healthcare benefit obligations	469	487	
Deferred lease liabilities	—	54	
Deferred taxation	288	238	
<b>Total non-current liabilities</b>	<b>11 128</b>	<b>5 884</b>	
<b>Current liabilities</b>			
Trade and other payables	3 230	3 462	
Short-term debt	1 108	1 780	
Short-term lease liabilities	499	—	
Financial liabilities	115	26	
Taxation payable	61	23	
Bank overdrafts	4	5	
<b>Total current liabilities</b>	<b>5 017</b>	<b>5 296</b>	At 30 September 2020, the Group had cash resources and committed, undrawn facilities of R5.6 billion available.
<b>Total equity and liabilities</b>	<b>25 944</b>	<b>21 415</b>	

# Summarised Group statement of cash flows

for the year ended 30 September

Rm	2020	2019
<b>Cash flows from operating activities</b>		
Cash received from customers	18 409	21 890
Cash paid to suppliers and employees	(16 917)	(17 002)
<b>Cash generated from operations</b>	<b>1 492</b>	4 888
Interest paid on debt	(580)	(602)
Interest paid on lease liabilities	(367)	—
Taxation paid	(601)	(967)
Ordinary dividends paid by subsidiaries	(11)	(21)
Ordinary dividends paid	(860)	(1 454)
Special dividends paid	—	(542)
Preference dividends paid	(54)	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts	(11)	(26)
<b>Net cash from operating activities</b>	<b>(992)</b>	1 222
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(961)	(1 378)
Additions to intangible assets	(38)	(51)
Proceeds on disposal of property, plant and equipment and intangible assets	38	193
Proceeds on disposal of investment in associate	778	—
Payments for investments and loans	(4)	(66)
Interest received	156	172
Dividends received	89	8
Cash and cash equivalents of businesses deconsolidated	—	(3)
<b>Net cash from investing activities</b>	<b>58</b>	(1 125)
<b>Cash flows from financing activities</b>		
Proceeds on disposal of treasury shares	2	22
Purchase of ordinary shares	(251)	(458)
Debt raised	3 621	2 748
Debt repaid	(2 575)	(2 050)
Acquisition of non-controlling interests	(2)	—
Proceeds from issue of shares to non-controlling interests	—	3
Payment of principal elements of lease liabilities	(142)	—
<b>Net cash from financing activities</b>	<b>653</b>	265
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(281)</b>	362
Cash and cash equivalents at the beginning of the year	1 727	1 365
<b>Cash and cash equivalents at the end of the year</b>	<b>1 446</b>	1 727

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

# Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve	Foreign currency translation reserve
<b>Balance at 1 October 2018</b>	4 391	(3 871)	(15)	112
Shares purchased and cancelled during the year <sup>1</sup>	(57)	—	—	—
Sale of treasury shares	—	18	—	—
Reclassification of investment fair value reserve to retained earnings	—	—	—	—
Reclassification of reserves	—	—	—	13
Share-based payment reserve movements	—	—	—	—
Written put option over non-controlling interest	—	—	—	—
Tax recognised in equity	—	—	—	—
Preference dividends paid	—	—	—	—
Ordinary dividends paid	—	—	—	—
Special dividends paid	—	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE <sup>2</sup> trusts	—	—	—	—
Changes in equity interest in subsidiaries	—	—	—	—
Total comprehensive income for the year	—	—	(32)	(129)
Profit for the year	—	—	—	—
Other comprehensive income	—	—	(32)	(129)
<b>Balance at 1 October 2019</b>	<b>4 334</b>	<b>(3 853)</b>	<b>(47)</b>	<b>(4)</b>
Shares purchased and cancelled during the year <sup>1</sup>	(37)	—	—	—
Sale of treasury shares	—	2	—	—
Share-based payment reserve movements	—	—	—	—
Tax recognised in equity	—	—	—	—
Preference dividends paid	—	—	—	—
Ordinary dividends paid	—	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE <sup>2</sup> Trusts	—	—	—	—
Changes in equity interests in subsidiaries	—	—	—	—
Total comprehensive income for the year	—	—	(59)	4
Profit for the year	—	—	—	—
Other comprehensive income	—	—	(59)	4
<b>Balance at 30 September 2020</b>	<b>4 297</b>	<b>(3 851)</b>	<b>(106)</b>	<b>—</b>

#### Notes

1. The Group purchased 12.7 million shares (2019: 19.2 million shares) at an average price of R19.68 (2019: R24.11) per share. The shares have subsequently been cancelled and now form part of authorised shares not issued.

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

Investment fair value reserve	Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
90	448	8 526	9 681	644	50	10 375
—	—	(401)	(458)	—	—	(458)
—	—	3	21	—	—	21
(90)	—	90	—	—	—	—
—	—	(13)	—	—	—	—
—	50	—	50	—	—	50
—	—	(9)	(9)	—	—	(9)
—	—	(9)	(9)	—	—	(9)
—	—	—	—	(54)	—	(54)
—	—	(1 454)	(1 454)	—	(21)	(1 475)
—	—	(542)	(542)	—	—	(542)
—	—	(30)	(30)	—	—	(30)
—	—	(9)	(9)	—	(8)	(17)
—	—	2 459	2 298	54	31	2 383
—	—	2 393	2 393	54	31	2 478
—	—	66	(95)	—	—	(95)
—	<b>498</b>	<b>8 611</b>	<b>9 539</b>	<b>644</b>	<b>52</b>	<b>10 235</b>
—	—	(214)	(251)	—	—	(251)
—	—	—	2	—	—	2
—	<b>391</b>	—	<b>391</b>	—	—	<b>391</b>
—	—	(11)	(11)	—	—	(11)
—	—	—	—	(54)	—	(54)
—	—	(860)	(860)	—	(11)	(871)
—	—	(11)	(11)	—	—	(11)
—	—	1	1	—	(2)	(1)
—	—	<b>378</b>	<b>323</b>	<b>54</b>	<b>(7)</b>	<b>370</b>
—	—	<b>392</b>	<b>392</b>	<b>54</b>	<b>(7)</b>	<b>439</b>
—	—	(14)	(69)	—	—	(69)
—	<b>889</b>	<b>7 894</b>	<b>9 123</b>	<b>644</b>	<b>32</b>	<b>9 799</b>

# Headline earnings

for the year ended 30 September

Rm	2020	2019
<b>Reconciliation of headline earnings</b>		
Profit for the year	439	2 478
<i>Adjusted for:</i>		
Dividends paid on shares attributable to the Forfeitable Share Plan and HPFL B-BBEE <sup>1</sup> trust units	(14)	(16)
Preference shareholders	(54)	(54)
Non-controlling interest	7	(31)
<b>Profit for the purposes of basic and diluted earnings per share</b>	<b>378</b>	<b>2 377</b>
<i>Adjusted for:</i>		
Net loss on disposal of investments in subsidiaries	—	25
Profit on disposal of investment in associate	(522)	—
Net loss/(profit) on disposal of property, plant and equipment and intangibles	8	(64)
Recognition of impairment of right of use assets	1	—
Realisation of foreign currency translation reserve	4	(128)
Recognition of impairment of investment in associate	35	5
Recognition of impairment of property, plant and equipment	3	7
Tax effect of headline adjusting items	45	9
<b>Headline (loss)/earnings</b>	<b>(48)</b>	<b>2 231</b>

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

Rm	2020	2019
<b>Adjusted headline earnings</b>		
Headline (loss)/earnings	(48)	2 231
<i>Adjusted for:</i>		
Amortisation of cash flow hedge accounting reserve	17	5
De-designation of a portion of a hedging instrument	16	—
Recognition of loan impairment	105	19
Health Market Inquiry	—	34
Share-based payment expense on B-BBEE transaction	348	—
Fair value losses on derivative financial instruments	—	1
Restructure costs incurred by Netcare in respect of BMI Healthcare	1	13
Ineffectiveness losses/(gains) on cash flow hedges	2	(4)
Restructure costs incurred by Hospital division	—	22
Associate restructure costs	4	—
Tax effect of adjusting items	(11)	(19)
<b>Adjusted headline earnings</b>	<b>434</b>	<b>2 302</b>
Cents		
<b>Headline (loss)/earnings per share</b>	<b>(3.6)</b>	<b>165.9</b>
<b>Diluted headline (loss)/earnings per share</b>	<b>(3.6)</b>	<b>164.3</b>
<b>Adjusted headline earnings per share</b>	<b>32.5</b>	<b>171.2</b>
<b>Diluted adjusted headline earnings per share</b>	<b>32.3</b>	<b>169.5</b>

The Forfeitable Share Plan options and the 2020 allocation of HPFL B-BBEE trust units were not included in the calculation of diluted earnings per share because they are anti-dilutive in the current year.

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



# Summarised segment report

for the year ended 30 September

## Segment report - 2020

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

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

2. Earnings before interest, tax, depreciation and amortisation.

## Segment report - 2019

Rm	Hospital and pharmacy operations <sup>1</sup>	Non-acute services	Hospital and Emergency services	Primary Care	Inter-segment elimination <sup>2</sup>	Group
<b>Statement of profit or loss</b>						
<b>Revenue</b>	19 800	1 104	20 904	701	(16)	21 589
<b>EBITDA<sup>3</sup> - before item below</b>	4 162	118	4 280	108	—	4 388
Depreciation and amortisation	(645)	(58)	(703)	(45)	—	(748)
<b>Operating profit - before item below</b>	3 517	60	3 577	63	—	3 640
Realisation of foreign currency translation reserve	128	—	128	—	—	128
<b>Operating profit</b>	3 645	60	3 705	63	—	3 768
<b>Additional segment information</b>						
Impairment of property, plant and equipment	—	(7)	(7)	—	—	(7)

1. EBITDA and operating profit in 2019 are inclusive of UK related restructure costs amounting to R13 million, Hospital division restructure costs amounting to R22 million, a loss on disposal of a subsidiary amounting to R27 million and profit on disposal of property, plant and equipment amounting to R69 million.

2. Relates to revenue earned in the Hospital and Emergency services segment.

3. Earnings before interest, tax, depreciation and amortisation.

Restated to reflect the impact of the integration of 15 Medicross day clinics into Hospital and pharmacy operations.

# Glossary

An explanation of some of the terms and abbreviations used in this integrated report is shown below.

<b>AGM:</b>	annual guaranteed meeting
<b>AI:</b>	artificial intelligence
<b>AMIP:</b>	Asset Management Improvement project
<b>API:</b>	active pharmaceutical ingredients
<b>ARM:</b>	alternative reimbursement model
<b>B4SA:</b>	Business for South Africa
<b>B-BBEE:</b>	broad-based black economic empowerment
<b>Board:</b>	the Board of directors
<b>BSI:</b>	British Standards Institution
<b>CAGR:</b>	compound annual growth rate
<b>CDP:</b>	formerly the Carbon Disclosure Project
<b>CEO:</b>	Chief Executive Officer
<b>CEP:</b>	customer engagement platform
<b>CFO:</b>	Chief Financial Officer
<b>CFROI:</b>	cash flow return on investment
<b>COVID-19:</b>	Coronavirus disease 2019
<b>CPC:</b>	Clinical Practice Committee
<b>CPI:</b>	consumer price index
<b>CSI:</b>	corporate social investment
<b>DAB:</b>	Digital Advisory Board
<b>Dividend cover:</b>	adjusted headline earnings per share dividend by total dividends per share
<b>DoH:</b>	Department of Health
<b>dtic :</b>	Department of Trade, Industry and Competition
<b>EAP (in terms of B-BBEE):</b>	economically active population
<b>EAP (in terms of employee wellbeing):</b>	employee assistance programme
<b>EBITDA:</b>	earnings before interest, taxation, depreciation and amortisation
<b>EBITDA margin:</b>	EBITDA expressed as a percentage of revenue
<b>Effective tax rate:</b>	taxation expressed as a percentage of profit before taxation

<b>EMEs:</b>	emerging micro enterprises
<b>EMR:</b>	electronic medical record
<b>ESD:</b>	enterprise and supplier development
<b>ESG:</b>	environmental, social and governance
<b>Exco:</b>	Executive Committee
<b>FIM:</b>	Functional Independence Measure
<b>FNB:</b>	First National Bank
<b>FSP:</b>	Forfeitable Share Plan
<b>GBV:</b>	gender-based violence
<b>GDP:</b>	gross domestic product
<b>GHG:</b>	General Healthcare Group Limited, a subsidiary in the UK
<b>GHG PropCo 2:</b>	six properties acquired from Nuffield in 2008 and incorporated as part of GHG in the UK
<b>GJ:</b>	gigajoules
<b>GLEC:</b>	governance, legal, ethics and compliance
<b>GPs:</b>	general practitioners
<b>GRI:</b>	Global Reporting Initiative
<b>GWh:</b>	gigawatt hours
<b>HASA:</b>	Hospital Association of South Africa
<b>HCRW:</b>	healthcare risk waste
<b>HEPS:</b>	headline earnings per share
<b>Headline earnings:</b>	this comprises the earnings attributable to owners of the parent after adjusting for specific re-measurements as defined in Circular 2/2013 issued by the South African Institute of Chartered Accountants
<b>HIMSS:</b>	Healthcare Information and Management Systems Society
<b>HPCSA:</b>	Health Professions Council of South Africa
<b>HPFL:</b>	Health Partners For Life
<b>HWSETA:</b>	Health and Welfare Sector Education and Training Authority
<b>ICAS:</b>	Independent Counselling and Advisory Services
<b>ICU:</b>	intensive care unit

<b>IFRS:</b>	International Financial Reporting Standards
<b>IIA:</b>	Institute of Internal Auditors
<b>Interest cover:</b>	operating profit divided by net interest paid
<b>IPC:</b>	infection prevention and control
<b>ISO:</b>	International Organization for Standardization
<b>IT:</b>	information technology
<b>JOC:</b>	Joint Operations Centre
<b>JSE:</b>	JSE Limited
<b>King IV:</b>	King Report on Corporate Governance for South Africa
<b>Kl:</b>	kilolitres
<b>kWh:</b>	kilowatt hours
<b>LTI:</b>	long-term incentive
<b>MEURI:</b>	monitored emergency use of unregistered interventions
<b>NCDs:</b>	non-communicable diseases
<b>NDoH:</b>	National Department of Health
<b>NEC:</b>	Necrotising enterocolitis
<b>Nedlac:</b>	National Economic Development and Labour Council
<b>Net debt:</b>	long-term debt, short-term debt and bank overdrafts net of cash and cash equivalents
<b>Net debt to EBITDA:</b>	net debt divided by EBITDA
<b>NHI:</b>	National Health Insurance (South Africa)
<b>NICD:</b>	National Institute of Communicable Diseases
<b>NPAT:</b>	net profit after tax
<b>NPV:</b>	net present value
<b>NQF:</b>	National Qualifications Framework
<b>OHS:</b>	occupational health and safety
<b>PCI:</b>	personalised clinical information

<b>POPIA:</b>	Protection of Personal Information Act
<b>PPE:</b>	personal protective equipment
<b>PPPs:</b>	public private partnerships
<b>PREMs:</b>	patient reported experience measures
<b>PROMs:</b>	patient reported outcome measures
<b>PUIs:</b>	persons under investigation
<b>PV:</b>	photovoltaic
<b>PVC:</b>	polyvinyl chloride
<b>QMS:</b>	quality management system
<b>QSEs:</b>	qualifying small enterprises
<b>Return on equity:</b>	profit for the year divided by average total shareholders' equity
<b>ROCE:</b>	return on capital employed
<b>ROIC:</b>	return on invested capital
<b>SA:</b>	South Africa
<b>SAICA:</b>	South African Institute of Chartered Accountants
<b>SANC:</b>	South African Nursing Council
<b>Sequelae:</b>	a condition which is the consequence of a previous disease or injury.
<b>SBTi:</b>	Science-based Target Initiative
<b>SHEQ:</b>	safety, health, environmental sustainability and quality management
<b>SMMEs:</b>	small, medium and micro enterprises
<b>STI:</b>	short-term incentive
<b>tCO<sub>2</sub>e:</b>	tonnes of carbon dioxide equivalent
<b>VON:</b>	Vermont Oxford Network
<b>YES:</b>	Youth Employment Service
<b>WACC:</b>	weighted average cost of capital
<b>WHO:</b>	World Health Organization

# Corporate information

## Netcare Limited

Registration number: 1996/008242/06  
(Incorporated in the Republic of South Africa)  
JSE ordinary share code: NTC  
ISIN: ZAE000011953  
JSE preference share code: NTCP  
ISIN: ZAE000081121  
(Netcare or the Company)

## Registered office

76 Maude Street (corner West Street),  
Sandton 2196, Private Bag X34  
Benmore 2010

## Executive directors

RH Friedland (Chief Executive Officer),  
KN Gibson (Chief Financial Officer)

## Non-executive directors

T Brewer (Chair), MR Bower, B Bulo,  
L Human, D Kneale, MJ Kuscus, KD Moroka,  
N Weltman

## Company Secretary

Charles Vikisi

## Sponsor

Nedbank Corporate and Investment Banking  
135 Rivonia Road  
Sandown, 2196

## Transfer secretaries

4 Africa Exchange Registry (Pty) Ltd  
Cedar Woods House  
Ballywoods Office Park  
33 Ballyclare Drive  
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Tel: 011 100 8352

## Investor relations

[ir@netcare.co.za](mailto:ir@netcare.co.za)

# Shareholders' diary

<b>Annual general meeting</b>	05 February 2021	
<b>Reports</b>		
Interim results announcement	May	
Final results announcement	November	
<b>Dividends</b>		
<b>Ordinary dividends</b>	Declared	Paid
Interim	May	July
Final	November	January
<b>Preference dividend</b>		
Interim	April	May
Final	October	November

## Disclaimer

Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements. Any forward-looking information contained in this notice has not been reviewed or reported on by the Company's external auditors.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake other than in terms of the Listings Requirements of the JSE Limited, to update or revise any statement, whether as a result of new information, future events or otherwise.



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