Our report

The Netcare annual integrated report, for the year ended 30 September 2019, provides concise and material information on the Group's strategy, governance, performance and prospects. It describes our strategy to create sustainable competitive advantage in a fast-changing landscape, and assesses our progress in executing on it. Our ability to deliver outstanding person-centred health and care, which is at the core of our strategy, depends on the quality of our relationships with our stakeholders in the healthcare value chain. Our credibility as a trusted corporate citizen, depends on the goodwill of our many other stakeholders. Our report, therefore, is addressed to all our stakeholders, in our sector and society, with whom we partner and to whom we account in creating value.

Our stakeholders

We define our key stakeholders based on the extent of their input into our business activities and their impact on our outputs or outcomes.

Our key stakeholders include:

- **Patients**: medically insured, public, self-pay and foreign government-funded.
- **Employees**: nurses, paramedics, pharmacists, IT specialists, facilities management teams, management and administration teams, and contract staff.
- **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.
- **Investors**: shareholders and the investment community.
- **Society**: the aggregated interests of current and future generations of stakeholders (media and academia being proxy for these interests), communities, sponsorship partners and non-profit organisations.

During the year, an independent consultant evaluated our engagement model, finding that most of our engagement methods are robust. More proactive, regular and transparent engagement with the media was identified as an area for improvement. Based on this review, we are enhancing our engagement model. The Group's digital strategy will redefine the way we engage with our patients as well as doctors and funders. Engagement on the electronic medical records (EMRs) pilot being implemented in the Hospital division has already been extensive, and the personalised clinical information tool has improved our engagement with doctors and funders. The introduction of malus and clawback provisions in our remuneration policy is in line with shareholder recommendations. These and other stakeholder engagement initiatives are featured throughout this report.

**Key stakeholder concerns**: page 36.

**Stakeholder engagement approach**: page 21 of the full corporate governance report.

Materiality

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, and which are likely to influence their decisions in assessing this ability, are considered material. The process to determine material matters and their grouping into the five themes below was refined during the year, and is explained in the material matters section on page 36.

The material matters, mapped to the Group's strategic priorities, informed the preparation of and are discussed throughout the integrated report.

**Materiality themes**

- Deliver outstanding person-centred health and care.
- Adapt proactively to developments in the local and global healthcare sectors.
- Demonstrate our commitment to transforming healthcare in SA.
- Defend and grow sustainable profitability.
- Continue to develop visionary and effective leadership.
Scope

The integrated report covers all 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 our Public Private Partnerships (PPPs) in SA and Lesotho.

Reporting structure

We aim to continually improve the quality of our reporting, specifically its usefulness to our stakeholders, in our application of evolving best practice. The top ten ranking of the 2018 Annual Integrated Report in the EY Excellence in Integrated Reporting Awards, and recognition as the top report in the mid-cap category in the Chartered Secretaries Southern Africa/JSE Integrated Reporting Awards, are welcome acknowledgments that we are on the right path. No major changes have been made to the structure of our report this year. Stakeholders will note the additional space given to our clinical outcome measures, focus stories on critical strategic projects and ‘governance in action’, to illustrate how strategy and governance come alive in the Group. Other improvements include enhancing the veracity of our materiality determination process and improving the connectivity of information.

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).

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

The British Standards Institution (BSI) again awarded Netcare centralised ISO 9001:2015 certification in 2019, covering the Hospital division, Netcare Cancer Care (radiotherapy), Netcare 911, Medicross, National Renal Care and Netcare Education. In addition, Netcare will use the HIMSS Analytics Electronic Medical Record Adoption Model to score our EMR capabilities.

Empowerdex has assured the Group’s contributor rating according to the revised Department of Trade and Industry’s Code of Good Practice for Broad-based Black Economic Empowerment (B-BBEE).

Global Carbon Exchange SA Proprietary Limited has independently assured our carbon emissions and energy and water indicators for the purpose of reporting to the CDP.


Deloitte & Touche has provided unmodified assurance on the Group annual financial statements. The summarised format of the Group consolidated annual financial statements, starting on page 136, is an extract from the audited Group consolidated annual financial statements.

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 the short, medium and long term. The material matters and the annual financial statements of the Group for the year ended 30 September 2019 were approved by the Board on 14 November 2019 and are signed on its behalf by:

Thembedrie 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. Email your feedback to ir@netcareinvestor.co.za.
Our Netcare promise

While you are in our care we promise you the following:

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.
What we do

Our service platforms

Our business

What we do

Private hospitals

56 acute hospitals with 10,471 beds, including PPPs and Lesotho.

15 cancer care centres, including the Netcare Milpark Breast Care Centre of Excellence, accredited by the National Accreditation Programme for Breast Centres.

We operate 26 trauma units accredited by the Trauma Society of South Africa, with Netcare Milpark, Netcare St Anne’s and Netcare Union hospitals being the only accredited Level 1 trauma hospitals in SA.

21,061 employees, including PPPs and Lesotho.

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

Growth areas: specialised cancer treatment and new markets (formally and informally employed but uninsured).

List of accredited facilities: page 71.

- Dedicated acute mental health facilities.

Growth areas: psychiatric treatment and services, and new facilities.

1. 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

83 emergency bases with 202 ambulances and emergency response vehicles.

The Emergency Operations Centre manages over 1,000,000 calls a year.

The only emergency service in Africa that is fully digitised.

- 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.

**Growth area:** industrial operations.

Primary care

86 primary healthcare facilities, including 15 day clinics and Lesotho.

109,000 lives covered by occupational health services.

- Family medical and dental clinics providing access to GPs and dentists, as well as radiology, pathology, pharmacy and physiotherapy practitioners.
- Day clinics for non-acute procedures and care.
- Sub-acute and rehabilitation hospitals.
- Occupational health and wellness services to contracted employer groups.
- Travel clinic services.

**Growth area:** industrial operations.

Renal care

67 renal dialysis facilities.1

936 dialysis stations.1

**Growth area:** chronic renal dialysis.

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.

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

Public private partnerships

- PPPs with the Department of Health (DoH) in SA, including facilities management in two public hospitals with co-located private facilities.
- Partnership with the Lesotho Government, providing facilities management and clinical services for the country’s flagship 425-bed Queen ‘Mamohato Memorial Hospital in Maseru and four primary care clinics.
- National Renal Care has 11 PPPs, ensuring that dialysis services are accessible to many publicly funded patients.
How we create value

We balance our approach to growth, profitability and value creation for all stakeholders with generating competitive returns for our shareholders, over the long term. This balance depends on the careful management of capital inputs to our business model to ensure that the interests of our stakeholders – as providers of these capitals – are served in the outcomes we achieve for them, for society and for Netcare.
Our business model

Inputs

In the healthcare value chain, we connect complex relationships and manage scarce resources, critical to delivering on our purpose. 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
- The quality of our relationships – particularly with healthcare practitioners, funders and suppliers – directly impacts our ability to deliver the highest quality of person-centred health and care to our patients.
- The quality of our relationships with regulators, government and communities protects our commercial and social licences to operate, and determines our ability to contribute effectively to broadening access to quality healthcare.
- We are enhancing our stakeholder management model to ensure key stakeholder concerns are appropriately escalated and addressed. In addition, our strategic initiatives are redefining our relationships with patients, healthcare practitioners and other key stakeholders.

Human and intellectual capital
- Our experienced leadership teams have deep institutional knowledge and a drive to disrupt and innovate, which ensures in the continual evolution and refinement of our management systems and re-engineering of our patient care pathways.
- 468 future supervisors, managers and leaders participated in a development programme (2018: 615).
- We are building capacity, enhancing communications and focusing on change management to ensure that our people continue to deliver superior person-centred care and quality outcomes underpinned by digital processes.
- R7 206 million (2018: R6 921 million) paid as salaries to our skilled employees, who are supported by a caring, values-driven culture – the Netcare Way.
- R84 million (2018: R70 million) invested in the ongoing development of our employees and healthcare practitioners, suitably equipping them to deal with new ways of working and the digitisation of our business.
- R55 million of capital expenditure invested to date in digitising our service platforms.

Manufactured and natural capital
- We use data to inform our asset management strategies. We are targeting higher demand disciplines to optimise our capacity. Our environmental sustainability programme secures critical utilities given the unstable national supply, while containing costs and reducing environmental impact.
- R1 429 million (2018: R1 234 million excluding UK) capital expenditure invested in the purchase, development and maintenance of specialised healthcare facilities and technologically-advanced medical equipment as well as intangible assets. R512 million was spent on expansionary projects.
- R496 million invested in environmental sustainability since 2013.
- Only 0.98 million gigajoules (GJ) (2018: 0.96 million GJ) of energy consumed, despite the addition of Akeso Clinics. This excludes 12 gigawatt hours of renewable energy from photovoltaic installations.
- 2.13 million kilolitres (2018: 2.07 million kilolitres) of water consumed.

Financial capital
- We have strict policies for efficient capital management and allocation.
- Equity capital from shareholders of R10 235 million (2018: 10 415 million) and net debt of R5 114 million (2018: 4 805 million).
- Our ability to generate cash provides us with the liquidity to fund working capital, replace capital equipment and invest for growth.
The Quadruple Aim is an international framework that aims to optimise the performance of healthcare systems through the integration of four critical objectives. Our commitment to the framework challenges 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.

Creating measurable value: page 8.
Creating **measurable value**

We balance our approach to growth, profitability and value creation for all stakeholders with generating competitive returns for our shareholders over the long term. This balance depends on the careful management of capital inputs to our business model to ensure that the interests of our stakeholders – as providers of these capitals – are served. In the outcomes we achieve for our stakeholders, for society and for Netcare, considered trade-offs are needed over time, given the capital intensity of healthcare and the skills, competitive, regulatory and funding demands in the sector. Our response to these realities is the accelerated investment in our strategy to provide person-centred health and care that is digitally enabled and data driven. This will enable us to achieve the integrated objectives of the *Quadruple Aim* in a sustainable way, while also driving Netcare's long-term competitiveness and growth.

**RELATIONSHIP CAPITAL**

### Value created for patients

- Access to world-class healthcare and experienced and dedicated doctors, cutting-edge medical technology, as well as specialised centres of excellence.
- An excellent experience delivered by skilled and caring nurses and employees who listen, understand and respond to their concerns.
- High-quality clinical outcomes.
- Access to medical records and information, empowering them to make decisions relating to their treatment.

### Published our clinical outcome measures.

78% of patients surveyed said our nurses always treated them with courtesy and respect.  
*(2018: 71%)*


Winner of the national 2019/2020 Ask Afrika Orange Index Award for service excellence in the private hospital category for the fourth consecutive year (ranked top 5% of 188 companies measured).

112 doctors  
the net gain of specialists in acute hospital and mental health facilities.

3 105 employees received training on *Caring the Netcare Way*.  
*(2018: 2 458)*
Value created for doctors and other healthcare practitioners

- The best clinical outcomes delivered through:
  - A world-class quality management system and consistently high level of clinical outcomes.
  - Physician Advisory Board meetings, as well as mortality and morbidity meetings.
  - Process alignment with the Quadruple Aim.
  - Excellent nursing support, including cancer navigators.
  - Efficient procurement.
- Inclusion in restricted provider networks.
- Training sessions and forums that facilitate continuous professional development.
- In Medicross, practice management, administration and support services enabled by effective IT systems.

Over 2 000 healthcare practitioners provided with the Personalised Clinical Information tool to help them evaluate their decision-making to achieve improved value.

20 roadshows undertaken to introduce our healthcare practitioners across SA to digitisation and the CareOn EMR system.

56 specialists as part of the Digital Advisory Board, participated in blueprinting sessions for the CareOn EMR system to be implemented in the Hospital division.

Value created for funders

- World-class healthcare for their members, leading to healthy, satisfied members and their families.
- Improved adherence to treatment pathways through the cancer navigation programme and focused clinical improvement projects.
- Access to quality data and collaboration on common objectives.
- Appropriate utilisation and cost containment realised from automated processes and data application.

Value created for suppliers

- Fair and transparent tender processes and negotiated contractual terms that support their businesses.
- Preferential procurement practices and enterprise and supplier development (ESD) initiatives, aimed at advancing black businesses.

R12.9 billion total procurement spend.
(2018: R12.3 billion)

R8.5 billion of our total procurement spend was measurable under the dti Codes. Of this amount, 107% of measurable spend was with B-BBEE-compliant suppliers.
(dtI target: 80%)

1. The Department of Trade and Industry's revised Broad-based Black Economic Empowerment Codes of Good Practice.
Value created for society

- Employer funded healthcare benefits companies in the form of lower absenteeism rates, higher productivity and greater employee retention.
- Knowledge sharing with healthcare practitioners and funders, contributing to quality healthcare outcomes.
- Collaboration with government to find solutions that broaden access to quality healthcare in SA.
- Progressing the participation of black people in the economy.
- Providing small, medium and micro enterprises with seed and growth capital and business development support to contribute towards transforming SA’s economy.
- Corporate social investment (CSI) programmes that provide access to healthcare for disadvantaged communities.

Level 4
B-BBEE rating under the dti Codes.
(2018: Level 5)

R65 million
invested in ESD initiatives, with 72.1% qualifying under the dti Codes.
(2018: R46 million)

R31 million
spent on CSI initiatives with approximately 91% of beneficiaries being black people. Of the total spend, 83% was measurable under the dti Codes.
(2018: R35 million)

R20 million (65%)
of our CSI spend was invested in entities that train and develop doctors.
(2018: R23 million)

Value created for Netcare

- A reputation as a healthcare provider that delivers the highest clinical quality outcomes and best practice models of care.
- Consistency of care which delivers cost-effective treatment.
- Digitisation supporting higher accountability within the healthcare value chain, and reduced medico-legal risk, due to the availability and application of data.
- Improved B-BBEE scorecard rating.
- The opportunity to inform health policy through independent research and engagement with policymakers.
Managing key trade-offs in relationship capital: complex relationships in the healthcare value chain

<table>
<thead>
<tr>
<th>Patients</th>
<th>Link to material matters</th>
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</table>
| Empowering patients by enhancing their understanding of the sophisticated services we provide enables them to participate in their own health and care, thereby promoting co-responsibility for better health outcomes. As patients perceive quality of care according to their understanding of the protocols and processes involved in their treatment, increased knowledge should result in better patient experiences. Another important aspect of delivering participatory health and care is to enhance the accessibility and convenience of our network of services. Investments in initiatives like mobile apps, integrated portals and educational booklets may not deliver direct revenue streams but are critical components of delivering an excellent patient experience. | Delivered outstanding person-centred health and care.  
Adapt proactively to developments in the local and global healthcare sectors.  
Defended and grew sustainable profitability.  
Continued to develop visionary and effective leadership. |

**Key outcome for 2019**

Our initiatives that relate to our patients as partners are recent and have not yet become evident in improved patient experience scores.

<table>
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<tr>
<th>Funders</th>
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</table>
| In a highly competitive and stagnant market, 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. We continually engage with funders on alternative reimbursement arrangements and quality outcomes. | Adapt proactively to developments in the local and global healthcare sectors.  
Defended and grew sustainable profitability.  
Continued to develop visionary and effective leadership. |

**Key outcomes for 2019**

- Full week acute hospital occupancy of 65.9% compared to 66.6% in 2018.
- 3.7% increase in total patient days (2018: 5.9% increase) – 1.4% decline in acute hospital patient days¹ offset by strong growth of 17.9% in Akeso Clinics.

<table>
<thead>
<tr>
<th>Doctors and specialists</th>
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</table>
| Our relationship with doctors and specialists is fundamental to patient outcomes. Ensuring best practice standards across the network relies on consulting with doctors to maintain alignment with policies relating to ethics, clinical quality, and appropriate utilisation of resources. We prioritise the ethical behaviour and clinical quality of the doctors practising in our facilities over the revenue they generate and rescind practising privileges when policies are contravened. | Delivered outstanding person-centred health and care.  
Adapt proactively to developments in the local and global healthcare sectors.  
Defended and grew sustainable profitability. |

**Key outcomes for 2019**

- Implemented the personalised clinical information tool to measure clinical performance benchmarked against peer performance to drive best practice.
- Net increase of 112 doctors with practising privileges in acute hospital and mental health facilities (2018: net gain of 114 in acute hospitals).

¹ The decline in acute patient days is primarily attributed to the creation of new hospital networks by funders, effective January 2019, and ongoing funder case management activity, most notably in the medical respiratory disciplines.
Value created for our people

- A work environment that provides sustainable income, fosters a caring and values-based culture and encourages, recognises and rewards outstanding contributions to the business.
- A safe clinical environment that enables our people to deliver the highest standards of care.
- Career advancement and opportunities to improve their professional development.
- Change management programmes to help them adapt to digitally enabled ways of working.
- Transparent and proactive relationships between Netcare and union representatives.
- Comprehensive employee wellness programmes.

19 915¹
people employed.
(2018: 20 946)

An additional 1 146 are supported in PPPs.
(2018: 1 219)

63.1
employee engagement index score in 2017².
(2015: 65.1)

90%
of skills spend was on black employees³.
(2018: 90%)

79.3%
of employees participated in performance and career development reviews.
(2018: 83.7%)

41.4%
black representation at senior management level.
(2018: 29.2%)

78.3%
of the workforce are black people.
(2018: 77.0%)

Approximately 20 350 permanent employees will benefit from a new share ownership scheme, with 80% being black employees and 65% black women.

14
employee grievances reported with 11 resolved and three referred to ICAS⁴.
(2018: 9)

12 alleged incidents of discrimination reported to the SHOUT⁵ hotline (2018: 15). All reports were investigated with 11 resolved and one under investigation. Where required, action plans have been implemented.

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¹ Excludes National Renal Care and PPPs.
² The next employee engagement assessment is scheduled for 2020.
³ Calculated for the skills period 1 April 2018 to 31 March 2019 as per the Health and Welfare SETA measurement year.
⁴ Independent Counselling and Advisory Services.
⁵ The confidential SHOUT hotline enables employees to report incidents of racism, discrimination and human rights violations.
Value created for society
- Nurses and paramedics trained in excess of our needs, supporting their employability and contributing to addressing SA’s healthcare skills shortage.

Value created for Netcare
- Engaged employees motivated to live the behaviours of the Netcare Way and the skills to meet our strategic priorities and drive our transition towards a digitally enabled business.
- Ability to attract and retain specialised skills.
- Continuous development of IT systems and automated processes to improve the delivery of high quality cost-effective care.

86% of the 133 unemployed youth who successfully completed a Netcare YES programme are employed at Netcare. To date, 589 unemployed youth have been enrolled on a Netcare YES learnership or internship, with a further 234 still to be enrolled.

14.1% employee turnover.
(2018: 12.1%)

143 continuous business improvement IT initiatives completed.
(2018: 280)

Managing key trade-offs in human and intellectual capital: the impact of organisational change

Our people
To successfully re-engineer the way we work requires the allocation of additional resources to mitigate project risk, including contracting with global IT giants, consulting with cybersecurity specialists, equipping employees to deal with change and re-training our people where necessary. Our training and change management programmes are ensuring that our people have the capabilities to:
- Manage the higher risk of disruption to day-to-day business operations;
- Avoid time and cost overruns on critical projects;
- Adapt to new ways of working or be redeployed into new positions; and
- Develop, implement and sustain secure, reliable and effective systems.

User acceptance of our new ways of working will remain a major risk until full roll out of EMRs.

Key outcomes for 2019
- Established a Project Management Office to co-ordinate, manage and mitigate the risks associated with executing our digitisation projects so that our management teams are able to continue focusing on operational and financial performance.
- The success of the initial phases of the EMR pilot (CareOn) in the Hospital division demonstrated innovative responses to risk management, particularly with respect to user-adoption and uptake of this new way of working.
- 16 314 employees (79% of the workforce) received training¹ (2018: 13 693 or 65%).
- Adapted our training to support change management.
- The re-alignment of our operations resulted in 197 employees being redeployed into alternative positions in the Hospital division and the unavoidable involuntary retrenchment of 91 employees.

Link to material matters
- Deliver outstanding person-centred health and care.
- Adapt proactively to developments in the local and global healthcare sectors.
- Defend and grow sustainable profitability.
- Continue to develop visionary and effective leadership.

¹. Calculated for the skills period 1 April 2018 to 31 March 2019 as per the Health and Welfare SETA measurement year.
Value created for patients, doctors and other healthcare practitioners

- The most clinically advanced and appropriate medical equipment, consumables and pharmaceuticals.
- Optimal facility infrastructure.

57 new mental health hospital beds added.

29 acute hospital beds converted to high demand disciplines. In addition, 48 beds were opened as part of the expansion project at Netcare Milpark Hospital with another 52 beds to open in February 2020. (2018: 62)

Opened the expanded and refurbished Akeso Clinic in George.

Opened the Foreshore Day Clinic adjacent to the Netcare Christiaan Barnard Memorial Hospital.

Expanded our helicopter emergency service to include the KwaZulu-Natal and Western Cape provinces.

Expanded our fleet of continuous renal replacement therapy machines.

Value created for society

- Enhanced national healthcare infrastructure.
- A world-class private healthcare system able to serve the needs of employed citizens, easing the burden on public healthcare providers.
- Reduced reliance on municipal electricity and water, freeing up resources for communities.
- Prevention of public and employee health risks through the responsible treatment of medical waste.

R87 million saved on electricity costs. (2018: R77 million)

21% decrease in our energy intensity footprint since 2013. In monitored acute hospital facilities, electricity used per bed has decreased 18% from the 2013 baseline. (2013 baseline: 24 437 kilowatt hours per bed in use per year)

0.8% reduction in water consumed against the 2015 baseline. (2015 baseline: 2 148 554 kilolitres)


275 613 tonnes of carbon dioxide equivalent (tCO₂e) across Scopes 1, 2 and 3 emissions. (2018: 256 469 tCO₂e)

Won the 2019 Association of Energy Engineers (USA) Corporate Energy Management Award for the Sub-Saharan Africa region.
Managing key trade-offs in manufactured and natural capital: investing in our asset base

<table>
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<tr>
<th>Installed asset base</th>
<th>Link to material matters</th>
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<tr>
<td>Our investment in an asset-light strategy that emphasises new systems and processes does not preclude investment in our installed asset base which remains essential to attracting specialists and providing patients with good outcomes and experiences. Maintaining and upgrading our extensive network of facilities and medical equipment, 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 maintain our margins and generate better returns.</td>
<td>Deliver outstanding person-centred health and care.</td>
</tr>
<tr>
<td><strong>Key outcome for 2019</strong></td>
<td>Defend and grow sustainable profitability.</td>
</tr>
<tr>
<td>- Return on invested capital (ROIC) of 20.1% (2018: 19.9%), achieving our target of &gt;20%.</td>
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FINANCIAL CAPITAL

**Value created for shareholders**
- Defined framework for optimal capital structure, disciplined capital allocation and granular measurement of returns.
- Access to an experienced Board and executive team.
- Solid track record of operational excellence over time.

**Value created for society**
- Direct investment in SA’s economy with close to 20 000 jobs sustained.

**Value created for Netcare**
- Strong balance sheet.
- An improved credit rating of AA- long term (compared to A+ in 2018) and A1+ short term by Global Credit Ratings Co.

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**R2 673 billion**
Distributed to providers of capital.
(2018: R2 014 billion)

**3.0%**
Increase in adjusted headline earnings per share to 171.2 cents.
(2018: 166.21 cents)

**R967 million**
In taxes paid to governments.
(2018: R916 million)

**R26 million**
Distributed to beneficiaries through the B-BBEE Health Partners for Life Trusts.
(2018: R21 million)

**R4 888 million**
Cash generated from SA operations.
(2018: R4 305 million)

**111.4%**
Cash conversion ratio for SA operations.
(2018: 102.3%)

**R21 589 million**
Net revenue.
(2018: R20 717 million)

**5.7%**
SA revenue compound annual growth rate over five years.

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1. Base equalised to exclude prior year’s interest income on contractual economic interest in BMI Healthcare’s debt.
Managing key trade-offs in financial capital: capital allocation

<table>
<thead>
<tr>
<th>Digital transformation</th>
<th>Link to material matters</th>
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<tr>
<td>Investor expectations for higher returns in the short term must be balanced against our strategy to achieve long-term sustainable competitive advantage and growth, which involves accelerated investment in digitisation and the re-engineering of our processes. To become a digitally enabled organisation requires capital investment in secure, reliable and effective IT and healthcare systems, and change management interventions to ensure effective implementation and adoption by stakeholders, particularly nurses and doctors. As we increase digital connectivity across our services and devices, we also increase our exposure to IT and disruption risks and cybercrime, requiring ongoing investment to ensure our systems are resilient and data is protected. However, the significant improvement in clinical outcomes, patient experience and relationships with doctors and funders, as well as the efficiency gains expected over the long term, far outweigh these more immediate pressures.</td>
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<tr>
<td>Key outcomes for 2019</td>
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<tr>
<td>• Successfully implemented CareOn in three wards at Netcare Milpark Hospital. • Several projects implemented using artificial intelligence.</td>
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<tr>
<td>Operational excellence: page 102</td>
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<tr>
<th>Investors</th>
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<tbody>
<tr>
<td>We are investing heavily in our digital transformation and growth initiatives, and continue to allocate capital expenditure to upgrading our facilities and equipment, in an environment where input cost increases are in excess of revenue growth. These pressures notwithstanding, we must continue to show a compelling investment case, including suitable returns. We have implemented a clear framework for efficient capital allocation and management. This involves the granular measurement of economic profit across the network to determine the drivers of, and impediments to, margins and returns. This enables proactive management of these drivers and impediments within individual facilities.</td>
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<tr>
<td>Key outcomes for 2019</td>
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<td>• Repurchased 19 166 550 shares at a cost of R458 million. Further share buybacks, as the preferred method of returning excess capital to shareholders, are anticipated over the next 12 months. • Special dividend distribution of 40.0 cents per share equating to R542 million. • Ordinary dividend growth of 6.7%, with total ordinary dividend of 111.0 cents a share.</td>
<td></td>
</tr>
<tr>
<td>Financial capital: page 120</td>
<td></td>
</tr>
</tbody>
</table>
Oversight of risk and control and effective implementation of business strategy is inherent to the Board’s duties. We also accept the responsibility to instil and guard the moral compass of our organisation which, for Netcare, finds its highest expression in the service of our patients – people at a time of great vulnerability. From here it extends into being an integral and productive corporate citizen, in all the many forms this takes. In particular, Netcare’s deliberate efforts to create socioeconomic value and to responsibly manage our environmental impact is supported by strong Board oversight.

Thevendrie Brewer.
Board Chair’s review

The Board is confident that Netcare’s strategy will create value for our stakeholders in a healthcare sector that is being fundamentally reshaped. Our people’s dedication to Netcare’s purpose and their focus on implementing our strategy, in the midst of profound change, has been evident in the progress made on critical strategic initiatives and a resilient performance in difficult conditions.

In our fast-changing environment, the integrated report gives us an opportunity to reflect on, and assess, the fundamentals of Netcare’s value proposition to our stakeholders. Our ability to execute confidently on a bold and responsive strategy; the underlying health of our operations and financial position; and, the purpose and values that guide the daily work of everyone at Netcare and our impact on society; are the cornerstones of this value proposition.

In the last year, despite the challenges in our operating environment, the work of managing organisational change and of providing quality health and care, progressed well and without undue interruption. Our focus on change and growth to ensure long-term value creation was balanced with the steady optimisation of our operations, disciplined capital management and cost control. Strong cash flow generation and record cash conversion supported our investment in value creating strategic projects, and in upgrading and maintaining our assets. We were also able to return capital to our shareholders, with the Board approving the repurchase of shares and special dividend payments worth R1 billion in the year.

In addition, Netcare’s contribution to society extended from extensive participation in the process of policy reform and initiatives to drive economic growth, to ongoing engagement with healthcare practitioners and funders towards improved value-based outcomes. We made meaningful progress in transformation, consolidated our leadership in environmental stewardship and our development programmes continued to respond to critical social needs.

Sector stewardship

Universal healthcare is demanding the highest priority as nations, even those in the developed world, struggle to find sustainable ways to realise this goal. In South Africa (SA), access to quality healthcare still reflects historical imbalances after 25 years of democracy. Although the national health budget has increased by 10% a year over the last 10 years, the number of beds, doctors and nurses have decreased. This has severely constrained the public health system’s ability to meet the demands of an increasing population and higher burden of disease. In private healthcare, tough economic conditions are restricting the uptake of private medical schemes, with the industry experiencing stagnant membership growth.

The Competition Commission’s Health Market Inquiry (HMI) and the National Health Insurance (NHI) Bill, aimed at addressing the inequities in healthcare access between the public and private systems, both in their resources and their outcomes, are posing difficult questions to the makers and implementers of policy. This scrutiny on how to build one sustainable and equitable system has yet to translate into consistent, workable and fundable healthcare policy, unambiguous in its directives and enabling in its implications for the wellbeing of the sector.

The recommendations of the HMI were published this year after protracted consultation that placed significant demands on Netcare and other participants. Although we disagree with certain findings of the HMI, we are pleased with its final stance that private hospital profitability is not excessive, that divestiture of hospitals or a moratorium on hospital licences is not warranted and the current bilateral negotiation process between hospital groups and funders is endorsed.

With the publication of the NHI Bill on 8 August 2019, government moved closer to its commitment to provide universal access to healthcare. The Bill paves the way for the establishment of an NHI Fund, which will purchase services from accredited public and private healthcare providers. While Netcare fully embraces the principles of universal healthcare, we are mindful of SA’s economic realities, and the critical need to improve healthcare outcomes at a sustainable cost.

We believe that the viable combination of enabling healthcare policy, expertise, resources and delivery models must be the common aim of partnerships between the public and private sectors. To date, we have, inter alia, made proposals on how to leverage the private sector’s capacity as well as how the private sector could assist to address the country’s shortage of nurses and doctors. We will continue to work constructively with all stakeholders, as we have done both in Netcare’s individual capacity and as an active member of industry associations and partnerships, to find the most appropriate solutions for our stakeholders and our country.

We remain firm in our belief that we can make a meaningful contribution to delivering universal healthcare, contingent on a policy environment that supports the investment integrity of the sector and its ability to attract the capital required for significant change and growth.
Strategic stewardship

The Board has actively supported management in the refinement of Netcare's strategy, as its implementation has gained pace. We are confident that our strategy represents a bold and thoughtful response to the challenges of healthcare economics, improving outcomes, and the demands of the modern-day connected consumer. Integrated care centred on an empowered person making informed wellness decisions improves overall outcomes, for stakeholders within the healthcare value chain and for society. Netcare's comprehensive offering from primary and emergency services to highly specialised hospital care constitutes a unique opportunity to travel the wellness journey with patients, before and after care.

The change process underway to integrate and optimise this capacity responds to the clinical and emotional needs of the patient, who is at the centre of our business model. Our significant investments in digitisation and data management will give time to practitioners to provide personalised and compassionate care to patients and their families. Beyond that, machines and machine intelligence will capture and analyse data faster and more accurately, with profound implications for clinical decision-making, facilities management and resource efficiency.

The Board is acutely aware of the risk and cost associated with investment programmes of this scale and significance. We are also mindful of the greater risk of not driving innovation to improve outcomes for patients, healthcare practitioners and funders alike. We have been closely involved in making sure that the pilot programmes have been pragmatic, planned in detail and thorough in their consideration of costs and consequences. Ensuring that we contract precisely with appropriate partners has been a specific focus in managing project risks.

Our commitment to add value to the implementation of our business transformation programme, not only in oversight but in active guidance, is reflected in recent changes to the Board's composition. Lezanne Human, appointed to the Board in May 2019, has extensive experience in the design and implementation of technology applications aimed at improving efficiency and user experience in the banking sector. Similarly, David Kneale, a highly credible leader in retail health and care, will strengthen our ability to guide Netcare's growth.

Social stewardship

Our strategy, and our values, respond integrally to the needs of the society we serve, far beyond the wellbeing of the patients in our care. The work that Netcare does within our organisation, in our sector and our communities to improve people's lives and circumstances, is discussed in detail elsewhere in our integrated report. In particular, the transformation of our business environment remains a priority for the Board, reflecting our commitment to the principles of social and economic equality and inclusion for all.

The further allocation of shares under our Health Partners for Life broad-based black economic empowerment (B-BBEE) scheme to Netcare employees (excluding executives), of whom 80% are black and 65% are black women, has been a key development to strengthen Netcare's black ownership credentials. Alongside the progress made across the other components of the empowerment scorecard, this has supported a meaningful improvement in Netcare's B-BBEE rating to Level 4, from Level 5 last year and Level 8 two years ago.

Other aspects of our transformation performance include Netcare's significant contribution to skills development, with our investment in training largely benefiting our black employees, and the inclusion of differently abled people in meaningful and permanent roles. Our support of the Youth Employment Service (YES) programme is providing learnerships and internships, and permanent employment for a high proportion of young people on the programme. More broadly, our practical and financial support for black doctors working towards specialisation makes an important contribution to transformation in the healthcare sector.

The importance of developing small, medium and micro enterprises (SMMEs), as a critical contributor to protecting and creating jobs, is well recognised. Our procurement policies and processes are aimed at transforming our supplier base and giving SMMEs access to the market in a sustainable manner. These efforts extend beyond our supply chain to include the incubation of township SMMEs and support of black entrepreneurs in development projects that address critical social needs.

Netcare's strategy positions us well to respond to the international trend towards integrated, participatory health and care systems that provide excellent clinical outcomes and patient experience, and ensure the wellbeing of those entrusted to deliver these outcomes, at a sustainable cost to society.
Of special mention, given the devastating effects of gender-based violence and child abuse in SA, is the Group’s contribution over two decades in providing medical and legal help to rape victims, and treating survivors at no charge. Netcare is dedicated to helping victims with compassion and professionalism, but every case we are involved in is an indictment on our country and a call to action to all sectors of society to decisively address this social epidemic.

**Governance matters**

The Board readily accepts the responsibilities of stewardship on behalf of all our stakeholders. Our succession planning aims to maintain and enhance the composition of relevant and diverse skills, experience and independent perspectives we require to do so. Oversight of risk and control and effective implementation of business strategy is inherent to the Board’s duties. We also accept the responsibility to instil and guard the moral compass of our organisation which, for Netcare, finds its highest expression in the service of our patients – people at a time of great vulnerability. From here it extends into being an integral and productive corporate citizen, in all the many forms this takes. In particular, Netcare’s deliberate efforts to create socioeconomic value and to responsibly manage our environmental impact is supported by strong Board oversight.

The mechanics of stewardship are Netcare’s robust governance framework, which is informed by our values and Code of Ethics that guide decisions and behaviour at Board, executive and management levels. Our governance philosophy aligns with the foundational concepts of the King Report on Corporate Governance for South Africa (King IV), and its principles are fully embedded in our governance processes. Ultimately, our application of best practice governance challenges us to constantly improve the way the business is managed and ensure decisions are taken ethically, openly and transparently. Our governance policies and processes support a positive balance between the value of our services and their cost to society, and recognise that the quality of our relationships with stakeholders are fundamental to achieving this balance.

In this regard, the Board assessed and updated the Group’s stakeholder engagement policy in the year, and mandated management to develop strategies to prioritise stakeholder feedback and ensure engagement is linked to the Group’s strategy. We have also made further improvements to our remuneration policy and mechanisms, in response to consultation with shareholders, which are detailed in the remuneration report. These changes followed those made last year, which were endorsed by shareholders in the 2018 annual general meeting, with 96.1% and 97.2% of votes in favour of the remuneration policy and implementation report respectively.

The daily work of governance is covered in the governance overview to follow, and in our full corporate governance report, available online. It is worth highlighting here that the Board, its committees and its members continue to operate effectively. This was confirmed by the Board evaluation concluded in the year, overseen by the Chair’s Forum. Another outcome of the process was a robust work plan for 2020.

**Closing and appreciation**

Netcare’s strategy positions us well to respond to the international trend towards integrated, participatory health and care systems that provide excellent clinical outcomes and patient experience, and ensure the wellbeing of those entrusted to deliver these outcomes, at a sustainable cost to society. The work of implementing our strategy will continue, with due care, resolve and persistence. The optimisation of operations and efficiencies, within the disciplined capital management framework we implemented last year, will support the Group’s resilience and value proposition to our stakeholders in a challenging environment. As the implementation of our strategy deepens, so will Netcare’s long-term competitiveness and social relevance.

My thanks to my fellow Board members for their insight and diligence, specifically in overseeing the change and growth initiatives intended to secure a sustainable competitive advantage for Netcare. Special thanks to Dr Azar Jammine for his wisdom and guidance over more than two decades of service.

On behalf of the Board, I wish to commend Dr Richard Friedland and his management team for their resolve and commitment to implementing a strategy which responds to the challenges of regulatory uncertainty and healthcare innovation, while driving growth and improvements in clinical outcomes and operational performance.

In closing, I wish to recognise the dedication of people across the Netcare Group to fulfil their first duty, no matter the challenges in the operating environment: to preserve the dignity and health of the people we serve – to provide you with the best and safest care.

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 sector-specific objectives of the **Quadruple Aim**, and in turn our governance philosophy, align to King IV’s foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value.

Sound corporate governance practices are implicit in our values, culture and processes; and our internal controls promote an awareness of risk, compliance and good governance in every area of the business. Furthermore, Netcare’s intention to be a powerful force for social good finds expression in our deliberate efforts to create socioeconomic value and to responsibly manage our impacts, supported by strong Board oversight.

**Netcare Board**

**Our Board of directors**

The Board plays a pivotal role in creating and protecting value by approving strategy, setting policy and overseeing the Group’s governance frameworks and control environment. The majority of the Board are independent non-executive directors who bring diversity to Board deliberations and the relevant expertise and experience to constructively challenge and hold executive management to account.
B (Bukelwa) Bulo /42
BBusSci Hons, PGDA, CA(SA)
Independent non-executive director
Tenure: 4 years
Skills
General business management, global commerce, investment banking, governance, financial, public policy, compensation.

L (Lezanne) Human /50
MSc (Cum Laude), MBA (Cum Laude), BSc (Cum Laude)
Independent non-executive director
Tenure: 5 months
Skills
General business management, global commerce, governance, financial, investment banking.

B (Bukelwa) Bulo /42
BBusSci Hons, PGDA, CA(SA)
Independent non-executive director
Tenure: 4 years
Skills
General business management, global commerce, investment banking, governance, financial, public policy, compensation.

L (Lezanne) Human /50
MSc (Cum Laude), MBA (Cum Laude), BSc (Cum Laude)
Independent non-executive director
Tenure: 5 months
Skills
General business management, global commerce, governance, financial, investment banking.

D (David) Kneale /65
BA
Independent non-executive director
Skills
General business management, governance, global commerce, financial, healthcare.

Mj (Martin) Kuscus /64
BA Cur, Dip Company Director, EDP
Independent non-executive director
Tenure: 11 years
Skills
General business management, global commerce, governance, healthcare, public policy, human resources.

Adv KD (Kgomotso) Moroka /65
BProc, LLB
Independent non-executive director
Tenure: 13 years
Skills
General business management, investment banking, global commerce, legal, governance, public policy, human resources.

C (Martin) Kuscus /64
BA Cur, Dip Company Director, EDP
Independent non-executive director
Tenure: 11 years
Skills
General business management, global commerce, governance, healthcare, public policy, human resources.

Executive directors

Dr APH (Azar) Jamine /70
BSc (Hons), BA(Hons), MSc, PHD
Independent non-executive director
Tenure: 21 years
Skills
General business management, global commerce, governance, financial, compensation, investment banking, public policy.

B (Bukelwa) Bulo /42
BBusSci Hons, PGDA, CA(SA)
Independent non-executive director
Tenure: 4 years
Skills
General business management, global commerce, investment banking, governance, financial, public policy, compensation.

L (Lezanne) Human /50
MSc (Cum Laude), MBA (Cum Laude), BSc (Cum Laude)
Independent non-executive director
Tenure: 5 months
Skills
General business management, global commerce, governance, financial, investment banking.

D (David) Kneale /65
BA
Independent non-executive director
Skills
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Skills
General business management, global commerce, governance, healthcare, public policy, human resources.

C (Martin) Kuscus /64
BA Cur, Dip Company Director, EDP
Independent non-executive director
Tenure: 11 years
Skills
General business management, global commerce, governance, healthcare, public policy, human resources.

Dr RH (Richard) Friedland /57
BvSc, MBBCh (Cum Laude), Dip Fin Man, MBA
Chief Executive Officer
Tenure: 22 years
Skills
General business management, global commerce, financial, healthcare, governance, compensation, human resources.

KN (Keith) Gibson /49
BAcc, CA(SA)
Chief Financial Officer
Tenure: 8 years
Skills
General business management, global commerce, healthcare, compensation, investment banking, human resources.

N (Norman) Weltman /70
CTA, CA(SA)
Independent non-executive director
Tenure: 11 years
Skills
General business management, global commerce, healthcare, financial, compensation, public policy.

1. Appointed 1 October 2019.
3. Appointed 1 October 2019.
5. Appointed with effect 1 January 2020.
Board composition
(including APH Jammime and L Human)

**Independence**

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Independent non-executive directors</th>
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<tr>
<td>8</td>
<td>2</td>
</tr>
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</table>

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

**2019 Board review finding**

All members are considered independent with the exception of the CEO and CFO. Board Chair, Mrs Thevendrie Brewer, is independent and free from any conflicts of interest.

**Skill**

- **Financial**: 8 directors (80%)
- **Legal**: 2 directors (20%)
- **Healthcare**: 5 directors (50%)
- **General business management**: 10 directors (100%)
- **Public policy**: 6 directors (60%)
- **Governance**: 10 directors (100%)
- **Investment banking**: 6 directors (60%)
- **Global commerce**: 10 directors (100%)
- **Human resources**: 6 directors (60%)
- **Compensation**: 7 directors (70%)
- **Digital**: 1 director (10%)

Where gaps in knowledge or skills are identified, directors are provided with development training or new appointments are made. Subject matter experts are available for matters requiring specialised guidance.

**2019 Board review finding**

The Board possesses a wide range of expertise and experience with sufficient professional and industry knowledge.
### Age

**Average age: 58**

- **1** Younger than 46 years of age
- **2** 46 to 55 years of age
- **3** 56 to 65 years of age
- **4** Older than 65 years of age

Succession planning is a key focus area and ensures that skillsets are retained following the retirement of members. We strive to balance fresh perspectives from newer members with the experience and institutional knowledge of those with longer tenures.

**2019 Board review finding**

Board succession plans are adequate for both non-executive directors and executive directors, including the interim measures in the event of an unforeseen loss of expertise.

### Diversity

**Black South African representation**

- **40.0%**
  - 2018: 40.0%

**Women representation**

- **40.0%**
  - 2018: 30.0%
  - Target: 35%

The Board appointment and gender diversity 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.

**2019 Board review finding**

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

### Tenure

**Average years of tenure: 10**

- **3** 0 – 4 years
- **2** 5 – 9 years
- **3** 10 – 15 years
- **2** >15 years

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

**2019 Board review finding**

There are no relationships or circumstances likely to affect, or which appear to affect, the judgement of Mr Martin Kuscus, Adv Kgomo Moroka and Mr Norman Weltman as independent non-executive directors, who have served on the Board for more than nine years.

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Results of the annual self-assessment of the Board and governance committees: page 23.
Responsibilities of the Board

To address areas of improvement identified in last year’s Board performance evaluation, we undertook the following:

- Updated our stakeholder policy and engagement plan to strengthen Board oversight of stakeholder engagement activities and enhance its awareness of key stakeholder concerns.
- Dedicated a significant portion of the strategy workshop and the ‘Netcare Caring Beyond 2020’ leadership conference to enhancing the Board’s knowledge on disruptive technologies and trends.

<table>
<thead>
<tr>
<th>STRATEGY (the Board is assisted by all governance committees)</th>
<th>Key activities in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assessed the Group's business model and strategy to deliver person-centred health and care that is digitally enabled and data driven.</td>
</tr>
<tr>
<td></td>
<td>Reviewed the Group's data management initiatives and endorsed the establishment of a Data Council to oversee the governance, co-ordination and protection of data. The Board is pleased with the progress of the digital strategy.</td>
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<tr>
<td></td>
<td>Tracked, and where required, approved capital allocation.</td>
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<tr>
<td></td>
<td>Approved the Group's new share ownership scheme, contributing to the Level 4 B-BBEE rating.</td>
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</table>

**Board opinion**

Satisfied that the Group's business model and strategy continue to remain relevant and support the achievement of sustainable competitive advantage.

**Key objective for 2020**

Monitor delivery of the Group's strategic priorities.

<table>
<thead>
<tr>
<th>STAKEHOLDER INCLUSIVENESS (the Board is assisted by the Remuneration, Social and Ethics and Consistency of Care committees)</th>
<th>Key activities in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assessed the Group's stakeholder engagement strategy and mandated management to develop strategies to prioritise stakeholder feedback and ensure engagement with stakeholders is linked to the Group's strategy. The Board also approved the updated stakeholder policy aligned to these objectives.</td>
</tr>
<tr>
<td></td>
<td>Monitored key stakeholder concerns, including change management interventions for doctors and nurses, and engagement with regulators and government on healthcare policy.</td>
</tr>
<tr>
<td></td>
<td>Engaged with stakeholders on various governance matters.</td>
</tr>
</tbody>
</table>

**Key objective for 2020**

Ensure the Group enhances its engagement with media.

<table>
<thead>
<tr>
<th>ETHICS (the Board is assisted by all governance committees)</th>
<th>Key activities in 2019</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Reviewed executive performance and the adherence of governance committees to their Board-approved, King IV-aligned terms of reference, including a focus on ethical outcomes.</td>
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<tr>
<td></td>
<td>Reviewed the results of the Group-wide governance, legal, ethics and compliance survey, and endorsed the ethical management programme, which will entail policies, ethical training, screening of employees, addressing of misconduct and failures, and ethical surveys.</td>
</tr>
</tbody>
</table>

**Board opinion**

Satisfied with the Group's implementation of the King IV principles and recommended practices related to ethical culture.

**Key objective for 2020**

Ensure the Group provides additional training and ethics awareness for employees.
### MATERIAL MATTERS AND REPORTING

**(the Board is assisted by all committees)**

#### Key activities in 2019

- Oversaw the Group’s response to and management of matters considered material to its ability to create and sustain stakeholder value. Key focus areas included operationalising the Group’s strategy, doctor and funder engagement, and regulatory oversight.
- Oversaw the preparation of the integrated report, including the consideration and approval of the Group’s material matters.
- 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 (see page 46).
- Satisfied that the Group annual financial statements for the 2019 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 2020

Continue to ensure meaningful, material and transparent external reporting.

### TECHNOLOGY GOVERNANCE

**(the Board is assisted by the Audit and Risk committees)**

#### Key activities in 2019

- Oversaw the progress made towards implementing electronic medical records (EMRs), particularly the CareOn pilot in the Hospital division.
- Reviewed cybersecurity initiatives and disaster recovery plans.

#### 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 2020

Continue to oversee the roll out of EMR systems across all service platforms, ensuring that potential cost and schedule overruns are avoided.

### COMPLIANCE

**(the Board is assisted by all governance committees)**

#### Key activities in 2019

- Ensured effective governance and risk management processes.
- Considered matters relating to King IV, the JSE Listings Requirements, the draft NHI Bill and the Competition Commission’s final HMI Report.
- Mandated human resources to deliver updated training on the protection of personal information.

#### 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 Limited (JSE) Listings Requirements.

#### Key objective for 2020

Continue to ensure the effectiveness of the Group’s governance, risk and compliance frameworks, and implement policies that ensure sustainable value is created for stakeholders.

### PERFORMANCE

**(the Board is assisted by all committees)**

#### Key activities in 2019

- Reviewed and monitored performance against financial and non-financial targets aligned with the Group's strategic priorities.
- Enacted the decision taken in 2018 to voluntarily implement audit firm rotation ahead of the prescribed date of 1 April 2023. Deloitte & Touche were appointed as Netcare's new auditors for the 2019 financial year.

#### Key objective for 2020

Continue to monitor the remuneration policy and associated practices.
Governance and delegation of authority

Governance and delegation of authority framework

Note: for the duration of the CareOn project, a CareOn Digitisation Project Steering Committee has been established.

1. Report into the Executive Committee.
## Governance committee activities

### AUDIT COMMITTEE
(meets three times a year)

**Key activities in 2019**
- Approved Group Internal Audit’s charter and risk-based audit plan, and reviewed Risk Committee reports, all aspects of financial reporting, and cybercrime and cybersecurity, including comprehensive cyber liability insurance.
- Monitored and oversaw the outputs of the five levels of assurance model, as well as the external audit function and related audit fees.
- Assessed Internal Audit’s independent review of the implementation of King IV (excluding the requirements related to internal audit), which confirmed that the principles have been applied.
- Requested all decision letters or explanations issued by the Independent Regulatory Board for Auditors, or any other regulator, along with any summaries relating to monitoring procedures or deficiencies issued by the audit firm.

**Key outcome**
The Group is in a sound financial position with access to sufficient borrowing facilities to meet its foreseeable cash requirements.

**Key objective for 2020**
- Adoption of the ‘agile audit approach’, where revisions to the internal audit plan will be tabled at Audit Committee meetings on a quarterly basis for ratification.

### RISK COMMITTEE
(meets twice a year)

**Key activities in 2019**
- Reviewed and approved the Group’s top business risks, and reviewed various aspects of these risks including the regulatory environment, the Group’s water backup plan, environmental, social and governance (ESG) practices and assessments, and the results of the Group-wide ethics survey. The committee also ensured that the Group remains focused on advances in technology and technological disruptions.
- Approved the Group’s insurance cover.
- Reviewed the process and results of the control effectiveness self-assessments to manage risks.
- Continued to track the Group’s progress towards meeting the requirements of the Protection of Personal Information Act once fully implemented.
- Oversaw interventions to manage cybersecurity, information management and data security.

**Key outcome**
A risk-aware culture is embedded at all levels of the Group, which enables relevant, informed and consistent decision-making relating to risk.

**Key objectives for 2020**
- Monitor the risks associated with digitisation.
- Evaluate the ability of third-party security providers to adequately address emerging cybersecurity risks.

### NOMINATION COMMITTEE
(meets twice a year)

**Key activities in 2019**
- Conducted the annual review of the composition and effectiveness of the Board and governance committees. The 2019 committee self-assessment process shows that the Board, its governance committees and members are operating effectively.
- Updated the executive succession planning process at executive and non-executive level. The committee is satisfied with the bench strength of the executive succession pipeline given the number of key appointments made across the Group during the reporting year.
- Following a review, concluded that conflicts of interest are well managed and the process is robust.

**Key outcomes**
Appointment of Ms L Human and Mr D Kneale to the Board, and improved transformation at executive and senior level.

**Key objective for 2020**
- Review the Board appointment and gender diversity policy.

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Detailed disclosure of committee activities in the full corporate governance report: page 11.
**REMNUNERATION COMMITTEE**  
(meets twice a year)

**Key activities in 2019**
- Reviewed the key performance indicators used to evaluate the performance of executive directors, prescribed officers and senior executives. These include financial targets and non-financial targets aligned to our strategic priorities.
- Engaged with shareholders on best practice remuneration, updated the remuneration policy to include malus and clawback provisions in line with stakeholder recommendations, and approved a new long-term incentive plan for implementation in 2020.

**Key outcome**
An updated remuneration policy to be presented for separate non-binding advisory vote from shareholders at the AGM to be held on 31 January 2020.

**Key objective for 2020**
- Ongoing engagement with shareholders and other stakeholders on Netcare’s remuneration policy and practices.

**SOCIAL AND ETHICS COMMITTEE**  
(meets twice a year)

**Key activities in 2019**
- Reviewed the Group’s B-BBEE plans and scorecard and oversaw the implementation of the share ownership scheme.
- Reviewed Netcare’s participation in various internationally accredited ESG indices.
- Oversaw the appropriate management of ethics awareness, including the roll out of the Group-wide ethics survey.
- Reviewed progress on the Group’s environmental sustainability projects.

**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 improved its B-BBEE rating and performed well in all ESG indices.

**Key objective for 2020**
- Oversee the implementation of the ethics management programme.

**CONSISTENCY OF CARE COMMITTEE**  
(meets twice a year)

**Key activities in 2019**
- Reviewed systems to enhance measurable improvements in quality outcomes.
- Reviewed the strategic initiatives implemented to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care, and close inefficiency gaps.
- Oversaw the process of preparing clinical quality data for publication.
- Assessed Akeso Clinics’ quality management systems.
- Oversaw initiatives to develop Netcare’s value-based care and contracting capability, and establish a clinical decision support culture and system.
- Monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare’s values and behaviours.

**Key outcome**

**Key objective for 2020**
- Oversee the realisation of the consistency of care strategy and the design and implementation of a quality management system for Akeso Clinics to achieve ISO 9001:2015 accreditation.

Detailed disclosure of committee activities in the full corporate governance report: page 11.
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). Our Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. It articulates the Group's policy regarding conflicts of interest, gifts, confidentiality, fair dealings and the protection and appropriate use of Netcare's assets. Training interventions, awareness campaigns and an annual survey are used to entrench the code's principles and ensure that it is consistently applied within the Group.

We take a zero-tolerance approach to theft, fraud and corruption, as well as discrimination and racism. Employees, management and external parties (the public, suppliers and patients) can contact Group Forensics 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. The anonymous toll-free SHOUT line allows employees to report alleged or perceived discriminatory or racist action or behaviour.

Fraud and ethics reporting
208 incidents of alleged fraud and irregularities reported (2018: 236).
No incidents of alleged unethical medical behaviour (2018: 2).
191 incidents investigated and closed with the balance still under investigation (2018: 223).

ESG performance

The Group's ESG performance is independently assessed and benchmarked annually.

FTSE Russell (SA)
Included in the FTSE/JSE Top 30 Responsible Investment Index

<table>
<thead>
<tr>
<th></th>
<th>Total score</th>
<th>2019 score</th>
<th>2018 score</th>
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<tbody>
<tr>
<td>Environmental</td>
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<td>3.5</td>
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<tr>
<td>Social</td>
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<tr>
<td>Governance</td>
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<tr>
<td>Overall ESG rating</td>
<td>5</td>
<td>4.3</td>
<td>4.4</td>
</tr>
</tbody>
</table>

*Our environmental score declined due to the change in methodology used to assess water consumption.*

Dow Jones Sustainability (global)
Included in the Dow Jones Emerging Markets Index for the sixth consecutive year, achieving a score of 82% (2018: 81%).

MSCI ESG Research Inc. (global)
Achieved an 'AA' rating, the second highest awarded by MSCI ESG, marking us as a leader in our sector (2018: AA).

Sustainalytics (global)
Achieved an overall score of 74%, ranking sixth out of 123 participants.

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<thead>
<tr>
<th>Category</th>
<th>Score</th>
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<tbody>
<tr>
<td>Environmental</td>
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<tr>
<td>Social</td>
<td>63%</td>
</tr>
<tr>
<td>Governance</td>
<td>83%</td>
</tr>
</tbody>
</table>

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.

In line with the requirements of the IIA Standards, Group Internal Audit undergoes an independent quality review at least every five years. An assessment was undertaken in 2019 by a globally recognised external audit firm. The findings confirmed that Netcare's internal audit function 'generally conforms' to the IIA Standards (the highest level of compliance). The assessment report 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

Healthcare mega trends

Participatory health is a shift in perspective towards wellbeing and wellness, an engaged patient, greater convenience and personalised experiences. It is a transformation in the patient-provider relationship where individuals work with their healthcare practitioners as an equal and responsible partner. The digital revolution supports this shift, redefining how consumers manage their health and engage with care systems.

Netcare is implementing an integrated and mobile health and care platform across the Group, that will provide our patients with meaningful access to their own EMRs. Page 102.

Healthcare demand

**Aging** (global)
Number of people over 60 expected to double by 2050. Life expectancy since 1970 has expanded by 11.1 years.

**Cancer** (global)
By 2030, between 10 and 11 million cancers will be diagnosed each year in low- and middle-income countries. Deaths from cancer worldwide are projected to reach over 13 million in 2030.

**Diabetes** (global)
54% expected increase in the number of people with diabetes by 2040.

**Chronic disease** (global)
57% expected increase in the incidence of chronic disease by 2020.

**Mental health** (global)
18% increase in depression between 2005 and 2015. Depression is the leading cause of ill health and disability worldwide.

**Trauma**
Incidence of trauma injuries in SA is notably higher than the global average.

5. https://www.who.int/nutrition/topics/2_background/en/.
Sector specific challenges

Affordability (global)
Demand is expected to continue to drive increases in per capita expenditure on healthcare at a projected annual rate of 5.4% between 2017 – 2022, placing significant pressure on budgets and affordability.

Medical scheme membership (SA)
Medical scheme membership growth is expected to remain constrained by the weak economic outlook for SA and pressure on disposable income. However, healthcare demand will continue to increase with shifting disease burdens.

Inequity in healthcare (SA)
There is deep and historic inequity in funding and access to affordable healthcare in SA, compounded by population growth having doubled since 1970 and a public healthcare system that is facing many challenges. These inequities are underpinning current health policy discussions and regulatory changes.
The final HMI report was welcomed with constructive recommendation on enhancing efficiencies and value in the private sector, and the NHI Bill – published in August 2019 – lays a credible basis for the achievement of universal healthcare.

Financial performance of the healthcare sector (SA)
The emergence of personalised medicine, increased use of exponential technologies, entry of disruptive and non-traditional competitors, demand for expanded care delivery sites, and alternative reimbursements and restricted provider networks are all impacting the financial performance of the private healthcare sector.

Funder regime (SA)
Funders continue to struggle with growth in utilisation driven by the deteriorating quality of risk pools where affordability constraints encourage younger, healthier members to opt out, leaving a higher proportion of older, less healthy members. To balance these pressures, an increasing number of restricted provider networks are being introduced.

Netcare is working on developing solutions that will improve affordability and access to care, primarily for people who are employed but uninsured.

Netcare embraces the principles of universal healthcare and strongly supports an inclusive approach to improving accessibility and quality of care to all South Africans. We believe that the broader healthcare delivery system, including a significant role for private medical schemes, can be constructively leveraged to create a healthier society.

Netcare’s broad service offering and geographic footprint supports participation in restricted network arrangements. In line with the industry, around 30% of Netcare’s patient days are derived from network arrangements.

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, grouped into five themes, 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, which were developed in the context of the shifts in our operating environment and the renewal of Netcare’s strategy, were the starting point for this year’s process. We reviewed documents including Board and committee reports, 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. The process also sought greater alignment between internal and external reporting processes.

The material matters identified for 2019 are not substantively different to those reported last year, but have changed incrementally to reflect progress made in operationalising our strategy and developments in healthcare policy reform in SA. The Board reviewed and approved the material matters for 2019.
1 Deliver outstanding person-centred health and care

Stakeholder concerns

Patients: well-facilitated access to high-quality healthcare, top physicians, consistent quality clinical outcomes and an excellent patient experience.

Employees: a supportive, caring, trusting and fair workplace, reward and recognition, support in adapting to a changing work environment, opportunities for growth and development, a safe working environment, comprehensive employee wellness and improved organisational communication.

Specialists: nursing competency and professionalism, clinical quality leadership and access to advanced technology, professional development and secure supply of utilities.

Funders: quality of clinical outcomes and service provided to members at the most efficient cost.


Material matters

- Achieve strategic differentiation through the delivery of a consistent and measurably better quality of care.
- Improve patient experience.
- Achieve better integration across service lines to improve our ability to serve our patients’ health and care needs at every stage of their lives, consistently and conveniently.
- Invest in employee engagement, effectiveness, wellbeing and resilience to support person-centred health and care.
- Improve data utilisation and publish outcomes against appropriate benchmarks.
- Digitise and re-engineer processes to drive integrated and efficient person-centred health and care, and strengthen our relationships with doctors and funders.
- Invest in, and tightly manage the implementation of, grassroots workforce-led innovation that responds to the needs of our patients, employees and partners.
- Ensure uninterrupted delivery of quality patient care in the face of unstable national utilities.

Link to strategic priorities

SP 1 Consistency of care.
SP 2 Disruptive innovation.
SP 4 Organic growth.
SP 5 Integration.
SP 6 Investment.

Relationship capital: page 70.
Human and intellectual capital: page 92.
Environmental sustainability: page 114.
2 Adapt proactively to developments in the local and global healthcare sectors

Stakeholder concerns

Patients: enhanced communication and information on medical procedures and medication use to enable participation in their healthcare journey, and confidentiality of private information.

Employees: job security, sustainable income in light of regulatory changes, delivery of change management support, an environment that supports innovation, outsourcing and temporary employment services.

Suppliers: competitiveness of local and global suppliers.

Investors: our ability to deliver care by adapting to changing healthcare needs, increasing competition, impact on growth of stagnant medical scheme memberships, and the ability to provide appropriate service offerings that satisfy patient needs.

Society (media): cybersecurity, and sustainable and responsible use of resources by organisations.

Material matters

- Grow market share in a highly competitive sector with stagnant medical scheme membership.
- Lead the local market in adapting to developments in the global healthcare sector.
- Ensure a strong governance framework for IT investment and innovation, as well as manage the risks related to systems and the protection of sensitive, personal and private information.
- Achieve Netcare’s energy intensity reduction target in line with the Science-based Target Initiative set by the 2016 Paris Agreement within the United Nations Framework Convention on Climate Change.

Chief Executive Officer’s review: page 62.
Our patients: page 70.
Funders: page 85.
Human and intellectual capital: page 92.
Environmental sustainability: page 114.

Link to strategic priorities

- SP 1  Consistency of care.
- SP 2  Disruptive innovation.
- SP 4  Organic growth.
- SP 6  Investment.

3 Demonstrate our commitment to transforming healthcare in SA

Stakeholder concerns

Patients: fully funded and more affordable services.

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

Regulators: increased pressure on the public health system, cost of and access to private healthcare, the impact on the industry of the shortage of healthcare practitioners and nurses, and universal healthcare.

Suppliers: enterprise and supplier development and preferential procurement with B-BBEE compliant and black suppliers.

Society (communities): healthcare support for communities, and affordability of and access to quality healthcare.

Material matters

- Continue to drive transformation at organisational, sector and country levels.
- Manage regulatory change and uncertainty, and participate in evidence-based and multi-lateral advocacy for stakeholder interests.
- Work with regulators and government to address the shortage of healthcare practitioners and the challenges faced by public healthcare.
- Deliver more affordable services to broaden access to quality healthcare to more South Africans.

Board Chair’s review: page 21.
Chief Executive Officer’s review: page 62.
Society: page 86.
Workforce diversity: page 96.

Link to strategic priorities

- SP 3  Transformation of our society.
- SP 4  Organic growth.
- SP 6  Investment.
4 Defend and grow sustainable profitability

Stakeholder concerns

Patients: affordability and access to healthcare.

Specialists: quality of facilities and access to sufficient and appropriate beds, theatres and medical equipment that are properly maintained, and inclusion in restricted provider networks.

Funders: affordable quality healthcare, measurable clinical and patient experience outcomes, appropriate levels of healthcare access and a balanced service offering to satisfy patient needs, and providers assuming greater pricing risk.

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

Society (media): economic impact on company performance and implications for stakeholders.

Material matters

- Manage participation in funder provider networks.
- Maintain strong relationships with doctors, including focused engagement on achieving benchmarked outcomes and efficiencies.
- Optimise capacity utilisation and access new markets through differentiated service offerings.
- Integrate high quality data and analytics to allow predictive and proactive management of operational and strategic priorities.
- Ensure efficient capital management, disciplined cost management and optimal asset utilisation.
- Improve returns across the network by managing the drivers of economic profit in each facility and service platform.
- Continue to build support for our investment case by demonstrating substantive progress against our strategic priorities.

5 Continue to develop visionary and effective leadership

Stakeholder concerns

Employees: ethical leadership as an employer of choice.

Specialists: protecting the sustainability of the private healthcare sector.

Investors: ethical leadership, depth of expertise and strong governance that underpins sustainable value creation.

Regulators: visionary leadership with which to partner on developing the future of healthcare in SA.

Society (media): expectation that corporate leaders are responsive to ethical and social concerns.

Material matters

- Ensure Board and executive responsiveness to stakeholder concerns.
- Equip management to lead in a rapidly changing environment.
- Measure and reward performance against balanced strategic key performance indicators.
- Continue to increase diversity at leadership levels.
- Drive a caring, innovative and ethical high-performance culture.

Link to strategic priorities

- SP 1 Consistency of care.
- SP 2 Disruptive innovation.
- SP 3 Transformation of society.
- SP 4 Organic growth.
- SP 5 Integration.
- SP 6 Investment.

Board Chair’s review: page 21.
Remuneration report: page 156.
Our strategy

Netcare’s strategy is to deliver person-centred health and care that is digitally enabled and data driven. Our strategy is designed to respond decisively to the changing healthcare environment, create a sustainable competitive advantage over our peers and contribute to Netcare’s transformation and the transformation of SA’s healthcare sector.

Successful delivery of the strategy will grow market share, increase margins, improve returns and deliver differentiated, better and safer care in the most efficient way possible – for the benefit of all stakeholders. Our strategic choice to embrace universal healthcare will require the exploration of innovative ways to offer services that provide greater access to affordable quality healthcare, thereby meaningfully extending inclusion.

A wide range of initiatives are underway across the Group to operationalise the strategy. A high-level outline is provided on page 43, with detailed disclosure in the how we performed section of this report.

The achievement of our strategy rests on the following eight critical enablers:

- EMRs across all our services.
- Science-based treatment guidelines.
- Adherence to the Quadruple Aim.
- Highest standard of stakeholder communication and engagement.
- A comprehensive data analytics capability.
- Developing and investing in new products and services.
- Meaningfully contributing to SA’s transformation objectives.
- Creating economic value for shareholders.

Chief Executive Officer’s review: page 62.
What we are doing

**Key targets**
- 90% compliance to revised surgical and drug formulary.
- Refine and upgrade standardised Group clinical dashboard.

**How we are working towards a consistently high standard of care**
1. Using science-based treatment guidelines to improve clinical outcomes and continuing our focus on improving patient experience.
2. Providing doctors with personal and peer-related clinical information, enabling them to effectively assess their practices.
3. Publishing clinical outcomes data to ensure best possible outcomes and ensure continued improvement.
4. Driving antibiotic stewardship and preventing multidrug-resistant infections by promoting safe care.
5. Looking after our employees, providing them with developmental and career enhancing opportunities.

Together, these focus areas will result in a value-based approach to care that drives quality outcomes and excellent patient experience in a cost-effective manner – the **Quadruple Aim**.

**Key targets**
- Achieve Level 4 B-BBEE rating.

**How we are transforming Netcare and contributing to society**
1. Playing a meaningful role in SA’s broader healthcare and societal challenges.
2. Transforming our workforce profile and driving skills development.
3. Diversifying our supply chain and supporting enterprise and supplier development.
4. Striving to be a powerful force for social good.
5. Improving our black ownership through a B-BBEE ownership scheme.
6. As an anchor sponsor of the national YES programme to drive youth development and employment.

**Targets in place for:**
- Roll out of EMRs in the Hospital division, Primary Care, Akeso Clinics and National Renal Care.
- Data analytics, including establishment of a Data Council and machine learning applications.

**How we are disruptively innovating**
1. Leading healthcare in environmental sustainability.
2. Implementing EMRs to digitise our healthcare platform.
3. Developing our ability to use data to enable a proactive and predictive approach to clinical quality management and business operation.
4. Partnering with global technology service providers, including Apple, Deutsche Telekom, IBM Watson Micromedix and Capsule on the CareOn project and Altron on the HealthOne project.
What we are doing continued

**Key targets**
- Group EBITDA\(^1\) of R4 358 million.
- Hospital and Emergency services: EBITDA margin of 20.5%.
- Net gain of 100 doctors.
- New products and services development.

**How we will grow market share**
1. Delivering differentiated, digitally enabled and data driven person-centred health and care.
2. Leveraging off our significant geographic footprint and ecosystem of services to give more people access to quality health and care.
3. Providing new products and services that are attractive to new markets, thereby reducing our reliance on a shrinking medical aid market.

**Targets**
- Contract new service provider for warehouse services.
- Implement Appointmed pilot.

**How we are reducing service fragmentation**
1. Driving synergies and integration across our service platforms through our digitisation projects.
2. Delivering new service offerings (supportive care and cancer navigation).

**Key targets**
- ROIC\(^2\): 20.0%.
- Net debt to EBITDA: <2.0.
- EBITDA/net interest: 7.9 times.
- Cash conversion: 100%.
- Advance Akeso Clinics expansion.

**How we are creating economic value and enhancing shareholder returns**
1. Leveraging our existing network and driving digitisation to develop new ways of being efficient, optimise capacity utilisation and improve our returns on investment.
2. Continued focus on extracting operational efficiencies.
3. Creating economic profit through the most efficient capital structure and disciplined investment to achieve returns in excess of capital invested (the economic value model).
4. Ensuring clear medium-term targets for ROIC and EBITDA margin and internal policy limits with respect to gearing, interest cover and dividend distributions.

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1. Earnings before interest, taxation, depreciation and amortisation.
2. Return on invested capital.

Full Executive Committee balanced scorecard with targets: page 166.
<table>
<thead>
<tr>
<th>Strategic initiative</th>
<th>Scope and progress</th>
<th>Page</th>
</tr>
</thead>
</table>
| Appointmed                                                                          | **Scope:** Hospital division and Medicross clinics.  
**Progress:** available in 24 Netcare hospitals and 18 Medicross clinics in Gauteng. Full roll out scheduled for mid-2020. | 75   |
| Hospital pre-admission                                                               | **Scope:** Hospital division.  
**Progress:** online pre-admission pilot underway in 12 hospitals and LogBox pilot (a digital patient demographic solution) in operation at Netcare Waterfall City Hospital. | 107  103 |
| Empowering nurses and driving person-centred health and care through intrinsic motivation | **Scope:** Hospital division.  
**Progress:** empowerment pilot underway in Netcare Garden City Hospital’s oncology ward and recognition programme being piloted in Netcare Rosebank Hospital. | 99   75 |
| Cancer navigation                                                                    | **Scope:** Hospital division.  
**Progress:** covers 15 hospitals offering oncology/haematology services. Roll out to an additional four hospitals in 2020. | 73   |
| Supportive care units                                                                | **Scope:** Hospital division.  
**Progress:** units established in Netcare Linksfield and Netcare Pinehaven hospitals. | 73   |
| Shared care for dialysis                                                             | **Scope:** National Renal Care.  
**Progress:** 196 shared care patients in 49 in-centre haemodialysis units and 30 patients self-needling. | 73   |
| Electronic medical records                                                            | **HOSPITAL DIVISION**  
**Progress (started 2017):** CareOn pilot underway in Netcare Milpark Hospital. Digitisation of radiotherapy records complete and being investigated for chemotherapy. Roll out of CareOn will be completed in 2022. | 102  |
|                                                                                      | **AKESO CLINICS**  
**Progress (started 2019):** study phase of the digitisation project is complete, with full roll out scheduled for the end of 2021. | 102  |
|                                                                                      | Netcare 911 is fully digitised. | 102  |
|                                                                                      | **PRIMARY CARE**  
**Progress (started 2018):** HealthOne pilots underway at two Medicross clinics and HealthOne EMRs are operational at four Netcare operated occupational health sites. Roll out of HealthOne will be completed in 2021. | 102  |
|                                                                                      | **NATIONAL RENAL CARE**  
**Progress (started 2019):** project is in initiation phase and blueprinting will be completed in 2020. | 102  |
|                                                                                      | This Netcare 911 project is operational. | 76   |
| Data Council and Group-wide data consolidation                                       | **Scope:** Group.  
**Progress:** established a Data Council to govern, control and structure our data management. We have also started migrating to a Microsoft Azure cloud based analytics platform and in 2020 we will start to consolidate all customer-related information into a robust customer relationship management platform. | 103  107 104 |
| AI in antibiotic utilisation                                                        | Using machine learning to accurately determine the appropriate level of antibiotic consumption in each Netcare hospital based on its unique factors. Monitoring will begin in 2020. | 79   |
| AI in emergency departments (waiting times)                                         | **Scope:** Hospital division.  
**Progress:** proof of concept being tested at Netcare Linksfield Hospital to determine emergency room waiting times. | 77   |
| AI in Netcare 911                                                                    | Using big data and advanced real-time analytics to place vehicles where they are most likely to be needed. | 76   |

1. Artificial intelligence.
How we manage risk

Achieving the sustainable competitive advantage we are striving for depends on our ability to successfully implement and operationalise our strategy. Our risk management framework – embedded in our business activities and decision-making processes at all levels of the Group – ensures that the actions we take to achieve our strategic priorities fall within our appetite for risk, which varies depending on the specific risk. The framework defines how we identify, understand and mitigate risks, and realise their related opportunities.

The Board has ultimate responsibility for managing risk. It oversees the level of risk that the Group is willing to accept in creating sustainable value for stakeholders, including their economic, social and environmental expectations.

Five levels of assurance model

Level 1 assurance
Assurance provided to the Board by governance committees.

<table>
<thead>
<tr>
<th>Committee</th>
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<tbody>
<tr>
<td>Risk Committee</td>
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<tr>
<td>Audit Committee</td>
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<tr>
<td>Consistency of Care Committee</td>
<td></td>
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<tr>
<td>Social and Ethics Committee</td>
<td>Committee responsibilities in the full governance report: page 11.</td>
</tr>
</tbody>
</table>
Non-independent assurance providers

**Level 2 assurance**
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 priorities.
- 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**
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.
- Co-ordinates 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 (DoH) 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.

Independent assurance providers

**Level 4 assurance**
Independent internal assurance provider.

**Group Internal Audit**
- Provides independent and objective assurance to the Audit Committee on the effectiveness of internal control and risk management systems and recommends improvements.

**Level 5 assurance**
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 48.
Governance in action
The Combined Assurance Committee co-ordinates the efforts of all assurance providers to avoid duplication and optimise costs. It assesses the skills and experience of the assurance providers and the nature and extent of the assurance work provided. The committee meets at least three times a year and reports to the Audit Committee. The Chair of the Audit Committee approves the Combined Assurance Committee's terms of reference.

External specialists are engaged to assess our cybersecurity capabilities, maturity and processes and to inform our related action plans, which are monitored by IT management and the IT Steering Committee. The Combined Assurance Committee reviews overall progress and reports on this to the Audit Committee.

In addition, the Risk Committee requested IT management to review and benchmark the adequacy of Netcare's cybersecurity insurance cover given the impact of our digital and data strategies on the Group's overall cybersecurity risk posture. The assessment was undertaken together with an insurance brokering firm and other non-independent assurance providers, and the results and associated action plans were presented to the Risk Committee for consideration and approval.

Identifying our top business risks
Our systems and processes of managing risk consider the following:
- Changes in the external and internal environment.
- Nature and potential impact of risks and the likelihood that they may materialise.
- Extent and categories of risks regarded as acceptable.
- Ability to reduce the incidence and impact on the business, if risks materialise.
- Effectiveness of risk response plans.
- Expectations and concerns of key stakeholders.
- Cost of risk response plans and processes, relative to the exposure and benefits obtained.

The risk management function engages with operational and executive management across the Group to identify key risks and the processes and plans to manage them. Risks are 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 priorities. 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 potential to affect Netcare's long-term sustainability and ability to create value.
- 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 business model and strategy.
- Our appetite for risk is appropriate and risks are managed accordingly.
- A risk-aware culture is embedded at all levels of the Group, which enables relevant, informed and consistent decision-making relating to risk.
- The systems and processes of the risk management function 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 and disaster recovery programme will support the continuity of critical business processes.

Financial risk management: note 6.3 of the annual financial statements.

Our key priorities for 2020

- Ensure that the plans to manage our top business risks are implemented across all our operations.
- Support the implementation of the digitisation and data strategies, and ensure that management self-assessments align to the associated changes in business operations, systems, processes and organisational structure.
- Continue to automate management self-assessment processes.
- Monitor the effectiveness of our quality management system to maintain ISO 9001:2015 certification.

Our top business risks

Changes to our top business risks

Our top business risks for 2019 remain mostly unchanged compared to last year, with the only addition being the availability of electricity supply given the spate of power outages experienced during the year and the challenges that continue to face Eskom, SA’s electricity public utility. Going forward, we will consider expanding the availability of skills risk to include the specialist skills not traditionally required by Netcare but needed to operationalise our digital, data and service development strategies.

The responses to our risks and opportunities are discussed in the how we performed section, starting on page 61.

<table>
<thead>
<tr>
<th>Top business risks at a glance</th>
<th>Change in risk exposure</th>
<th>Overall risk exposure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Delivering consistently outstanding person-centred health and care</td>
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<th>Change in risk exposure</th>
<th>Overall risk exposure</th>
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<tbody>
<tr>
<td>▶ Risk exposure remained constant.</td>
<td>▴ Not fully mitigated as mitigation measures are not entirely within our control.</td>
</tr>
<tr>
<td>▲ Risk exposure has escalated in relation to the 2018 Annual Integrated Report.</td>
<td>▲ Mitigation measures are largely within our control, and are being explored or implemented to minimise the risk exposure.</td>
</tr>
</tbody>
</table>
Delivering consistently outstanding person-centred health and care

Description
Globally, healthcare funding remains a challenge as demand continues to escalate due to ageing and the burden of disease. For SA, additional concerns include the vast inequality in healthcare spend between the private and public sectors as well as declining public sector capacity. Our digital and data strategies will align our capabilities with global trends to digitise healthcare processes, shift towards participatory health and care, and use data to shape the way that healthcare is delivered.

Service platforms impacted
All service platforms.

Strategic priorities
- SP 1: Consistency of care
- SP 2: Disruptive innovation
- SP 4: Organic growth
- SP 5: Integration

Capitals
- Relationship
- Human and intellectual
- Manufactured

Material matters
- Deliver outstanding person-centred health and care.
- Adapt proactively to developments in the local and global healthcare sectors.
- Demonstrate our commitment to transforming healthcare in SA.
- Defend and grow sustainable profitability.
- Continue to develop visionary and effective leadership.

OPPORTUNITIES
- Delivering consistent, person-centred health and care across all Netcare facilities to build a sustainable competitive advantage.
- EMRs will provide more accurate data to significantly enhance patient safety and quality of care and inform our clinical improvement interventions, ultimately improving the overall patient experience.
- Developing innovative new products and services to enhance inclusivity and expand access.

POTENTIAL IMPACTS
- A risk to market share if the changing demands of healthcare consumers are not met.
- Adverse impact on the quality of clinical outcomes, brand and reputation, employee morale and long-term sustainability.
- High morbidity and mortality rates in hospitals and communities.
- Compromised global ability of healthcare systems to treat infectious diseases.

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 system.

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

Management approach and 2019 performance: page 70.
Funder regime

Description
Funders remain under pressure to contain member contribution increases due to an environment of deteriorating risk pools and the resultant escalation in utilisation and healthcare costs. To balance these competing pressures and meet their own regulatory reserve requirements, funders continue to explore and implement cost containment strategies, including:

- Restricted provider networks\(^1\), which offer members lower premiums in return for restricting their choice of healthcare providers. From this position, funders are able to negotiate lower prices from healthcare providers with the promise of higher volumes arising from limited provider participation.
- Stringent hospital admission protocols and targeted interventions to manage utilisation.
- Leveraging their significant membership numbers and volumes to drive lower tariff increases.
- Specific requirements relating to efficiency improvement and the reporting of quality-related metrics.

Service platforms impacted
All service platforms.

Strategic priorities

<table>
<thead>
<tr>
<th>SP 4</th>
<th>Organic growth</th>
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<tbody>
<tr>
<td>SP 6</td>
<td>Investment</td>
</tr>
</tbody>
</table>

Capitals
- Relationship
- Intellectual
- Financial

Material matters
- Adapt proactively to developments in the local and global healthcare sectors.
- Defend and grow sustainable 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.

OPPORTUNITY
- Digitising our business and implementing EMRs to:
  - Enhance our engagement with funders on quality outcomes, patient safety and other data.
  - Improve efficiencies.

POTENTIAL IMPACTS
- Margin pressure for healthcare providers given the challenging healthcare funding environment.
- Risk to patient volumes, market share and doctor retention as a result of limited or no participation in restricted hospital networks.
- Participating in discounted network options without the commensurate volume uplift.
- Affordability of medical aid membership.

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.
Implementation of the digital and data strategies

Description
To play a leading role in an industry that is rapidly becoming digitally enabled, data driven, networked and participatory, we are implementing a fully integrated digital clinical solution across all our service platforms. Some of the more critical risks associated with this positive disruption of our business include:

- Effective project management.
- Adoption by healthcare practitioners, nurses and employees to ensure the sustainability of digital processes.

Service platforms impacted
All service platforms.

Strategic priorities

| SP 1 | Consistency of care |
| SP 2 | Disruptive innovation |
| SP 4 | Organic growth |
| SP 5 | Integration |
| SP 6 | Investment |

Capitals
- Relationship
- Human and intellectual
- Financial

Material matters
- Deliver outstanding person-centred health and care.
- Adapt proactively to developments in the local and global healthcare sectors.
- Defend and grow sustainable profitability.
- Continue to develop visionary and effective leadership.

OPPORTUNITIES
- Gaining competitive differentiation by being first-to-market.
- EMRs will:
  - Support enhanced clinical outcomes, more accurate and relevant clinical data, and improved patient safety and overall patient experience.
  - Strengthen our relationships with healthcare practitioners and funders.
  - Drive the integration of our services.
- Organising and utilising our financial, clinical and patient-centred data so that we are able to leverage predictive analyses and take a proactive view of our businesses.

POTENTIAL IMPACT
- Failure to implement appropriate digital and data technologies will impact competitive advantage and inhibit the business change required to meet operational challenges and create a platform for sustainable growth.

GOVERNANCE
- Risk Committee.
- Audit Committee.

ASSURANCE
Non-independent
- Executive Committee.
- Finance and Investment Committee.
- Project Steering Committee.
- IT Steering Committee.
- Group risk management function.

Non-independent
- Group Internal Audit.
- External consultants.
Cybercrime and cybersecurity

Description
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 to guarding against cybercrime, we are required to prevent sensitive, personal and private information from being accidentally exposed to unauthorised parties.

Service platforms impacted
All service platforms.

Strategic priority
SP 2 ▶ Disruptive innovation

Capitals
- Relationship
- Human and intellectual
- Financial

Material matters
- Deliver outstanding person-centred health and care.
- Adapt proactively to developments in the local and global healthcare sectors.


POTENTIAL IMPACTS
- Disruption of normal business operations.
- Litigation, penalties and fines for non-compliance with regulations relating to the protection of personal information.
- Greater reliance on third-party service providers for secure coding as well as data storage and transfer practices.

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 (managing and auditing account and data access by privileged users).
- External consultants.

Independent
- Group Internal Audit.
- External Audit.
- External consultants.
Industry regulations

Description
The significant inequities in SA lead current health policy discussions. The public healthcare sector is unable to bear the weight of the demands placed on it and policymakers are grappling with how to address inequities in access between the private and public healthcare sectors with much political support for a single fund NHI system.

Significant regulatory updates at the time of reporting include:

- Amended draft NHI Bill (published in August 2019):
paves the way for an NHI Fund which will procure services on behalf of patients from accredited public and private healthcare providers. The Bill proposes far-reaching changes to the manner in which healthcare services are funded in SA. However, certain components of the Bill remain unclear; with the areas of greatest concern being the future role of private medical schemes in relation to the NHI Fund (once NHI is fully implemented) and the stated timelines. The Health Portfolio Committee’s public hearings started in October 2019 and the deadline for written submissions is 29 November 2019. The committee hopes to finalise its work on the Bill in June 2020. Netcare will participate in the parliamentary process.

- Competition Commission’s final HMI report (published September 2019): the most fundamental recommendation in the final report is for the DoH to consider the creation of a supply side regulator which would have four main functions: healthcare facility planning (which includes licensing), economic value assessments, health services monitoring and health services pricing. The regulator would set up a multi-lateral negotiation forum for all practitioners to set maximum pricing for prescribed minimum benefits (PMBs) and reference prices for non-PMBs. Bilateral negotiations between facilities and funders will continue with the requirement that agreements demonstrate increased risk transfer. The recommendations in the final report are more favourable than the Inquiry’s provisional recommendations, removing most of the associated policy uncertainty created during the inquiry process.

Service platforms impacted
All service platforms.

Strategic priorities
- SP 3 Transformation of our society
- SP 4 Organic growth

Capitals
- Relationship
- Intellectual

Material matter
- Demonstrate our commitment to transforming healthcare in SA.

Board Chair’s review: page 21.

OPPORTUNITIES
- Increased synergies between private and public healthcare sectors under NHI, using available private sector capacity to alleviate public sector backlogs, particularly in elective surgery and oncology – potentially increasing volumes albeit at lower tariffs.
- Building agility into our cost structures will protect against potential value erosion from regulatory change.
- Working with regulators and government to formulate health policy and legislation supported by robust and inclusive processes, providing access to quality healthcare for more South Africans.

POTENTIAL IMPACTS
- Changes to the healthcare industry.
- Changes to licence allocation.
- Reduced ability of the medical scheme population 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 public healthcare system for the provision of care.

GOVERNANCE
- Risk Committee.
- Audit Committee.

ASSURANCE
Non-independent
- Executive Committee.
- Compliance Committee.
- Group risk management function.
- External consultants and legal counsel.

Independent
- No independent assurance required.
Economic environment

**Description**
The domestic growth outlook remains weak and disposable income remains under pressure. Consequently, growth of medical scheme membership remains a challenge.

<table>
<thead>
<tr>
<th>Service platforms impacted</th>
<th>All service platforms.</th>
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<tbody>
<tr>
<td><strong>Strategic priorities</strong></td>
<td></td>
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<tr>
<td>SP 2 Disruptive innovation</td>
<td></td>
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<tr>
<td>SP 4 Organic growth</td>
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<tr>
<td>SP 6 Investment</td>
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</tbody>
</table>

**Material matters**
- Adapt proactively to developments in the local and global healthcare sectors.
- Demonstrate our commitment to transforming healthcare in SA.
- Defend and grow sustainable profitability.
- Continue to develop visionary and effective leadership.

**Oppportunities**
- Growing high demand service lines.
- Digitising our business to create sustainable competitive advantage that protects and grows market share.
- Developing products, including with key strategic partnerships, to promote inclusivity and access for people who are employed but uninsured, and reduce our reliance on the traditional medical aid market.

**Potential impacts**
- Adverse impact of stagnant medical scheme membership on patient day growth.
- Members converting to lower cost, restricted network options, impacting margins.
- A decline in out-of-pocket spend on ancillary healthcare services.

**Governance**
- Risk 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.
Competitor activity

Description
The South African healthcare market has matured and we are experiencing 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.

Service platforms impacted
All service platforms.

Strategic priorities
- **SP 1** Consistency of care
- **SP 2** Disruptive innovation
- **SP 4** Organic growth
- **SP 5** Integration
- **SP 6** Investment

CAPITALS
- Relationship
- Human and intellectual
- Manufactured
- Financial

Material matters
- Deliver outstanding person-centred health and care.
- Adapt proactively to developments in the local and global healthcare sectors.
- Demonstrate our commitment to transforming healthcare in SA.
- Defend and grow sustainable profitability.
- Continue to develop visionary and effective leadership.

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>POTENTIAL IMPACTS</th>
</tr>
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<tbody>
<tr>
<td>Attracting and retaining specialists by providing access to quality nursing services and infrastructure.</td>
<td>Weak economic growth may prolong the short-term oversupply of private healthcare facilities.</td>
</tr>
<tr>
<td>Transferring and converting under-utilised beds to facilities and disciplines with high demand.</td>
<td>Intensified competition among healthcare providers for specialist skills, with specialists increasingly splitting their practices to open consulting rooms at competitor hospitals.</td>
</tr>
<tr>
<td>EMRs will strengthen healthcare practitioner, funder and patient relationships through enhanced clinical outcomes, more accurate and relevant clinical data and improved patient experience.</td>
<td>Decrease in hospital occupancy and market share.</td>
</tr>
</tbody>
</table>

GOVERNANCE
- Risk Committee.

ASSURANCE
Non-independent
- Executive Committee.
- Finance and Investment Committee.
- Group risk management function.

Independent
- No independent assurance required.

Availability and quality of skills

Description

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. The increase in the demand for healthcare, combined with a stagnant capacity to train doctors, also contributes to the increase in the average age of specialists still practising. An additional concern is the escalating cost of professional liability insurance for specialists, particularly in obstetrics and neurosurgery, which exacerbates the shortage in these specialities. Furthermore, the general uncertainty about the role of private medical schemes under NHI may accelerate specialist emigration.

Delays by accrediting authorities to accredit Netcare Education’s new nursing curriculums, as well as limits on the number of nursing students we are allowed to train, impact student intakes. These decisions may have far-reaching implications as they do little to alleviate SA’s severe shortage of nurses and mean that fewer younger nurses are trained to replace the ageing cohort of professional nurses currently in service.

OPPORTUNITIES

- Attaining HPCSA accreditation to train specialists and sub-specialists.
- EMRs will improve our ability to attract and retain specialists. They will also reduce the administrative burden on nurses, creating an attractive working environment where nurses are able to spend more time providing care.
- Providing employees with a working environment that is caring, inclusive and ethical, and rewards outstanding contributions to the business encourages the delivery of person-centred health and care.

POTENTIAL IMPACTS

- Sub-optimal and inconsistent quality of patient care.
- Limited ability to expand into higher demand disciplines and new service lines.
- Increased operating expenses as lost student hours are filled with more expensive nursing overtime and agency hours.
- Constrains efforts to increase access to healthcare and poses a risk for the sustainability of the healthcare industry.

GOVERNANCE

- Risk Committee.
- Social and Ethics Committee.

ASSURANCE

Non-independent

- Executive Committee.
- Operational Transformation Committee.
- Group risk management function.
- Physician Advisory Boards.
- HASA.
- Netcare Education.
- Universities.
- Health and Welfare Sector Education and Training Authority (HWSETA).

Independent

- South African Nursing Council.
Availability of electricity supply

Description
We depend on a secure and stable national electricity grid to provide care to patients 24 hours a day, 365 days a year. A spate of planned and unplanned electricity outages plagued SA during 2019, including stage four load shedding in February and March 2019. Eskom, which supplies about 95% of SA’s power, continues to contend with increasing debt levels and operational challenges; most of its power stations are nearing retirement age and have not been properly maintained, while the construction of two new power stations are running years behind schedule and over budget. Given the challenges that Eskom faces, the risk of load shedding will remain into the medium term.

Service platforms impacted
All service platforms.

Strategic priority
SP 1 Consistency of care

Capitals
- Relationship
- Manufactured and natural
- Financial

Material matter
- Deliver outstanding person-centred health and care.

OPPORTUNITY
- Implementing solutions to secure electricity, ensuring our ability to continue operating and deliver high-quality care during power outages, when competitors may not be able to do so.

POTENTIAL IMPACTS
- Disruption of normal business operations.
- Sub-optimal quality of patient care.
- Additional costs incurred relating to diesel consumption and staff required to limit disruption.
- Damaging implications of electricity supply disruption on many sectors, negatively impacting on investor confidence and an already strained economy.

GOVERNANCE
- Risk Committee.
- Social and Ethics Committee.

ASSURANCE
Non-independent
- Executive Committee.
- Sustainability Committee.
- Group risk management function.

Non-independent
- External recognition for environmental sustainability initiatives.
Water security

Description
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 ageing 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.

Service platforms impacted
All service platforms.

Strategic priority
SP 1 Consistency of care

Capitals
- Relationship
- Manufactured and natural
- Financial

Material matter
- Deliver outstanding person-centred health and care.


OPPORTUNITY
- Implementing solutions to secure water, ensuring our ability to continue operating and deliver high-quality care during water outages and in extreme weather conditions, when competitors may not be able to do so.

POTENTIAL IMPACTS
- Disruption of normal business operations.
- Sub-optimal quality of patient care.
- Damage to infrastructure from severe weather conditions.
- Increased need for healthcare due to poor water quality.

GOVERNANCE
- Risk Committee.
- Social and Ethics Committee.

ASSURANCE
Non-independent
- Executive Committee.
- Sustainability Committee.
- Group risk management function.
- External consultant.

Independent
- No independent assurance required.
Appropriately maintained plant and equipment

Description
Our investments in plant and equipment, including medical equipment, are integral to our value proposition to patients and healthcare practitioners, supporting our competitive advantage and ensuring the continuity of access to care. 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.

Service platforms impacted
All service platforms, except Akeso Clinics.

Strategic priorities
- SP 1: Consistency of care
- SP 4: Organic growth
- SP 6: Investment

Capitals
- Relationship
- Manufactured
- Financial

Material matters
- Deliver outstanding person-centred health and care.
- Defend and grow sustainable profitability.

OPPORTUNITY
- Maintaining a structured asset management system aligned to industry best practice to deliver enhanced stakeholder satisfaction and safety, as well as protect our brand and reputation.

POTENTIAL IMPACTS
- Improper maintenance of plant and equipment poses a risk to the safety of patients and employees.
- Sub-optimal clinical quality outcomes.
- Constrained ability to attract and retain healthcare specialists.

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.
- Internal quality review process.
- External consultants.
- HWSETA.

Independent
- Group Internal Audit.

How we performed

“ Our strategic aim is clear. We want to attract people to our unique ecosystem of services, whatever their health and care needs at every stage of their lives, and we want to be their trusted partner of choice in providing health and care of an outstanding quality.”

Richard Friedland

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Chief Executive Officer’s review

Globally, healthcare is being shaped by three mega trends: customer centricity, digitisation and data. Our strategy to provide person-centred health and care that is digitally enabled and data driven aligns strongly with these trends. As we implement our strategy within Netcare’s unique ecosystem of healthcare facilities, we will be able to serve our patients across the health and care continuum in a way that has not been done before in South Africa. We are firmly committed to being a powerful force for change; in our sector, in our society, and in environmental sustainability.

This has been a foundational year for Netcare. Despite significant short-term operational challenges, which we navigated successfully, we delivered on key strategic initiatives to position the Group positively for the long term. In 2019, we were not selected as an anchor provider for a major restricted network. This affected activity in our Hospital division and required significant effort to realign our operations to the impact. Largely as a result of this operational focus, Netcare nonetheless produced a resilient operational and financial performance. The benefits of our targeted optimisation and efficiency programmes, as well as strong cash flow generation and record cash conversion, underpinned this performance. You can find the details in the Chief Financial Officer’s analysis of our operational and financial performance.

In addition, we made strong progress in executing on our strategy and we are now able to demonstrate tangible and exciting progress in this regard. Throughout our integrated report, you will read about the many initiatives underway that are moving us definitively from planning to execution in operationalising a differentiated strategy; one that will set us apart and create a sustainable competitive advantage.

Every person’s journey is unique

In the same way no two fingerprints are the same, two people may have the same diagnosis but they will respond completely differently.

At Netcare, we recognise that everyone will have their own fears, and their own coping mechanisms. The way we live, the way we feel, all these create a unique outcome, which is impossible to determine beforehand. It means we can each take charge over the process. We are not beholden to statistical data. We are not linear. We are organic. We are individuals. Just like our fingerprints.

Our approach is designed with this in mind. Not the other way around.

The case for radical reinvention

The challenge of affordable access to quality healthcare is not unique to South Africa (SA), nor are we immune to the global trends of shifting disease burdens, rising life-expectancy and the increasing cost of medical innovation. Globally, healthcare delivery is in serious need of repair; it is increasingly unaffordable to governments, insurers and consumers alike.

Besides the unsustainable cost burden, comprehensively better healthcare outcomes continue to evade us despite the astounding advances of medical innovation. While life expectancy extends – with people over 60 expected to double by 2050 worldwide – the growing incidence of chronic disease, cancer and mental illness is unrelenting.

In developing markets, the number of people with a chronic condition has doubled since 2008 and is expected to increase by 57%, and to be responsible for almost eight out of every 10 deaths by 2020.
Spiralling costs are exacerbated by healthcare systems that are fragmented, siloed and uncoordinated with an overarching focus on acute episodic care. This often leads to a duplication of services, and a lack of follow up that impedes outcomes and drives cost and waste. For healthcare to be effective, as a complete system that incorporates optimally functioning privately and publicly funded services, it requires a radical transformation of the way professionals and society allocate responsibility for health and care. At Netcare, we have recognised that we too need to disrupt our traditional approach to providing healthcare. This mind-shift is reflected in our renewed strategy, and we are making good progress in operationalising it across the Group.

Our country suffers from a particularly deep and historic inequity in funding and access to affordable, quality healthcare. To this end, government released the second National Health Insurance (NHI) Amendment Bill in 2019. Netcare embraces the principles of universal healthcare and recognises that without addressing the broader healthcare needs of all South Africans, we cannot build a sustainable, just and healthy society. We fully support an inclusive approach to healthcare and are developing solutions that will improve affordability and access to care, primarily among those who are employed, but uninsured. We are planning to launch these services in 2020.

**Better outcomes through person-centred health and care**

We have begun to embed the shift to person-centred health and care. We are changing the way we think and work to provide a consistently outstanding continuum of care to our patients and their families, which is easy to access and seamless to navigate. Instead of our traditional focus on the acute episode of care, we are hard at work to ensure excellent care for patients not only in our facilities, but also in providing services that focus on their health before and after these acute episodes. Ultimately, by providing patients with their electronic medical records (EMRs), we want to foster a culture of participatory health and care – of patients assuming co-responsibility for their health and care.

Our strategic aim is clear. We want to attract people to our unique ecosystem of services, whatever their health and care needs at every stage of their lives, and we want to be their trusted partner of choice in providing health and care of an outstanding quality.

The philosophy of person-centred health and care is not new. Ironically, it is radical because it returns our focus to the person who has been at the heart of our calling since the advent of medical care. It emphasises that medical intervention can treat disease, but that true care for an individual person requires compassion – a combination of empathy and action – as much as it requires medicine. Interpersonal relationships defined by compassion might be considered the soft side of health and care, but they can make or mar hard clinical outcomes. Person-centred health and care is also thoroughly aligned to the social trends that are seeing people’s demand for greater agency – greater choice, greater personalisation and greater convenience.

At the centre of this continuum of care is a person empowered with knowledge to make informed health choices, supported by practitioners who co-ordinate care and help them to conveniently access a comprehensive suite of services ranging from health promotive support and disease prevention to specialist and supportive care. For example, our newly launched service, Appointmed, is helping our patients to select and make appointments with appropriate practitioners in our network, as well as to understand their medical aid benefits and cost implications.

The explosion of consumer wearable health devices and applications should dispel any doubt that people are not only willing to take on greater responsibility for their own health, but are matching it with time and money. Netcare, through its unique and increasingly integrated ecosystem of services, is strongly positioned to respond to the need for greater co-responsibility for health – to support health-seeking lifestyles, rather than just providing episodic clinical services. This represents a meaningful opportunity to unlock benefits for our patients, and thereby our other stakeholders.

In the last year, we have progressed several programmes premised on our patients becoming active partners in their journey with us. These include our cancer care navigation programme to co-ordinate the complex oncology treatment journey. This programme is being refined based on the feedback of the patients in the pilot study, which confirmed the viability of extending the service beyond treatment to include screening.

Also part of our cancer care offering, we have introduced supportive care units focusing on symptom management and comfort for patients with life threatening diseases at two of our hospitals, following a successful pilot with positive feedback from patients’ families and endorsement from medical schemes.

Another example is our shared care haemodialysis programme, where patients are trained to administer their own dialysis, which has reduced mortality and hospitalisation rates and received positive feedback from patients who feel a greater sense of purpose and meaning in their treatment.
From passion to compassion

Globally, healthcare workers are suffering from alarmingly high levels of fatigue and burnout. Doctors and nurses often complain that demonstrating empathy to patients in need is exhausting. New research shows there is indeed truth to this, with functional magnetic resonance imaging (MRI) scans demonstrating that when caregivers are empathetic, it stimulates the brain’s pain centres. However, when caregivers are able to combine empathy with an offer of assistance or help, functional MRI scans show that the wellbeing centres in the brain are stimulated.

A meta-analysis of the research in this field by Stephen Trzeciak and Anthony Mazzarelli in their book Compassionomics (2019) shows that compassion, in other words empathy plus action, creates a sense of wellbeing and purpose, and is in fact an antidote to burnout. In addition, the impact on patients’ recovery, compliance to medication and wellbeing is also greatly enhanced. As a result of this seminal research, we changed our value of Passion to Compassion in the year, and are developing programmes to instil this new behaviour among our nurses and doctors in the coming year.

Digitisation and data for effectiveness and integration

The case for digitisation and data in enabling a transformed healthcare delivery model is compelling. As a central component, the value of electronic medical recordkeeping has been appreciated and pursued by highly developed healthcare systems for decades – but often with frustratingly poor results. However, massive improvements in secure cloud computing power, digitisation of patient monitoring systems and the emergence of the internet of things (IoT) are bringing the envisaged benefits within reach.

Our Group-wide digital strategy will set a new African standard for a digitised, integrated and mobile health and care platform. The comprehensive digitisation of our processes, associated with the implementation of an EMR system, will enable a new level of accuracy, accountability, predictability and convenience in our relationships with our patients and partners in the healthcare ecosystem. It will mean less fragmented and duplicated services, and eliminate waste, to ensure better and safer clinical outcomes and patient experiences far more efficiently. Importantly, we ultimately want patients to be able to access their health records digitally on their smart phones or computers.

Our CareOn pilot project in the Hospital division has exceeded our expectations, connecting the people, processes and machines required to deliver the best and safest care in a way that has not been done before in SA. Remarkably, we were able to ‘leapfrog’ from paper-based to fully mobile in implementing the EMR system, by-passing the need for a static computer interface at the patient’s bedside, which is typical in EMR implementations elsewhere in the world. Instead, we have been able to provide our doctors with mobile access to the system, away from the bedside and even outside the facility, from the outset. We have contracted with global IT giants in this profound re-engineering of the way we work, which has been instrumental in the success of the pilot programme despite the onerous risk and cost management parameters we have imposed on them.

Most importantly, the pilot programme is demonstrating significantly enhanced value for our nurses and doctors. The acceptance of this radical new way of working will remain a major risk factor to the project until it is fully rolled out and is being carefully managed and monitored. Thus far, acceptance by nurses, doctors and allied healthcare practitioners has surpassed our initial expectations. Nurses in particular have embraced the move to EMRs and their adoption of this new system has been very encouraging.

Our EMR pilot in the Primary Care division, in partnership with Altron, is advancing well and will be rolled out over the next 18 months. Plans to digitise Akeso Clinics, Netcare Cancer Care Services and National Renal Care are progressing well.

The Healthcare Information Management Systems Society: Electronic Medical Record Adoption Model (HIMSS) is informing our roll out of the CareOn system. This provides external assurance benchmarked against assessment data from 19 000 hospitals around the world on the EMR implementation journey. This data shows the correlation between successive levels of digitisation and integration, and patient safety, quality care and clinical outcomes.

The quality, quantity and accuracy of data we capture will be boosted exponentially by the digitisation of patient monitoring systems. Our integrated report details our progress in adopting technologies founded in the IoT that integrate real-time data capture by, and communication between, clinical monitoring equipment. Apart from the substantial advantages this holds in capturing data and monitoring vital statistics accurately and continuously, digitisation is freeing our nursing professionals from the critical, but often mundane, task of recording patients’ responses to disease and treatment progression. Thanks to the most sophisticated equipment, nurses will have the time to provide the compassionate care that is at the core of their calling and at the heart of our strategy. Our ultimate aim is to shift the focus of nurses from primarily managing records, to rather interpreting them and focusing on engaging with and managing our patients.

Our investment in data utilisation is aimed at extracting the maximum value from our data assets, including predictive analyses of outcomes, of the financial and administrative effectiveness of our processes as well as our targeted growth areas and development of new services for the medically uninsured market. Population based analyses of treatment protocols and outcomes can, and will, inform rapid and better clinical decision-making.
We have already proven the benefits of digital processes at Netcare 911, the only fully digitised emergency service provider in Africa and one of only a handful globally. Our ability to geolocate patients, predict usage patterns through trend analysis and manage our resources accordingly, has seen Netcare 911 reduce its average response time to a world-class 15.5 minutes with no additional commitment of assets. Harnessing the power of data, we have been able to conclusively show that the probability of survival for critically injured patients at a Level 1 accredited trauma centre is a staggering 76% higher. We are also excited about the potential of applying machine learning in our antibiotic stewardship programme to predict infection outbreaks and proactively manage this critical medical risk.

**Patient satisfaction, quality and outcomes**

Healthcare, with its capital intensive medical innovation and treatment protocols delivered in high impact, high risk and highly regulated operating environments, is no longer exempt from the need to also deliver a customer experience commensurate with other sectors that do not necessarily face the same restrictive operational parameters. The reorientation of our ecosystem of services around the person in our care, supported by the digitisation of our processes, will position Netcare to lead a paradigm shift in safety, quality and experience outcomes for our patients.

This year we were again grateful to be awarded the Ask Afrika Orange Index Award for service excellence in the private hospitals category (and ranked in the top 5% of 188 companies measured). This is the fourth year that we have achieved this accolade. However, we acknowledge that we have not managed to gain sufficient ground in delivering an outstanding patient experience, with little improvement in our patient satisfaction scores over the last few years. In this regard, we are encouraged by the outcomes demonstrated by two pilot projects that are amplifying the voice of our nursing staff in designing programmes to deliver truly person-centred health and care.

The first project applies behavioural economics theory to promote intrinsic motivation among our nursing and support staff, and was developed based on their perspectives about what type of recognition was important to them. It incorporates resilience and self-awareness training, and importantly, new ways of recognising the contribution our employees make in the lives of our patients – beyond remuneration. The second pilot project is empowering our nurses to engage more meaningfully with our patients and to actively demonstrate compassion. Nurses were re-trained on disease profiles and symptoms and encouraged to communicate the condition of their patients in their notes rather than merely recording statistics. The pilot has shown improved outcomes in patient safety and experience, and our nurses were positive about the closer engagement with the individuals in their care and heightened awareness of their holistic needs.

An important aspect of tracking our progress towards differentiation this year has been to deepen the measurement of our clinical outcomes. I am delighted to refer you to the comprehensive clinical outcomes we have published in this report, and our commitment to improving measurability over time as our data collection and analysis processes mature. This is not only important in driving improvement at individual facility level, but as we move towards value-based contracting, we need to be able to objectively demonstrate ongoing improvement in patient outcomes and safety.

We have work to do in this regard. While our clinical outcomes compare favourably with developed healthcare systems in the rest of the world, we are not yet adequately differentiated against our competitors. Our improvement programmes are pervasive, scientifically and academically founded in best practices, peer reviewed and independently endorsed. We have developed a Group dashboard, in consultation with our service platforms, that provides semi-live data to support the management of clinical quality in our operating units. Importantly, as we digitise all of our clinical platforms, the accuracy of our data will improve immeasurably. Critically, our data analytics will also allow us to objectively determine the efficacy of certain treatment modalities and pathways, and provide us with the predictive tools to proactively either prevent or avoid completely any potential complications arising in patients’ treatment.

Ultimately, consistency of care requires a collaborative and compassionate approach across the full spectrum from primary and emergency to specialist and supportive care. This begins with our employees. Besides the holistic value proposition we offer to our employees, people management interventions have been carefully tailored to support the execution of our strategy. Our change management programmes are thorough, focused on driving acceptance of change and developing the resilience skills needed to ensure the successful implementation of our strategic initiatives. Our development programmes are designed to equip leaders to effectively engage and support employees impacted by change.

Health and care, perhaps more than any other sector, relies on trust among all stakeholders. Our efforts to deepen mutual trust between Netcare and the people we serve, our patients, and our people and partners in the value chain, are illustrated throughout our integrated report. Our strategy will only succeed if we deepen the value proposition to all our stakeholders over the longer term.

Medical practitioners, though not Netcare employees, are at the forefront of our services and are often seen as the face of Netcare. Specialist medical skills are scarce in SA and we compete for them not only with other networks in this country but around the world. It is therefore critical that we create an environment conducive to them achieving their personal and professional ambitions. The same applies to general practitioners (GPs) who are the gatekeepers of specialist care. In this context, our programmatic efforts to
engage continuously with clinicians, and to benchmark their clinical performance and appropriate utilisation of our services, are aimed at an enhanced and competitive value proposition for doctors at Netcare. Details of these mechanisms are described in our report, and their effectiveness has resulted in a net gain of 112 specialists granted practicing privileges at Netcare.

**Opportunities for growth**

We believe the South African healthcare sector offers significant opportunities for growth, not despite of, but as a result of the need to adjust to the socioeconomic challenges and the inequity in healthcare. As mentioned, we intend to target a new market, to give more people access to quality services. The private sector currently covers only eight million medically insured people, of a total potential market of 21 million South Africans who are employed but medically uninsured (shown in the diagram below). We are leveraging our ecosystem of services, spare capacity across the network and entering into strategic partnerships with other like-minded firms to design relevant and appropriately priced service offerings for this market.

**Healthcare expenditure R400 billion**

<table>
<thead>
<tr>
<th>Healthcare expenditure R400 billion</th>
<th>% population: 84%</th>
<th>% population: 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>R220 billion = 55% (US$338 spend per capita)</td>
<td>24m</td>
<td>8m</td>
</tr>
<tr>
<td>R180 billion = 45% (US$1 500 spend per capita)</td>
<td>6m</td>
<td>8m</td>
</tr>
<tr>
<td>24m Unemployment</td>
<td>8m Informal sector</td>
<td>6m Formal sector (SMMEs)</td>
</tr>
<tr>
<td>8m Formal sector &amp; civil servants</td>
<td></td>
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</tbody>
</table>

We are growing our occupational health offering, providing employers with a suite of well-priced services, based on our comprehensive service lines across primary, secondary and tertiary healthcare. This will give us a channel to new segments of this underserved market.

Mental health is, arguably, the most neglected aspect of medical care around the world, despite evidence that modern life is exacting a heavy toll on the psychological wellbeing of rapidly increasing numbers of people. Our acquisition of Akeso Clinics is not only proving strategically sound, but also reflects our commitment to the wellbeing of some of society's most vulnerable people. The prevalence of depression in SA is on par with the rest of the world, but our relatively small number of psychiatrists and psychologists are simply not enough to provide the extent of quality care that is needed. Perhaps the most telling proof that mental healthcare resources fall far short of the need, is that our country has an estimated 5 000-bed shortfall in in-patient mental health facilities.

Akeso Clinics has responded to this shortfall by opening 57 additional beds in the year, and the brownfields and greenfields expansion of its capacity continues. We are committed to instilling a culture of mental health awareness and implementing specific measures to monitor and improve our patients' psychological wellbeing throughout our integrated care network, not just within the specialised wards of Akeso Clinics. Beyond that, the demand represents opportunities to expand Akeso Clinics’ services geographically – mental health services are largely restricted to urban areas – and to patients who need help but do not require intensive in-patient care.

**A powerful force for social good**

We strongly believe that we can be a force for social good and are absolutely committed to transforming our business environment based on the principle of social and economic equality and inclusion for all.

We made strong progress in 2019 to achieve a Level 4 broad-based black economic empowerment (B-BBEE) rating, a significant improvement from the Level 5 in 2018 and Level 8 in 2017. While these scores are an important yardstick, the tangible developments and improvements that have been achieved are what matters. At our interim results, we alluded to efforts to improve our ownership profile and I am pleased that we are able to conclude our B-BBEE ownership share scheme. Under the scheme, we have allocated 61 million Netcare shares available under our existing B-BBEE scheme, benefiting 20 350 Netcare employees of whom 80% are black and 65% are black women. Importantly, we have made significant strides in enterprise and supplier development, a cornerstone of transforming our economy that we embrace fully within Netcare. We also made good progress in all other areas of transformation and I urge you to read the details in the society and our people sections of our integrated report.

We are also applying innovative thinking to be a force for social good in our commitment to environmental sustainability. In 2013, we set ourselves a target of reducing our energy intensity footprint by 30% over 10 years. After six years, we have achieved a 21% decrease. Netcare leads the continent in environmental sustainability in healthcare and this year we received both local and international recognition. Netcare became the first healthcare company to receive the 2019 Association of Energy Engineers (USA) Sub-Saharan Corporate Company of the Year Award. This followed the receipt of four awards in the 2020 Health Care Climate Challenge by Global Green and Healthy Hospitals. These awards place Netcare second in the world measured against more than 1 200 members, across 60 countries and 36 000 hospitals. And finally, we were awarded the Corporate Company and Corporate Project of the Year awards by the South African Energy Efficiency Confederation.
Closing and appreciation

For Netcare to become truly outstanding, we cannot rely on doing the same things better than we did before. Simply being innovative is no longer good enough, nor will incremental changes result in a healthier population at a lower cost to society. To urgently and dramatically increase productivity, lower health risks and improve overall outcomes, we are disrupting the status quo and making many aspects of our traditional business model obsolete.

Understandably, this presents challenges for our leaders, owners and employees of Netcare whose interests – skills, reward, capital and indeed their very identity – have been vested in the status quo.

For this reason I am grateful for and delighted by the willingness of our teams across the Group, and our partners in the value chain, to embrace a disruptive mindset and to support us in changing the paradigm of what we do on a daily basis. I am also confident of and grateful for the support of our shareholders. They understand that this is not reckless disruption for its own sake, but a considered strategic response to an exponentially changing operating context.

It is undoubtedly ambitious, but we believe we have the attributes to deliver it (as illustrated alongside).

My sincere thanks go to every member of the Netcare family for their extraordinary commitment and compassionate care for our patients over the past year, even in the throes of great change. Their efforts allowed us to make strides in our intention to show how person-centred health and care, digitally enabled and data driven is a solution not only for Netcare but by natural extension, for SA. I also thank our Chair and her fellow Board members for their ongoing guidance and support on this new path for Netcare.

We believe we have the right strategy to create sustainable competitive advantage in an ever-changing world, and an opportunity to make a vital contribution to SA’s wellbeing through our comprehensive and increasingly integrated services, and more broadly within our sphere of influence.

Dr Richard Friedland
Group Chief Executive Officer

What allows us to own this space?

Our hearts
We act with empathy, compassion and respect for every person we engage with.

Our minds
Our standards, expectations and talent are world-class and we understand that it is people's lives we are dealing with, which means only the best is good enough.

Our data and our systems
We are restless. Constantly investing in our data, systems, services and technology that make us more efficient, more accurate, more connected and more insightful. All of which empowers our people to engage on a more personal level.

Our network
Our facilities, infrastructure and holistic approach as a Group give us unparalleled reach, scale and ability to serve the people and communities of this country.

An ambition that aligns our organisation and informs engagement on every level.
Executive Committee

Dr Richard Friedland /57

BvSc, MBBCh (Cum Laude), Dip Fin Man, MBA
Chief Executive Officer
Joined Medicross in 1995 and Netcare in 1997

Keith Gibson /49

BAcc, CA(SA)
Chief Financial Officer
Joined in 2006

Lynelle Bagwandeen /44

BSc, LLB (Summa Cum Laude), LLM, FCIS
Company Secretary and General Counsel
Joined in 2011
Attends all committee meetings as Company Secretary.

Mark Bishop /51

BCom
Commercial Director
Joined in 2002

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
Relationship capital

Our patients

Our consistency of care strategy is operationalised using an integrated and collaborative approach across all our service platforms, and is increasingly digitally enabled and data driven. The inter-related objectives of the Quadruple Aim1 for better healthcare system performance guide our efforts in achieving an integrated, personalised and person-centred health and care offering, ensuring we achieve the best clinical outcome, best patient experience at the most efficient cost.

What we mean

<table>
<thead>
<tr>
<th>Person-centred</th>
<th>Health and care</th>
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<tbody>
<tr>
<td>Putting patients at the centre of everything we do is our priority.</td>
<td>We are committed to providing high quality care.</td>
</tr>
<tr>
<td>We recognise patients as individuals, and understand that every patient's journey is unique.</td>
<td>We are expanding our mindset to include wellness before and after care.</td>
</tr>
<tr>
<td>Patients are seen as partners, and encouraged to actively participate in managing their own health and care needs.</td>
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Consistency of care strategy

Pillars that underpin our consistency of care strategy

Pillar 1: Integrated quality management system
Supporting a culture of continuous improvement.

Clinical outcomes reporting, theme 2: page 78.

Pillar 2: Patient safety
Driving a culture of openness and collaboration.

Clinical outcomes reporting, themes 1, 3 and 4: pages 76, 80 and 81 respectively.

Pillar 3: Quality outcomes
Focused clinical improvement projects.

Pillar 4: Digitisation, data and reporting
Embracing digitisation and data analytics to support clinical decision-making.

Pillar 5: Patient experience
Integrating the patient's voice into health and care delivery to provide a more personalised and participatory approach to health and care.

Consistency of care

Pillar 1

Integrated quality management system

Our world-class quality management system (QMS) focuses management’s attention on the proficiency and engagement of our healthcare practitioners and patient-facing employees, and on compliance with Netcare standard operating procedures, the National Department of Health’s (DoH) Core Standards and other legal requirements.

Accreditation

**Group-wide**

- **British Standards Institution (BSI):** re-awarded Netcare centralised ISO 9001:2015 certification in 2019, covering the Hospital division, Netcare Cancer Care (radiotherapy), Netcare 911, Medicross, National Renal Care and Netcare Education.

- **Netcare Education (registered with the Department of Higher Education):** programmes are accredited by the Council on Higher Education*, and Netcare Education holds full programme and institutional accreditation by the South African Nursing Council (SANC)*.

**Hospital division**

- **26 Netcare emergency departments (Level 1 = 3, Level 2 = 5, Level 3 = 18):** accredited by the Trauma Society of South Africa*. The remaining emergency departments will be accredited in 2020.

- **Netcare Park Lane Hospital’s breast MRI and mammography services:** facilities 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-accreditation by the South African Oncology Consortium*.

- **Netcare Milpark Hospital Breast Care Centre:** re-accredited by the National Accreditation Programme for Breast Centres (a certification administered by American College of Surgeons).

- **Medical Physics:** holds ISO/IEC17020:2012 accreditation as an inspection body in quality assurance x-ray.

- **The Netcare dosimetry service:** holds ISO/IEC17025:2017 as a testing laboratory.

**National Renal Care**

- **13 National Renal Care facilities:** accredited by the Health Professionals Council of South Africa* for training clinical technology students.

- **18 National Renal Care facilities:** accredited by SANC* for training nephrology nursing students.

Our clinical governance framework includes:

- Detailed balanced scorecards across all service platforms measuring progress against consistency of care objectives.

- Internal quality reviews, which include quality review tools that support self-assessments and independent internal assurance conducted by subject matter experts within the Group and Group Internal Audit. The reviews direct corrective actions, improvement initiatives and shared learning across service platforms and facilities.

- Verification of internal assurance by external independent accreditors.

- Annual inspections by provincial departments of health as part of the licence renewal process.

**2019 performance**

- Conducted internal quality reviews and BSI conducted its annual surveillance audits in a sample of facilities across all service platforms.

- Achieved Level 1 Trauma Centre accreditation at Netcare St Anne’s Hospital in Pietermaritzburg, KwaZulu-Natal.

- Designed and implemented an enhanced Group-wide occupational health and safety (OHS) framework, and started implementing a Group-wide strategic waste management plan.

**Looking forward**

- Achieve ISO 9001:2015 certification at the four Netcare managed chemotherapy units in the 2020 calendar year.

- Design and implement a quality management system for Akeso Clinics; a two-year project aimed at achieving ISO 9001:2015 accreditation in 2021.

* South African accreditations.
Looking forward

Expand data analysis to promote enhanced and proactive patient safety management by:
- Developing antibiotic consumption models at hospital level to be included in the 2020 balanced scorecards.
- Implementing a multidrug-resistant outbreak prediction model in 2020.
- Using big data and artificial intelligence to develop a model to predict re-admissions and mortalities in 2020.
- Developing risk-adjusted models that consider disease burden and the unique clinical contexts of different hospitals.
Key strategic initiatives

Working with our patients as partners

Cancer navigation programme
Patient navigation delivers person-centred health and care that eliminates barriers to timely care and provides co-ordination between the patient and the oncology team, supporting patients through an often complex and fragmented care continuum. The cancer navigation initiative focuses on the person at the centre of our care, and enhances treatment adherence, reduces duplication of tests and diagnostics, and improves health outcomes, which benefits patients and their families, doctors and funders. Our navigators have oncology experience and are trained through certified online navigation programmes. Since October 2018, navigators have assisted 572 patients across 15 hospitals nationally that have high admission rates for cancer. The programme will be rolled out to a further four hospitals in 2020.

Looking forward, we will continue to consolidate oncology services in dedicated Netcare Cancer Centres, where patients can receive their full treatment and future care supported by navigators and multi-disciplinary teams. This is widely accepted globally as the gold standard of cancer care delivery. We will also standardise the measurement of our navigator programme in line with the requirements for AONN+ certification. This certification is provided to those trained specifically as Oncology Nurse Navigators and ensures that accredited members have the specific knowledge, skills and experience required for specialisation in this field.

Supportive care
Supportive care is a value-based service that improves the quality of life of patients with life-threatening illnesses, focusing on symptom management and comfort. Our first supportive care unit at Netcare Linksfield Hospital combines the best of acute hospital quality and the comfort of supportive care, including the involvement of family members. The unit is staffed with a doctor and nursing team trained in supportive care. Patients receive psychosocial and emotional support in addition to medical care. Since the launch in October 2018, there have been 63 patient admissions and patient and family feedback has been positive. A second supportive care unit was opened in Netcare Pinehaven Hospital in August 2019.

Transitional ICU
At Netcare Rosebank Hospital we are piloting a four-bed transitional care ICU for patients needing long-term intensive care. We have developed screening and transition criteria for these patients, focusing on appropriate nursing care tailored to patient specific conditions. The pilot aims to improve clinical outcomes at a lower tariff to funders and, in addition, optimise hospital bed utilisation through an innovative new service line. The service embraces the patient support network, including family members, in the journey to recovery, providing a more holistic approach.

Shared care haemodialysis
Around 80% of new patients initiate dialysis with a catheter, a practice that has remained unchanged over time. Studies have shown that compared to conventional haemodialysis, shared care programmes where patients participate in the dialysis process result in fewer hospital events, fewer missed treatments and lower mortality rates. Our shared care programme provides patients with three months of training on self-needling. Feedback from patients has been positive with patients feeling that they have a sense of purpose due to their involvement in their own care.

Making health and care accessible to a new market
During the year, we increased our focus on providing occupational healthcare for the employed but uninsured market. Primary Care's occupational health business offers employers a comprehensive suite of services, including occupational and primary healthcare, specialist referral and hospitalisation.

3. Dr Ernest Jones and colleagues in Nephrology News & Issues.

Pillar 4

Digitisation, data and reporting

Clinical improvement initiatives are informed by comprehensive data. Our digitisation strategy aims to implement integrated, digital, clinical solutions for the Group, enhancing patient safety and quality of care while empowering our people to engage in a more personalised and compassionate way. For our nurses, less time spent on administration means more time spent caring for patients. As our EMR project is rolled out, our patients will benefit from a more comprehensive and holistic view of their medical and treatment history, with profound implications for clinical outcomes and convenient access to our services.

EMRs: page 102.
Benefits of EMRs for doctors and funders: page 84 and 85 respectively.
The Netcare Way is continually reinforced in training and induction programmes across service platforms. Supporting programmes include Caring the Netcare Way, which guides interactions with patients, and the Netcare Way of Improvement, which focuses on our QMS. Leading the Netcare Way increases levels of resilience and empathy among hospital nursing units as well as human resources managers, and Nursing the Netcare Way addresses the prevailing personal and professional challenges experienced by nurses. Nurse performance is formally assessed twice a year with continuous monitoring on a regular basis. Half of a nurse’s performance score is based on the Netcare Way behaviours.

**Pillar 5**

**Patient experience**

Patients who participate in making decisions regarding their treatment, and whose personal values and desired outcomes are considered, are more likely to adhere to treatment protocols, supporting improved clinical outcomes.

**Our patient experience focus areas**

- **Increased awareness**
  - Provide patients with information so that they know what to expect during hospitalisation or an episode of care.

- **Empower**
  - Educate patients on their rights and provide them with the tools to ask the right questions.

- **Engage**
  - Involve patients in key processes that define their experience.

- **Activate**
  - Enable patients to make informed decisions and participate in their own care.

**2019 performance**

- Appointed a dedicated resource to develop and co-ordinate an end-to-end person-centred engagement strategy across all service platforms.
- Implemented a new complaints management system – in line with ISO governance requirements – in the Hospital division to standardise and improve the complaints management process, reduce administrative time and improve the integrity of data pertaining to patient feedback and complaints. This data will be applied in driving operational improvement and patient experience.
- Delivered training on Caring the Netcare Way to 3,105 employees (2018: 2,458).
- Introduced a customised experience survey for families of patients in supportive care.
- Introduced a welcome handbook for hospital patients, which covers a range of topics, including the pre-admission and admission process, pain management and medication, ways to help recovery, discharge information, billing and claims.
- Published educational booklets to help navigators educate our patients on their specific cancer type.
- Continued to engage with hospitals on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey outcomes and their projects to improve patient experience.
- Distributed flyers and letters, targeting patients and their families, throughout Netcare Milpark Hospital and doctors’ rooms explaining the change to EMRs and the associated benefits.

Theme 5 of our clinical outcomes reporting: page 83.
**Key strategic initiatives**

**Amplifying the voice of our employees in our person-centred approach**

Enhancing patient satisfaction and perception of care remains an ongoing challenge despite several training programmes. We are piloting an employee recognition programme based on behavioural economics (the study of the psychology of decision-making) and change. Our goal is to understand how to reconnect employees with intrinsic motivation – the motivation to behave in a certain way because it is naturally satisfying. Engagement with our care ambassadors has provided valuable insight, particularly a need to:

- Recognise teams for good work rather than only acting on complaints.
- Involve the patient in the programme.
- Enhance management support and communication.
- Drive better relationships between nurses and doctors.
- Pre-emptively manage burnout through resilience training and support interventions.

The project uses a revised patient survey to measure Netcare behaviours as well as tangible activities such as hand hygiene, noise at night, response time to call bells, medicine explanation and person-centred engagement. Rewards include internal recognition and gratitude cards from patients. The project is informed by training material developed in collaboration with Akeso Clinics on topics including compassion, resilience and self-care.

**Helping patients find and access the appropriate doctor for their health and care needs**

In March 2019, we launched Appointmed, a telephonic service enabling the public and GPs to make appointments with a wide range of specialists and Medicross healthcare practitioners. The service also provides patients with access to well trained representatives who can explain medical aid rates, scales of benefits, co-payments and charge implications for medical decisions and procedures. In addition to this, call centre representatives can help patients to select an appropriate practitioner. Appointmed has been externally evaluated against applicable ISO standards. The service is currently available in 24 Netcare hospitals and 18 Medicross clinics in Gauteng, with full roll out expected by mid-2020. Appointments are made by agents and inserted either directly into doctors’ calendars or are added manually for those without electronic access. The service is offered at no cost to doctors.

**Looking forward**

- Implement a ‘compassion always’ project to infuse our every behaviour with compassion, creating a culture of caregiving and employee engagement that directly drives organisational success.
- Develop the Appointmed service to include web and mobile touch points and increase the number of hospital doctors registered.
- Revise Netcare’s corporate website to seamlessly navigate potential patients through our various service platforms and combine Netcare’s four smartphone apps as well as the new Cancer Care app, into a single Netcare app. The new stakeholder-informed Cancer Care app will provide patients with improved access to their navigator and schedules, along with disease and treatment information.
- Publish educational material on how to manage the side effects of cancer treatments, as well as the nutritional support for patients before, during and after treatment.
- Explore the use of advanced analytics to better understand factors influencing patient satisfaction, and apply machine learning algorithms to process comments included in patient feedback forms, to provide qualitative insights.

**Appointment calls**

Over 50 000 calls culminating in over 10 000 appointments.
Clinical outcomes reporting

The value of care is defined as the results or outcomes (outputs) achieved relative to the cost incurred or resources applied (inputs) to generate these outcomes. To achieve the best and safest care, we must measure both what is being done (processes) and the results achieved (outcomes).

Our clinical outcomes measures are organised in the five themes reported below.

Time matters

Under certain conditions, specifically in emergency situations, time is essential to improving outcomes and reducing the cost of care.

Emergency medical services response time

Netcare 911’s ‘time saves lives’ initiative endeavours to innovatively use technology and big data to reduce response time, a primary indicator of emergency medical services (EMS) effectiveness. The time it takes from the EMS receiving a call for help to the EMS team arriving and initiating care, is positively correlated with patient outcomes. In 2017, we broke the 20-minute barrier, an achievement that would not have been feasible without the introduction of machine learning processes.

In 2019, we are proud to have achieved a median response time of 15.5 minutes, with our most recent initiatives being:

- The ‘Netcare 911 Locate Me’ service accessed through the Netcare app uses automated SMS geolocation to identify and auto-populate a caller’s address, reducing call handling time and increasing accuracy of location.
- The use of big data and advanced real-time analytics to place vehicles where they are most likely to be needed has resulted in better outcomes without additional resources or cost, meaning we are able to operate a more efficient fleet without compromising the volume of patients transported.

Netcare 911 outcomes

(lower score is better)

<table>
<thead>
<tr>
<th>Year</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>2011</td>
<td>40</td>
</tr>
<tr>
<td>2012</td>
<td>35</td>
</tr>
<tr>
<td>2013</td>
<td>28</td>
</tr>
<tr>
<td>2014</td>
<td>20</td>
</tr>
<tr>
<td>2015</td>
<td>22</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
</tr>
<tr>
<td>2017</td>
<td>16</td>
</tr>
<tr>
<td>2018</td>
<td>22</td>
</tr>
<tr>
<td>2019</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Achieved using technology and big data

Measures definition: the average (2011-2016) and median (2017 to 2019) time in minutes from call answered to the EMS vehicle’s arrival at the scene (response time).

Improved survival prospects for Priority 1 trauma patients (those requiring immediate resuscitation and stabilisation)

International literature demonstrates a link between trauma-specialised care and a decrease in mortality. We operate the only three accredited Level 1 trauma centres in Africa, certified by the Trauma Society of South Africa. A Level 1 trauma centre is capable of providing leadership and total care for every aspect of injury, from prevention through to rehabilitation, and has 24-hour availability of all major specialties with a trauma surgeon as director.

Netcare outcomes

Using five years of emergency department data for Priority 1 trauma patients and advanced analytics, the results show that the accredited Level 1 trauma centres at Netcare Milpark and Netcare Union hospitals, achieved a 76% increase in chances of survival for Priority 1 trauma patients, all other things being equal. Netcare St Anne's Hospital is newly accredited and was not included in the study.

Reducing time to administer antibiotics

Risk of mortality increases by 7.6% for every hour of delay in the administration of antimicrobial therapy in patients with sepsis. Hospital logistics determine ‘hang time’, defined as the time elapsed from the written antibiotic order to actual intravenous administration. Our improvements in hang time are the result of many operational interventions and close collaboration between our nursing and pharmacy teams.

Netcare outcomes

<table>
<thead>
<tr>
<th>Hang time (higher score is better)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hang time compliance</td>
<td>86.0%</td>
<td>84.8%</td>
<td>77.8%</td>
</tr>
</tbody>
</table>

Measure definition: the percentage of patients who received the first dose of their antibiotic within one hour of it being prescribed based on data collected by pharmacists reviewing patient charts.

Emergency department waiting time (Priority 3 patients) (those with non-urgent, non-critical ailments)

Waiting times for Priority 3 patients vary significantly across emergency departments and tend to be far longer than for more critical patients. Both actual and perceived waiting times impact a patient’s experience.

Key strategic initiative

Providing Priority 3 patients with waiting time information

Currently, Priority 3 patients in SA have no access to waiting time information in emergency departments. We are using machine learning to predict waiting time for this group of patients to within a 15-minute interval, taking into account time of arrival, the hospital concerned and the number of patients already being attended to.

The model is being tested with real-time data at Netcare Linksfield Hospital's emergency department. Providing patients with this information enables us to better manage their expectations and gives them the option to visit the hospital in their area with the shortest emergency department waiting time. Our objective is to share waiting times with Priority 3 patients across all our emergency departments.

6. Source: Kumar, A. et al. (2006). Duration of hypotension before initiation of effective antimicrobial therapy is the critical determinant of survival in human septic shock. Critical Care Medicine, 34, 1589–1596.
Falls and pressure lesions

Our prevention strategies for falls and Stage III and IV pressure lesions (wounds that have become large and deep, reaching muscle and bone) include evidence-based assessment of patients. We use the Morse Fall Scale to identify patients at risk of falling and the adapted Norton Scale to assess the likelihood of a pressure lesion developing for a particular patient. Special precautions are then applied for patients identified as being at risk.

Netcare outcomes

A patient’s risk of falling and being injured when admitted to a Netcare hospital is 0.1%, a result that is lower than the ranges published in international studies. A patient admitted to a Netcare hospital has a 0.01% chance of acquiring a Stage III or IV pressure lesion. These rates have increased marginally off a very low base in 2017/18 due to embedding a culture of increased reporting.

<table>
<thead>
<tr>
<th>Falls and lesions (lower score is better)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Falls with injury (per 1 000 admissions)</td>
<td>1.06</td>
<td>1.00</td>
<td>0.99</td>
</tr>
<tr>
<td>Stage III and IV pressure lesions (per 1 000 admissions)</td>
<td>0.14</td>
<td>0.13</td>
<td>0.14</td>
</tr>
</tbody>
</table>

Measure definition for falls with injury: in-hospital falls with injury per 1 000 admissions for patients older than 18 years.

Measure definition for pressure lesions: Stage III and IV pressure lesions acquired in hospital per 1 000 admissions for surgical or medical patients 18 years and older. Excludes admissions of less than three days and obstetric patients.

Infection prevention and control

People, technology and data underpin our infection prevention and control (IPC) efforts to address the global health risk of infections caused by organisms that are resistant to many of the drugs available. One of the most effective ways to prevent the spread of infections is for doctors, nurses, patients and visitors to wash their hands. We are exploring innovative behavioural and training solutions to improve compliance to hand hygiene practices, which is monitored using a Netcare developed app.

Other IPC practices and interventions include:

- Surveillance programmes to identify organisms of concern, drug resistance and hospital acquired infections (HAI).
- Screening patients on admission to identify the presence of drug resistant organisms.
- Monitoring compliance with clinical care bundles to ensure that evidence-based care is uniformly applied for every eligible patient to prevent HAIs.
- The Netcare surgical antibiotic prophylaxis app, which ensures that patients get the right antibiotic at the right time and in the right dose before, during and after surgery.
- Using ultraviolet robots for environmental cleaning has dramatically reduced the time taken to disinfect a room or theatre from up to eight hours, to between four and 10 minutes. This has allowed us to adjust our disinfection policy from disinfecting targeted rooms where resistant micro-organisms are identified, to disinfecting all rooms after patient discharge. We currently have ultraviolet robots in 20 hospitals, and will expand our fleet to 25 in 2020.
- The Netcare antibiotic stewardship programme, which promotes the responsible use of antibiotics. The programme is well established at all Netcare hospitals.

Hospital acquired infections

HAIs are infections patients acquire while in a hospital being treated for another condition. Patients who undergo invasive procedures, are admitted for prolonged periods in an intensive care unit (ICU) and/or are immune-compromised, are at a higher risk for an HAI.


11. AHRQ Patient safety Indicator_03 Pressure Ulcer Rate.
Antibiotic stewardship

We introduced our antibiotic stewardship programme eight years ago – a pharmacist driven collaborative model, which reduced our antibiotic consumption over a five-year period by 20%. The introduction of the personalised clinical information (PCI) tool to over 2 000 specialists in 2019 has enhanced the achievement of the programme’s objectives, enabling the comparison of antibiotic usage data by doctor.

Netcare outcomes

The HAI rate decreased by 0.3% and the catheter associated urinary tract infection (CAUTI) rate increased by 3.2% from 2018 to 2019. The downward trend of surgical site infections (SSI), with a 19.1% decrease over the same period, pleasingly reflects the success of our surgical antibiotic prophylaxis app.

<table>
<thead>
<tr>
<th>IPC (lower score is better)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospital acquired infection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall HAI rate per 100 admissions</td>
<td>0.96</td>
<td>0.97</td>
<td>0.94</td>
</tr>
<tr>
<td>CAUTI rate per 100 urinary catheters</td>
<td>1.16</td>
<td>1.12</td>
<td>1.19</td>
</tr>
<tr>
<td>SSI rate per 100 major surgeries</td>
<td>0.11</td>
<td>0.14</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Antibiotic stewardship</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DDD per 100 bed days</td>
<td>86.8</td>
<td>84.7</td>
<td>84.0</td>
</tr>
</tbody>
</table>

Measure definition for HAI: rate per 100 admissions/catheters or major operations12, 13. Measure definition for antibiotic stewardship: the assumed average dose per day for a drug used for its main indication for adults (World Health Organization (WHO) defined daily dose (DDD)) per 100 bed days.

Key strategic initiative

Advancing Netcare’s antibiotic stewardship programme

We are taking a fundamental step in antibiotic stewardship and using machine learning to develop an automated clinical decision support system to:

- Accurately determine the appropriate level of antibiotic consumption in each Netcare hospital based on its unique factors.
- Guide antibiotic therapies and detect inconsistencies in prescribing antibiotics.
- Predict bacterial outbreaks.

Predicted antibiotic consumption is being finalised for 50 Netcare hospitals, helping us understand the appropriateness of antibiotic prescribing in each hospital and where intervention is required. This step prepares Netcare for future funder requirements on antibiotic consumption reporting. It will also enhance our engagement with doctors on their use of antibiotics and empower our pharmacists to intervene when necessary. We will also drive shared learning from hospitals that perform within their estimated benchmark.

Hospital Group antibiotic consumption14

For the period January 2018 to August 2019

Foundational steps are being made towards a multidrug-resistant outbreak prediction model, which will be driven with the launch of EMRs, enhancing our ability to initiate early intervention.

12. Events are the number of admissions for the HAI rate, the number of urinary catheters inserted for the CAUTI rate, and the number of major surgeries for the SSI rate.
13. Infection definitions from the Centers for Disease Control and Prevention’s National Healthcare Safety Network.
14. Data excludes paediatric patients, outpatients and those patients on cotrimoxazole (Bactrim).
Our focused clinical improvement initiatives aim to provide consistently excellent clinical care. To achieve doctor support, we benchmark our pathways against international guidelines and collaborate with local academic and professional associations to gain their endorsement. Clinical improvement parameters are monitored against set goals.

Learning from international successes, we have introduced some ground-breaking initiatives for Africa.

**Breastmilk donation**

Pre-term infants fed with donor breastmilk, rather than an artificial formula when a mother’s own breastmilk is insufficient or unavailable, have a reduced risk of severe bowel problems, which in turn reduces mortality and morbidity for these infants. Netcare operates five Ncelisa Human Milk Banks (Ncelisa meaning to nurse a child in isiZulu) supported by 37 collection points for donor breastmilk, which is provided free of charge to the public and private sector.

Our objectives are to increase the number of babies being fed with age appropriate donor breastmilk, and increase the percentage of breastmilk donated to the public sector to 33% of donated milk.

**Netcare outcomes**

<table>
<thead>
<tr>
<th>Netcare Ncelisa Human Milk Banks (higher score is better)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of donors: 750</td>
</tr>
<tr>
<td>Number of babies fed: 2019</td>
</tr>
<tr>
<td>2018: 300</td>
</tr>
</tbody>
</table>

*Measure definition: the number of mothers donating and the number of babies fed.*

**Universal newborn hearing screening**

It is estimated that 17 babies in SA are born with hearing loss every day, with late identification of this disability severely impacting development. Universal newborn hearing screening (UNHS) is an international best practice, using the 1:3:6 formula – screening by one month, diagnosis by three months and early intervention started by six months of age. In June 2019, we introduced UNHS in our hospitals.

**Netcare outcomes** *(at September 2019)*

<table>
<thead>
<tr>
<th>82% of newborns screened</th>
</tr>
</thead>
<tbody>
<tr>
<td>1105 newborns referred for further testing – a referral rate of 14.7%, which is in line with the 10-15% referral rate expected when UNHS is implemented in developed countries.</td>
</tr>
</tbody>
</table>

*Website: https://path.azureedge.net/media/documents/MCHN_1_milk_banking_overview.pdf.*
Dialysis outcome measures

Effective dialysis reduces the risk of long-term dialysis patients developing bone and mineral disorders, anaemia and inadequate nutrition. Pathology markers aligned to the Dialysis Outcomes and Practice Patterns Study (DOPPS) – a leading source of international benchmarking data for dialysis treatment – are used to measure National Renal Care's dialysis outcomes.

National Renal Care outcomes

National Renal Care compares favourably to the DOPPS benchmark for albumin and phosphates, and shows a marginal decline in the management of bone and mineral disease and anaemia. The declines are due to an inconsistent supply of erythropoietin, used in the management of anaemia, and the persistent lack of availability and affordability of phosphate binders, which results in patients having to use a calcium carbonate phosphate binder.

National Renal Care continues to be a clinical leader in dialysis treatment in SA, achieving a 79.1% score from the Discovery Health Kidney Care programme – 0.1% above industry average and a 0.8% improvement compared to 2018. Thirty-five National Renal Care units achieved a score greater than industry average.

### Dialysis outcome measures (higher score is better)

<table>
<thead>
<tr>
<th>Measure definition</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calcium (bone and mineral disorders)</td>
<td>61.0%</td>
<td>67.6%</td>
<td>68.5%</td>
</tr>
<tr>
<td>Phosphates (bone and mineral disorders)</td>
<td>46.0%</td>
<td>47.7%</td>
<td>48.8%</td>
</tr>
<tr>
<td>Haemoglobin (anaemia)</td>
<td>62.0%</td>
<td>52.6%</td>
<td>53.0%</td>
</tr>
<tr>
<td>Albumin (nutritional insufficiency)</td>
<td>84.8%</td>
<td>85.3%</td>
<td>85.6%</td>
</tr>
</tbody>
</table>

Patient reported outcomes

Patient reported outcomes are measures that ask patients about the limitations they experience as a result of their condition. Their answers are recorded without anyone else's interpretation. PROMs give patients a voice that is heard, quantified and compared to normative data in a large variety of domains such as physical function, pain, depression, anxiety and fatigue.

Patients on chronic dialysis

The Short Form-36 Health Related Quality of Life survey (SF-36 HRQoL) is a PROM used to assess the physical, psychological and social functioning of chronic dialysis patients. The physical component measures the extent to which their health limits physical activities such as self-care, walking, and moderate and vigorous activities. The mental component measures depression, behavioural/emotional control, anxiety and feelings of belonging.

### National Renal Care outcomes

National Renal Care's results deteriorated slightly in 2019 but remain above the DOPPS benchmark for the physical component and on par with the benchmark for the mental component. In response, National Renal Care is conducting a ‘what matters most to you’ campaign, which will inform improvement strategies, and continues to explore new PROM methodologies to co-create a person-centred participative dialysis environment.

### Patient reported outcomes

**A patient's view of their health status.**

### National Renal Care outcomes

<table>
<thead>
<tr>
<th>Measure definition</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical component summary (% patients in the DOPPS recommended range)</td>
<td>51.5%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Mental component summary (% patients in the DOPPS recommended range)</td>
<td>89.7%</td>
<td>87.2%</td>
</tr>
</tbody>
</table>

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17. Source: Hays et al., 1995; Lopes et al., 2007; Nissenson and Fine, 2008; Fructuoso et al., 2011.

18. Website: www.dopps.org
Patients with mental disorders

The majority of patients admitted to an Akeso Clinic suffer from some form of depressive mood disorder or condition. PROM questionnaires are completed on admission and discharge, and include:

- The Patient Health Questionnaire19 (PHQ-9) to measure the severity of depression.
- The DSM-520 Self-Rated Level 1 Cross-Cutting Symptom Measure21 to measure a patient’s symptom burden.
- The WHO Disability Assessment Scale 2.022 to measure the level of disability.

### Akeso Clinics outcomes

The graphs below plot the distribution of the PHQ-9 score for 7 455 patients on their admission and discharge, with higher scores on the horizontal axes showing more severe depression. The graph on the right shows a marked shift to the left (or lower scores) for patients at discharge, indicating a significant improvement in the severity of their depression.

![Graphs showing PHQ-9 score distribution](image)

Patients are admitted to Akeso Clinics because of the severity of their symptoms (symptom burden) and the impact of their mental illness on their level of functioning in their day-to-day lives (level of disability). Patient reported outcome measures (PROMs) are used to give these patients a voice that quantifies their symptom burden and level of disability and can be used by patient and clinician to track change over time. PROMs are completed on admission to quantify the severity of their symptoms and disability and are repeated on discharge to assess their progress towards recovery. Using the American Psychiatric Association publication guidelines, the table below shows the significance of the clinical improvement achieved and sustained by Akeso Clinics, namely reducing patient symptom severity and increasing level of functioning from admission to discharge.

<table>
<thead>
<tr>
<th>Measure definition: the non-parametric common language estimator (Aw) for effect size24 and Cliff’s Confidence Intervals25. An Aw effect size of greater than 0.7126 indicates a large improvement.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large improvement threshold23</strong></td>
</tr>
<tr>
<td>Symptom burden (Aw effect size)</td>
</tr>
<tr>
<td>Level of disability (Aw effect size)</td>
</tr>
</tbody>
</table>

Mechanisms that support regular patient engagement

We encourage our patients and their families to give us feedback and provide them with a number of channels to do so, including an online survey on our website, a central customer service centre, direct contact with the hospital, regional or corporate offices and a post discharge email survey.

Other engagement channels include:

- Appointmed, a telephone-based appointment service.
- Navigators for cancer patients.
- Corporate websites, social media platforms, pre-admission facilities, SMS messages post discharge, patient focus groups and listening forums.

We use the HCAHPS\textsuperscript{27} patient experience survey to measure a patient’s perspective on key aspects of their care, for example, how often they felt they were treated with courtesy and respect. It is not a measure of the patient's satisfaction with their care. HCAHPS measures and embodies a culture of ‘always’ in that it is necessary to always deliver consistently high quality person-centred care\textsuperscript{28}.

Understanding a patient’s perspective is important as patients with a positive experience often have better clinical outcomes. Our patient engagement channels provide rich information on our patient experience performance, and we use these insights to:

- Build strong partnerships with our patients and their families.
- Recognise and learn from facilities that excel.
- Identify what works well and where improvement is required.

Netcare and Akeso Clinics outcomes

In the Netcare Hospital division, nursing scores improved in 2019 with a 7% improvement in patients feeling that our nurses always treat them with courtesy and respect compared to 2017. Pleasingly, the largest improvement is from the question about listening to patient needs, showing a 9% improvement from 2017. Our doctors have always scored at or above 80% across all questions regarding their interaction with patients.

Akeso Clinics’ nurses and doctors are consistently rated high for each question.

<table>
<thead>
<tr>
<th>Patient experience (higher score is better)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netcare Hospital division (% patients reporting always)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nurses always treat you with courtesy and respect</td>
<td>78.0%</td>
<td>71.2%</td>
<td>71.3%</td>
</tr>
<tr>
<td>Nurses always listen carefully to you</td>
<td>69.2%</td>
<td>61.5%</td>
<td>61.0%</td>
</tr>
<tr>
<td>Nurses always explain things in a way you could understand</td>
<td>68.1%</td>
<td>60.6%</td>
<td>60.3%</td>
</tr>
<tr>
<td>Doctors always treat you with courtesy and respect</td>
<td>90.3%</td>
<td>86.2%</td>
<td>86.5%</td>
</tr>
<tr>
<td>Doctors always listen carefully to you</td>
<td>86.3%</td>
<td>81.7%</td>
<td>82.0%</td>
</tr>
<tr>
<td>Doctors always explain things in a way you could understand</td>
<td>84.3%</td>
<td>79.6%</td>
<td>79.9%</td>
</tr>
<tr>
<td>Akeso Clinics (% patients reporting always)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nurses always treat you with courtesy and respect</td>
<td>84.4%</td>
<td>84.7%</td>
<td>84.8%</td>
</tr>
<tr>
<td>Nurses always listen carefully to you</td>
<td>81.5%</td>
<td>82.0%</td>
<td>80.9%</td>
</tr>
<tr>
<td>Nurses always explain things in a way you could understand</td>
<td>83.5%</td>
<td>83.7%</td>
<td>83.1%</td>
</tr>
<tr>
<td>Doctors always treat you with courtesy and respect</td>
<td>94.3%</td>
<td>94.3%</td>
<td>94.3%</td>
</tr>
<tr>
<td>Doctors always listen carefully to you</td>
<td>93.2%</td>
<td>93.1%</td>
<td>93.1%</td>
</tr>
<tr>
<td>Doctors always explain things in a way you could understand</td>
<td>92.6%</td>
<td>92.4%</td>
<td>92.4%</td>
</tr>
</tbody>
</table>

Measure definition: percentage of patients who rated their experience as ‘always’ in response to the questions: ‘how often did your nurses/doctors treat you with courtesy and respect, listen carefully to you and explain things in a way you could understand?’

To measure a culture of ‘always’, we use rigorous statistical methods to predict the 99.9% upper bound in achievable performance – an ‘ideal score’. This has been used to set individualised hospital targets over two to five years.

\textsuperscript{27} Website: https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/HospitalHCAHPS.

Physician partnerships

In an environment where specialist skill is scarce and competition is increasing, maintaining our complement of excellent doctors is critical. Effective doctor engagement ensures that we understand their satisfaction levels, address their needs and have insight into where we can improve our doctor value proposition.

In addition, we build strong relationships with GPs as the gatekeepers of specialist referrals, supporting our high demand service lines as well as our dialysis business, where two thirds of patients select National Renal Care based on the recommendation of their GPs. We also engage with newly qualified specialists and sponsor registrar and fellowship training to ensure a pipeline of practitioners.

**Mechanisms that support regular doctor engagement**

- Physician Advisory Boards and the Netcare Clinical Practice Committee.
- Personalised Clinical Information tool.
- The head practitioner in each primary care facility, the Practitioners’ Association, and the Health Professions Council of South Africa (HPCSA) 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.

**2019 performance**

**Healthcare practitioners**

123 specialists granted practising privileges at our acute and mental health facilities, equating to a net gain of 112 doctors.

Of the recruited doctors, 64% practice in surgical disciplines and three are oncologists. The average age across the base of new doctors is 40.

60 contracted nephrologists at National Renal Care (2018: 53) and 21 (2018: 20) physicians with an interest in nephrology are also contracted.

**Looking forward**

- Engaged with doctors on efficiency improvements, optimal care, ethical behaviour, patient experience, clinical outcomes and our participation in restricted provider networks, which remains high.
- Held 220 Physician Advisory Board meetings, 167 emergency and trauma morbidity and mortality meetings and 244 emergency and trauma continuous medical education meetings.
- Undertook 20 roadshows to introduce our healthcare practitioners across SA to digitisation and the CareOn EMR system. As part of the Digital Advisory Board, 56 specialists participated in the CareOn blueprinting sessions, and doctors and allied healthcare practitioners were consulted over the course of the CareOn pilot at Netcare Milpark Hospital.
- Provided 29 academic grants to specialists and registrars (2018: 31).
- A total of eight bursaries were provided to physics and radiotherapy students as a skills pipeline for Netcare Cancer Care.

- Continue to actively recruit new doctors to Netcare facilities.
- Enhance our relationships with doctors through the implementation of EMRs, which will enable them to collaborate across disciplines on improving patient outcomes and will provide them with remote access to patient charts and test results, enabling quicker decision-making and earlier treatment as well as reducing medico-legal risk.
- Formalise and expand multi-disciplinary team meetings, comprising surgeons, oncologists, radiologists, pathologists, physicians, navigators and other healthcare practitioners to agree on the care plan for cancer patients and provide doctors with added support.
- Deliver intensified dental professional training in collaboration with major national service providers to retain specialised procedure capability within the Medicross network.
Funders

Funders continued to design new designated service provider networks and efficiency discount options during 2019, which together with a more competitive environment, impacted the number of patient days for the Hospital division.

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

Stringent hospital admission criteria include on-site funder employed case managers placed in 26 Netcare hospitals at September 2019, and in certain instances referring doctors are required to engage with these case managers prior to admitting a patient to hospital.

Mechanisms that support regular 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.
- Contract and tariff negotiations.

Key strategic initiative

Supporting cost efficiency

Doctors determine the cost of a clinical care event. They decide on the length of stay, level of care, consumables used and the theatre time required for a specific surgical intervention. The PCI tool, developed over seven years, assesses doctor and hospital performance across various cost and efficiency elements, benchmarked against peer performance. The assessment compares demographic analysis, clinical outcomes, patient feedback scores, cost analysis, generic substitution, antibiotic stewardship and theatre utilisation. Based on this accurate information, we are able to have more informed and focused conversations with doctors, helping them to evaluate their decision-making to achieve improved value. Over 2 000 healthcare practitioners have been provided with the PCI tool to date.

Operational excellence: page 102.

2019 performance

- Despite under-representation in a new 2019 restricted network, more than 60% of this network’s patient days were retained. In addition, we secured participation as an anchor provider in new and re-tendered restricted hospital networks commencing in January 2020.
- Engaged with funders on our digitisation strategy, quality outcomes programmes, new service offerings (transitional intensive care, supportive care and cancer navigation) and other strategic initiatives.
- Published a comprehensive set of clinical outcome measures, which include key quality metrics required by funders.

Clinical outcomes reporting: page 76.

- Delivered presentations on the broader market, health policy, and funder strategies and their impact on Netcare to the 10 least efficient hospitals in our network. The strategic tools for targeted intervention were also discussed, including data analysis to enhance funder engagement.

Looking forward

- Given that tariff negotiations are expected to remain challenging, we will:
  - Drive cost competitiveness to maintain and grow our network participation.
  - Partner with funders on alternative reimbursement arrangements.
  - Strengthen funder partnerships through the implementation of EMRs, which will enhance our ability to provide accurate data on quality outcomes and patient safety, efficiency measures and cost benchmarking.
- As development of the clinical outcomes dashboard progresses, we will expand the PCI tool to include more specific clinical measures to aid doctor and funder engagement. The PCI tool will also be revised to inform conversations with orthopaedic surgeons, and track their adherence to the agreed clinical pathway.
- Investigate the feasibility of implementing an electronic coding solution to improve the classification and coding of diagnoses, symptoms and procedures. This will provide more accurate source data on complications and comorbidities related to patients for both Netcare and funder analyses.
Society

Access to healthcare

The critical need to advance the constitutional ideal of universal access to quality healthcare depends on meaningful collaboration between government, business and civil society. The private healthcare sector has the facilities, capacity, administrative expertise, nurse training expertise and training capacity as well as healthcare practitioners to make a substantive contribution to the implementation of NHI – ensuring that it is sustainable and, most importantly, provides quality healthcare to all South Africans.

Pleasingly, constructive engagements took place in 2019 with government, including the Minister of Health and the Presidency on the current state and future outlook of SA's healthcare sector. Netcare, through Business Unity South Africa, is a co-signatory of the President-led Health Summit Compact signed in July 2019. There have also been improved levels of engagement between health professionals, academia and civil society.

The Hospital Association of South Africa (HASA) estimates that there is a shortage of 48 000 nurses, a critical barrier to staffing public sector clinics, hospitals and healthcare services. Our stakeholder engagements promote the private sector's involvement in the training of nurses and doctors to address these shortages and create permanent employment.

2019 performance

- Participated extensively throughout the Competition Commission’s Health Market Inquiry (HMI), including presentations at the HMI seminars and comprehensive reports by leading independent actuarial and international financial and economic experts.
- Provided balanced and constructive feedback on proposed provisional HMI remedies to avoid missteps with unintended consequences, and on potential solutions to address challenges in the funding and delivery of sustainable quality healthcare.
- Participated in the Presidency's Public Private Growth Initiative aimed at building solid relationships between business and government, and aligning plans and objectives to achieve economic growth.
- Contributed to the Health Summit Social Compact. The collaborative plan includes strategies on nurse and doctor education and strengthening the public healthcare sector, including the IT infrastructure to ensure better access to care and deliver opportunities to contract with private healthcare.
- Participated in workshops held by the Office of Health Standards Compliance (OHSC) in which industry role players jointly reviewed and ensured the relevance of inspection tools for the private sector. The OHSC has yet to publish the adapted inspection tools.
- Continued to engage with the DoH, the South African Nursing Council (SANC), HPCSA and other forums to find collaborative solutions that support nursing and doctor education. A task team of the South African Committee of Medical Deans is evaluating how the private sector is able to play a role in training undergraduate and postgraduate doctors.
Transformation

In 2019, we made progress in the transformation of our business environment, with a key focus on enhancing Netcare’s black ownership and the race and gender diversity of our leadership, as well as greater inclusion of differently abled people, a more inclusive supply chain, and socioeconomic development initiatives to support communities. B-BBEE targets are included in the balanced scorecards for all Executive Committee members. Our efforts have resulted in an improved B-BBEE rating to a Level 4 (2018: Level 5) against the Department of Trade and Industry’s revised B-BBEE Codes of Good Practice (dti Codes).

Our transformation strategy focuses on targeted employment and skills development to transform our workforce to more fully reflect the demographics of SA’s economically active population. Our progress is reported on page 96.

The diversification of our supply chain is another critical aspect of the strategy, and we actively seek B-BBEE compliant companies able to provide services of a sufficiently high standard. Our enterprise and supplier development (ESD) programme supports small, medium and micro enterprises (SMMES) with seed and growth capital and business development support. In some instances, free rental space in Netcare facilities is provided to various black entrepreneurs, including suppliers of pharmaceutical consumables and medical equipment, as well as newly qualified black doctors who have been granted admission privileges. To help SMMEs overcome cash flow constraints, we aim to make payments within 13 days of receiving invoices, comparing favourably to the 15 days required by the dti and ahead of the national average of 72 days.

Governance in action

During the year, a task team was established to investigate recommendations from various consulting firms and banks on an equity ownership scheme. Empowerdex was engaged to advise on compliance with ownership requirements prescribed by the dti Codes and the impact of the various recommendations on our B-BBEE rating. A special Finance and Investment Committee deliberated the structure and financial impact of the proposed scheme and recommended a share ownership scheme for current employees to the Board for approval, which was granted prior to the financial year-end. The implementation of the scheme was overseen by the Social and Ethics Committee at Board level, and the Operational Transformation and Executive committees at a management level.

Key outcome

Approximately 20,350 employees will benefit from the new share ownership scheme, with 80% being black employees and 65% being black women. Some 61 million Netcare shares will be allocated to all employees at all employment levels, with the exception of senior managers and executives. Each beneficiary received an equal allotment of 3,000 shares in October 2019, funded through a notional interest-bearing debt structure. Beneficiaries are entitled to 20% of dividends from the date of allocation. There are no forfeiture conditions and after a 10-year waiting period, the value of the units issued at the 20% discount less any outstanding notional funding balance, will be paid to beneficiaries in Netcare shares. Beneficiaries will then be able to decide on whether to retain their shares for future growth and dividend income, or sell them on the market.

Detailed B-BBEE performance: GRI report.
2019 performance

Procurement spend

R12.9 billion total procurement spend
of which R8.5 billion was measurable under the dti Codes.

107% of measurable spend was with B-BBEE-compliant suppliers (dti target: 80%).
40% (target: 40%) with 51% black-owned suppliers and 21% (target: 12%) with black women-owned enterprises.

R695 million was spent with black-owned and black women-owned SMMEs.

Target spend with black SMMEs: at least 10% of total procurement spend by 2020.

Enterprise and supplier development

R65 million invested in ESD
with 72.1% qualifying under the dti Codes (2018: R46 million).
ESD spend equates to 2.6% of 5A net profit after tax (NPAT).

Target: 3% of NPAT.

Shoes Project

The Shoes Project is a not-for-profit joint venture which has the potential to produce around 84 000 pairs of new school shoes a year from recycled PVC products for underprivileged children. The project will support black-owned and black women-owned emerging entrepreneurs in waste collection, recycling and shoe manufacturing.

Looking forward

- Appointed a Director of Transformation, who is an Executive Committee member, to drive the Netcare transformation improvement plan to 2020.
- Black doctors constitute 46% (2016: 38%; 2011: 24%) of doctors with admission privileges. Of the 91 newly qualified medical doctors to whom we provided admission privileges in 2019, 67% were young black doctors.
- Considered the impact of the dti’s proposed changes and adjusted our procurement targets for 2020 to ensure compliance with the B-BBEE Commission’s guidelines (effective 1 December 2019).
- Procurement spend with qualifying small enterprises was 7.5% (against a target of 15.0%) and emerging micro enterprises 7.8% (against a target of 15.0%).
- The ESD programme onboarded 11 entrepreneurs, guaranteeing their access to markets and reducing their risk of loan default. The performance and growth of each enterprise is monitored and support is provided where required.
- Reviewed tenders from our procurement and property functions to proactively earmark opportunities for black-owned and black women-owned enterprises, particularly those that qualify as ESD beneficiaries.
- Put in place the mechanisms to collect drip bags and other PVC products for the Shoes Project at 17 sites with 14 168 kilograms collected to date, equating to 18 889 pairs of school shoes. Change champions have been appointed at each site and training delivered to employees to ensure the project’s success. The project will provide ESD opportunities and reduce our waste to landfill.
- Advanced our relationship with Disabled People South Africa, actively seeking potential ESD opportunities and entrepreneurs who are differently abled and able to provide services to Netcare.

Inclusion of differently abled people in our workforce: page 96.

- Continue to progress our transformation improvement plan to 2020.
- Gradually reduce payment times for SMMEs to seven days.
- Start the production and delivery of school shoes as part of the Shoes Project in February 2020.
Job creation

Based on our track record of converting learnerships to permanent employment, Netcare is an anchor sponsor of the national Youth Employment Service (YES) programme to drive youth development and employment. We have committed to training 1 000 young unemployed South Africans over five years, supporting their career progression and contribution to society, and have set an objective to permanently employ at least 85% of successful learners in the areas of finance, human resources, administration, technical services and pharmacy.

2019 performance

YES programme

86% of the 133 participants who successfully completed a Netcare YES learnership or internship have been employed by Netcare.

Jobs created

Our ESD partnerships have sustained 188 jobs.

Looking forward

- Enroll a further 234 unemployed youth into the Netcare YES programme, bringing our total number of YES trainees to 823, achieving 82% of our objective.

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Force for social good

The Netcare Foundation assists disadvantaged individuals to gain access to quality healthcare. Patient safety is key and governing policies cover all clinical pathways relevant to the Foundation and its applicants. Most medical specialists, who are required to comply with service level agreements, offer their services on a pro bono basis. The Foundation’s person-centred programme allocates a co-ordinator to all beneficiaries, to navigate their journey from application and doctor assessment to examination, testing and hospitalisation as well as post discharge follow up and care.

Through the Hamilton Naki Clinical Scholarship we provide bursaries in all branches of academic medicine for South African specialists, enabling them to receive doctoral or post-doctoral training and research at leading local or overseas institutions for three or more years.

Other aspects of our corporate social investment (CSI) programme include providing emergency services to indigent patients, human milk banks for the distribution of mother’s milk to premature babies, scholarships for future doctors and donations to NGOs.

Breastmilk donation: page 80.

2019 performance

CSI spend
R31 million spent on CSI initiatives with 91% of beneficiaries being black people (2018: R35 million). Of our CSI spend, 83% qualified under the dti Codes (1.1% of SA NPAT).
Target: 1% of SA NPAT with 75% of beneficiaries being black.

Sexual Assault Crisis Centres
36 Sexual Assault Crisis Centres with over 13 400 survivors treated free of charge since 2017, 40% being under 18 years old and 90% were uninsured.

- The Netcare Foundation and CSI self-assessments show a 100% compliance with key performance indicators (including demographic and income profile, not having medical insurance and alignment with our strategic priorities).
- No reported complications for any beneficiaries operated on or admitted to a Netcare facility.
- Treated 125 (2018: 68) indigent patients needing emergency medical care.
- 26 Netcare sites participated in the ‘Take a Girl Child to Work’ initiative, hosting 288 girls from various schools.
- Around 1 008 hours of job shadowing provided to 126 scholars over 16 years old.

CSI spend breakdown

- Indigent emergency medical services
- Accessibility (cleft lip and palate abnormalities, craniofacial anomalies and cataracts and cochlear implants for the hearing impaired)
- Community sponsorships (breastmilk reserve, mobile mammograms, sexual assault crisis etc.)
- Bursaries
- Contributions
- Discretionary spend
Human and intellectual capital

Our people

Our employees provide us with their time, energy and skills in running our day-to-day operations, and in caring for our patients with our nurses being at the heart of our strategy to deliver person-centred health and care. We strive to distinguish ourselves as an employer of choice, building quality relationships with our people and providing them with an attractive value proposition. 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.

The strategic initiatives being implemented across the Group respond to the areas identified by our nurses and other employees in the 2017 employee engagement assessment as requiring greater attention – eradicating racism, change management, fairness and trust at work, care and concern around workload and stress, as well as teambuilding, communication and information sharing.

Employee engagement

Given the significant engagement that took place across the Group at the beginning of the calendar year, we took the decision to delay the employee engagement assessment scheduled for 2019. Instead, we directed our attention to supporting our employees through the many changes to the way we work.

Mechanisms to measure and monitor employee satisfaction

- Employee engagement assessments (conducted every two years).
- Transformation committees at site and national level that meet three times a year.
- Strategy roadshows and dialogues.
- 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 how to demonstrate compassion.
- Change management interventions (change readiness surveys and emotional impact assessments).
- Performance management reviews.
- Employee wellbeing programme.
- SHOUT presentations for new employees on our zero tolerance approach to discrimination. The confidential SHOUT hotline enables employees to report incidents of racism, discrimination and human rights violations.
- Contract and salary negotiations.
Organisational changes

During 2019, we reviewed our operational structures in nursing and support services across the Hospital division and Primary Care, within the context of current and expected market conditions. The review identified certain administration functions that could be streamlined. In the Hospital division, the organisational restructure focused primarily on standardising roles, including working hours and conditions, particularly in the reception and pharmacy functions, and affected around 500 employees. The Commission for Conciliation, Mediation and Arbitration (CCMA) facilitated constructive engagement between Netcare and the relevant unions. A communications platform provided all affected non-union employees with access to updates on the CCMA facilitation, and enabled them to ask questions and submit proposals.

In the Hospital division, 107 employees opted for voluntary severance packages during the CCMA consultation process, 197 employees were redeployed into alternative positions and 154 employees accepted minor amendments to their work hours or shift scheduling, with commensurate adjustments to their remuneration and benefits.

The re-alignment of our operations unfortunately rendered some positions redundant, and together with the closure of loss-making sites in Primary Care, necessitated the involuntary retrenchment of 91 employees, three in the Hospital division, 13 in head office, six in Netcare 911, two in Akeso Clinics and 67 in the Primary Care division.

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 a 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.

2019 performance

- Started a pilot recognition programme in the Hospital division underpinned by behavioural economics. Our objective is to develop a recognition mechanism that is relevant and sustainable, and can be scaled across the service platform.

  Amplifying the voice of our employees in our person-centred approach: page 75.

- Continued to benchmark the salaries of nurses and other employees to ensure we remain competitive.

- Engaged with junior and middle managers on a new and simplified performance management process.

Looking forward

- Develop a remuneration model and staffing structures for Medicross, ensuring standard remuneration packages linked to job functions and roles.

- Introduce the enhanced team-based performance management process in 2020.

Remuneration report: page 156.
Change management

Our thorough change management plans drive acceptance of change and develop the resilience skills needed to ensure the successful implementation of our strategic initiatives. Our leadership programmes are designed to equip leaders to effectively engage and support employees impacted by change. Our interventions during 2019 largely focused on the implementation of the asset management improvement project (AMIP), and the Hospital division’s CareOn (EMR system) and LogBox (a digital patient demographic solution) pilots.

2019 performance

- To prepare and support employees at Netcare Milpark Hospital for the implementation of the CareOn pilot, we undertook the following:
  - Recruited clinical application support specialists and other resources to assist nurses, pharmacists and doctors with the transition. All support staff received soft skills training and one-on-one coaching post implementation.
  - Held awareness sessions for hospital and pharmacy employees, healthcare practitioners and nursing agencies.
  - Conducted a change readiness survey to understand the levels of preparedness, attitude, understanding, acceptance and commitment to CareOn and the need for additional support. Pleasingly, the results reflected increased awareness due to our focused communication and information sharing activities.
  - Delivered four sessions of training for each employee impacted by CareOn, coupled with ongoing on-site support.
  - Developed a new organisational design plan, covering the Hospital division’s nursing, pharmacy and technical structures, to meet the objectives of the project post implementation.
  - Conducted emotional impact sessions pre and post implementation, providing employees with a ‘safe’ forum in which to deal with challenges faced. Sessions covered emotional containment, coping strategies, and managing stress and resilience. Areas of concern related to technical issues, broad-based adoption of the system, governance and job security. These issues were addressed in the training sessions.
  - Held AMIP workshops between asset management planning engineers and hospital technical teams to provide training on system changes while encouraging interaction and building relationships.
  - Delivered face-to-face sessions for employees and specialists at Netcare Waterfall City Hospital on the patient, doctor and hospital benefits offered by LogBox.
  - Conducted online change readiness surveys to assess understanding of AMIP and LogBox, and inform additional change management interventions and communication.
  - Updated the orientation presentation for new employees to include change management and protection of personal information.

Looking forward

- Conduct an employee engagement assessment in 2020.
- Conduct post implementation assessments for AMIP and the CareOn and LogBox pilots to understand where further change management interventions may be required.
- Continue to apply our change management interventions as the roll out of the strategic initiatives progress across the Group, adapting processes based on learnings from initial implementations.
Employee wellbeing

*The Netcare Way* culture of caring encompasses the wellbeing of our employees. Our employee wellbeing programme offers 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. Managerial workshops equip managers with the skills to improve team morale, effectively resolve conflicts and provide better support to employees. An online health and wellness service and employee wellbeing podcasts provide employees with information on various health and wellness topics.

### 2019 performance

**Wellbeing training**

- 969 employees received training on resilience, empathetic listening and communication, teamwork, emotional impact and emotional intelligence.

- 388 employees attended talks on healthy living, financial wellness and stress management.

**ICAS utilisation**

Relationship challenges accounted for 20.3% of ICAS engagements remaining the most common category requiring support (2018: 18.1%).

- Successfully rolled out the dosimeter project to employees, measuring the exposure of 2 104 employees to ionizing radiation across 58 facilities.

- The overall engagement rate with Independent Counselling and Advisory Services (ICAS) in the first and fourth quarters of 2019 was 13.0% and 14.1% respectively. 54.3% (2018: 51.9%) of employee interaction related to professional counselling with 7.2% (2018: 7.2%) of cases formally referred for assistance. 17.8% (2018: 19.3%) of ICAS cases related to difficulties experienced by managers.

- 576 employees attended the wellness days held across the Group.

### Looking forward

- Increase awareness of the employee wellbeing programme and the mechanisms available to employees to deal with commonly presenting problems.

- Provide support to address the increasing number of incidences relating to mental wellness.
Workforce diversity

We encourage a culture of transparent and proactive engagement on issues relating to diversity. During the year, our key objectives were to:

- Progress the diversity of our Executive Committee, and senior and middle management.
- Drive the inclusion of differently abled people in meaningful and permanent roles.
- Retain the YES learners and interns upon successful completion of their respective vocational programmes.

The Operational Transformation Committee monitors transformation progress at a Group level against our five-year employment equity plan to September 2020. The plan sets out our employment equity targets and interventions, and is submitted to the Department of Labour annually.

We work with Netcare Education to promote male applicants in nursing – a challenge for the Group given the gender bias associated with the occupation.

Our zero tolerance approach to any form of discrimination covers our employees, contractors, healthcare practitioners and partners as well as our patients and their families. Employees who are foreign nationals are accepted as an integral part of Netcare, and we stand in absolute solidarity with President Cyril Ramaphosa in condemning any form of discrimination and violence against women and children.

2019 performance

Black representation

Black employees represented 78.3% of the workforce (2018: 77.0%) against a national economically active population where black representation is 91%.

Foreign nationals represented 1.8% (2018: 1.8%) of the workforce.

Women representation

Women represented 82.1% of the workforce (2018: 82.5%).

Of the 16,577 women in our employ, 77.9% (2018: 76.4%) were black women.

Women constituted 75.1% (2018: 74.0%) of our management and leadership with 39.1% (2018: 34.0%) being black women.

Differently abled employees

733 differently abled people were employed representing 3.6% (2018: 3.2%) of the workforce, a remarkable achievement.

- Black representation at Executive Committee level was 44.4% (2018: 25.0%) and women representation was 11.1% (2018: 12.5%).
- 86.2% (2018: 84.3%) of all recruitments and promotions went to black people, with 69.1% (2018: 66.0%) being black women.
- Exceeded our employment equity targets at junior management and skilled levels by a good margin, creating a representative talent pool for future leadership roles.
- Invested 90% of skills development spend in black employees against a target of 85%.
- Enrolled 30 differently abled learners on Sinako internships and learnerships. A further 50 learners will be enrolled before the end of the calendar year.
- Piloted a new training programme on race, diversity and social cohesion.
Looking forward

- Continue to focus on improving the under-representation of African and Coloured people at middle management level.

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### Workforce representation (at September 2019)

<table>
<thead>
<tr>
<th>Workforce representation</th>
<th>% of the workforce</th>
<th>Employment equity plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Senior management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black¹</td>
<td>25.9</td>
<td>26.9</td>
</tr>
<tr>
<td>Black women</td>
<td>14.3</td>
<td>15.4</td>
</tr>
<tr>
<td>Middle management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>34.3</td>
<td>35.0</td>
</tr>
<tr>
<td>Black women</td>
<td>18.4</td>
<td>18.5</td>
</tr>
<tr>
<td>Junior management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>61.0</td>
<td>60.9</td>
</tr>
<tr>
<td>Black women</td>
<td>52.0</td>
<td>52.6</td>
</tr>
<tr>
<td>Differently abled</td>
<td></td>
<td></td>
</tr>
<tr>
<td>employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Black</td>
<td>1.5</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Note: excludes National Renal Care and Public Private Partnerships (PPPs).

¹ Black covers African, Coloured and Indian employees.
Training and development

We develop internal talent to support our succession plans and advance the skillsets of our employees to achieve our strategic priorities. Employee development areas are identified in the performance management process. In line with our business needs analysis, our interventions in 2019 focused on career and pipeline development of core skills (medical and surgical nursing, pharmacy assistants and stock management, and emergency services), upskilling to support the CareOn and AMIP implementations, empathetic response training, leadership development for key talent, management skills for newly appointed and aspiring junior managers, clinical continuous professional development, Grade 12 equivalent qualifications and diversity and inclusion training. We also provided practical workplace experiential learning for unemployed youth and marginalised people.

Our training metrics are calculated for the skills period 1 April 2018 to 31 March 2019 as per the HWSETA measurement year.

2019 performance

Breakdown of training spend
(March 2019)

- Formal nursing training (2018: 74%)
- Emergency and critical care training (2018: 10%)
- Management and leadership development (2018: 8%)
- Other training programmes (2018: 8%)

79% of our training spend was invested in structured career-advancement programmes registered on the NQF (2018: 87%).

- Netcare Education’s campuses in Gauteng, Gauteng South West, Port Elizabeth and Western Cape received full SANC accreditation to offer new nursing qualification programmes for the next five years, effective January 2020. The intake of students however has been restricted to less than 20% of the number requested. Clarification is being sought from SANC given the negative impact on our nursing pipeline. In addition, the KwaZulu-Natal DoH has not granted a letter of support to our campus in that province despite HASA’s intervention.

- 98% (2018: 96%) of training spend was allocated to the semi-skilled level and upwards through management levels.

- At September 2019, 589 youth had been enrolled in a YES learnership or internship, with the majority enrolled in pharmacy-related learnerships (assistant and stock management) and on the bridging course to become a registered general nurse.

- Of the 100 employees who participated in a business administration learnership (NQF 4; Grade 12 equivalent), 94 successfully completed the programme in August 2019, opening up opportunities for them to grow their careers at Netcare.

- Named the leading graduate employer in the healthcare sector in the 2019 South African Graduate Employers Association Employer Awards. More than 2 000 graduates participated in the survey.
Looking forward

- Invest in learnerships for 30 unemployed differently abled people in the 2020/21 skills period, with employment opportunities made available for learners who successfully complete their programmes.
- Enroll 300 nurses in our six-month in-service nursing certificate programme (post basic), equipping them with advanced clinical competencies to deliver person-centred health and care.
- Direct 80% of our training and development spend to formal career-oriented programmes aligned to the NQF.
- Implement digitisation programmes to support the implementation of CareOn.

Key strategic initiative
Empowering nurses to deliver person-centred health and care

We piloted a project in Netcare Garden City Hospital’s oncology ward to empower nurses to engage more deeply with our patients and to actively demonstrate compassion. The ward’s nurses were re-trained on disease profiles and symptoms, and encouraged to communicate the condition of their patients in their written nursing notes rather than merely recording statistics.

The results of the project showed that conversations between nurses and patients shifted from being medically focused to being of a more personal nature, with nurses identifying concerns such as the need for a social worker or counselling more quickly. This deeper level of knowledge informed the nursing care plan for each day based on progress notes which clearly documented patient concerns and how they were managed. The pilot yielded a number of positive outcomes, including no patient falls or near misses, a reduction in the ringing of patient call bells and no patient complaints with regards to nursing care.

Surveys were undertaken pre and post project implementation, with the post implementation survey indicating the following:

- 73% of nurses felt they had enough time to spend with each patient (pre: 9%).
- 73% of nurses physically assessed each patient every day (pre: 23%).
- 82% of nurses felt that their patients felt cared for (pre: 36%).
- 100% of nurses felt that there was teamwork in caring for patients (pre: 45%).

Our next steps are to expand the programme to other wards in Netcare Garden City Hospital, and to assess how we can efficiently and sustainably roll out the project to the rest of the hospital network.

### Training
(at March 2019)

<table>
<thead>
<tr>
<th>NETCARE¹</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees trained</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paramedics</td>
<td>19</td>
<td>57</td>
<td>39</td>
</tr>
<tr>
<td>Nurses enrolled on formal nursing programmes²</td>
<td>1 353</td>
<td>1 970</td>
<td>1 894</td>
</tr>
<tr>
<td>In-service programmes for nurses</td>
<td>530</td>
<td>541</td>
<td>229</td>
</tr>
<tr>
<td>Other training programmes</td>
<td>14 412</td>
<td>11 125</td>
<td>12 173</td>
</tr>
<tr>
<td><strong>Total employees trained</strong></td>
<td>16 314</td>
<td>13 693</td>
<td>14 335</td>
</tr>
<tr>
<td><strong>% of employees trained that are women</strong></td>
<td>89.6%</td>
<td>85.9%</td>
<td>84.4%</td>
</tr>
</tbody>
</table>

| **Training interventions and spend** | | | |
| Number of training interventions delivered | 59 618 | 30 813 | 37 122 |
| Skills development spend | R84 million³ | R70 million | R54 million |

| NATIONAL RENAL CARE | | | |
| Postgraduate nephrology nurses | 11 | 12 | 12 |
| Clinic technology students | 6 | 13 | 13 |
| Postgraduate clinical technologists | 5 | 10 | 8 |

1. Excludes National Renal Care and PPPs.
2. SANC accredited and registered on the NQF.
3. 1.4% (2018: 1.3%) of payroll, comparing favourably with the 1% requirement prescribed in the Skills Development Act No 55 of 1998.
Leadership capability

Our leadership and management development programmes prepare key talent with the skills and experience to advance into higher management levels and to effectively manage people and business units. The programmes address critical business needs, are designed to drive person-centred health and care, align to our race and gender objectives and create bench strength at various levels.

The 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 care and quality.

2019 performance

**Leadership development**
(March 2019)

468 future supervisors, managers and leaders participated in a development programme, equipping them with the skills to effectively lead their teams (2018: 615).

367 (78%) of enrolments were black employees and 311 (66%) black women.

- Partnered with the University of Pretoria to provide an executive leadership programme in health systems management for 14 middle managers in the Hospital division, Netcare 911 and Primary Care. The 14-month programme will build a pipeline of candidates for promotion to senior management.
- At September 2019, 146 (2018: 53) leaders from the Hospital division, Netcare Shared Services and head office were participating in the Leading the Netcare Way programme.
- 98% of sampled delegates who have completed the Leading the Netcare Way programme said they would recommend it to colleagues and management.
Employee relations

We strive for a harmonious and productive working environment based on trust and co-operation. Various channels are used to regularly engage with unions, including quarterly National Consultative Forums. Our workplace relations policy is easily accessible to all employees. We encourage our line managers to attend to grievances promptly with written feedback provided to employees.

Retrenchment is an absolute last resort and only considered after all options to re-deploy affected employees into other positions are exhausted. If this is deemed necessary, all processes are undertaken in line with the requirements set out in our collective bargaining agreements.

2019 performance

- Successfully concluded the 2019/20 salary negotiations with all four recognised trade unions, and engaged with them on the organisational restructures for the Hospital and Primary Care divisions.
- Launched an electronic employee relations newsletter to keep our human resources managers abreast of case law and awards.
- Held workshops for human resources teams to enhance the way we prepare for labour disputes referred to the CCMA.
- Facilitated national consultative forums with trade union representatives on workplace diversity and inclusion across all occupational levels and our targeted people development interventions.
- 14 (2018: nine) grievances were received with 11 resolved and three referred to ICAS for further counselling.
- 12 cases (2018: 15) were reported to the SHOUT hotline, with all cases investigated and 11 resolved. One was still under investigation at the time of reporting.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>19 915</td>
<td>20 946</td>
<td>19 934</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>14.1%</td>
<td>12.1%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Union membership</td>
<td>52.6%</td>
<td>50.9%</td>
<td>51.3%</td>
</tr>
</tbody>
</table>

Note: excludes National Renal Care and PPPs.

Looking forward

- In partnership with the CCMA, provide line managers with training on how to manage disciplinary inquiries.
Operational excellence

Digital transformation

The most ambitious aspect of our strategy, which we believe will significantly differentiate Netcare from our competitors, is the implementation of the EMR solution across all of our service platforms. As the backbone of our approach to person-centred health and care, EMRs will drive improved clinical outcomes and reduce clinical risk, provide doctors and patients with mobile access to medical records, enable the application of our valuable data assets and vastly improve our operating efficiency and expenses.

Our renewed focus on data management and analytics is aimed at extracting maximum value from our data, including predictive analyses of our businesses, growth areas and quality outcomes, and to inform the development of new products and services.

The full digitisation of our IT and data gathering platform is expected to cost R600 million over 10 years (2017 – 2027). The operational and capital expenses associated with CareOn, the EMR system in the Hospital division which is our most complex strategic initiative, are ring-fenced to ensure tight cost management and oversight. The project is currently progressing within the allocated budget, with capital investment of R55 million to date and operating costs of R12 million in 2019. We expect capital investment of approximately R50 million in 2020.

As we continue on our digital journey, our associated cyber risk increases. Our disaster recovery plans ensure our ability to rapidly restore system functionality, prevent or minimise data loss and re-establish normal business operations in the event of a major IT system breach or failure. Comprehensive cyber liability insurance guards against losses resulting from cybercrime.

How we manage risk: page 44.

Our digital journey to date

1. SAP implemented in all service platforms, creating a financial and administrative backbone.

2. Shared Services Centre for:
   - Human resources payroll.
   - Group IT.
   - Debtors and creditors.
   - Procurement.
   - Netcare 911’s Emergency Operations Centre.
   The centralisation of asset management is underway.

3. Initiatives including:
   - Electronic workforce planning tools.
   - Automated inventory procurement tool.
   - Real-time stock billing solutions.
   - Hand hygiene app.
   - Online appointment booking.
   - Robotic invoice reconciliation.

Today
Digitising the person-centred experience

Establishing:
- Unique patient EMRs.
- A person-centred data platform.

Chief Executive Officer’s Review: page 62.
**Governance in action**

IT is well governed at Netcare and our policies comply with regulations and best practices. The IT Steering Committee provides strategic direction of IT across the business, and reviews IT risk and opportunity management. It is supported by an IT-related decision framework and the POPIA1 Steering Committee. Access to patient data is governed according to appropriate policies and procedures. The Board and Audit and Risk committees oversee the governance of IT, and are kept comprehensively updated on the progress of our EMR system implementation, which is also a standing agenda item at Executive Committee meetings.

Together, the Board, its committees and the formal CareOn Digitisation Project Steering Committee have spent a considerable amount of time understanding the benefits associated with the EMR solution and ensuring that the Group’s contracting arrangements mitigate the associated risks. Our newly established Project Management Office co-ordinates, manages and mitigates the risks of the project, according to a formal project charter and in line with the Netcare Project Management Lifecycle and Governance Standards. External resources from our implementation partners are seconded to Netcare to assist with the pilot and further roll out. Reports from weekly progress meetings are submitted to the Executive Committee.

Healthcare Information and Management Systems Society (HIMSS) will provide external assurance and accreditation at each site and the Board will continue to monitor the EMR implementations.

1. Protection of Personal Information Act.

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**2019 performance**

**Group**

- Establishing a data management and analytics team to monitor and manage the quality of critical data and ensure business ownership of the data.
- Made significant progress in building a big data and artificial intelligence platform and developed a number of test cases, which have added demonstrable value to the Group.
- Established a Data Council responsible for ensuring that priorities related to data management meet business needs, and to oversee the governance, co-ordination and protection of data.
- Transitioned Akeso Clinics to the Group’s human resources system, and an ongoing project to automate agency invoicing to reduce manual and time-consuming processes.
- Implemented the SAP Real Estate module.
- Continued to mature our cybersecurity competency, including:
  - Cybersecurity training and awareness.
  - A governance framework for medical devices.
  - Privileged account management and network access control (phase 1 implemented).
- Engaged external experts to conduct a cybersecurity capability review, including vulnerability management, and to establish a clear cyber risk profile.
- Continued to participate in CareConnect, a not-for-profit industry collaboration aimed at enabling the secure sharing of healthcare data among authorised parties in SA to improve health outcomes and efficiency, enhance healthcare consumer engagement and experience, and lower healthcare system costs for all South Africans.

**Hospital division**

- Following robust testing, successfully launched the CareOn pilot at Netcare Milpark Hospital in September 2019.
- Netcare Cancer Care:
  - Appointed a dedicated resource to formulate a digital transformation strategy for the oncology business.
  - Completed the digitisation of cancer radiotherapy records, which will integrate with SAP to enable automated billing going forward. In the future, the system will integrate with CareOn.
  - Investigating the digitisation of chemotherapy clinical records, which will form part of CareOn in the future.
  - Rolled out quality assurance software at all oncology sites to improve the quality control of equipment.
- Began a pilot of the LogBox system at Netcare Waterfall City Hospital. LogBox digitally captures patient demographic data and shares this data across facilities, doctors, pathology and radiology services. This allows for more efficient administrative processes.
- Engaged external experts to conduct a cybersecurity capability review, including vulnerability management, and to establish a clear cyber risk profile.

**Akeso Clinics**

- Appointed a Head of Digital Transformation and Systems and completed the study phase of the service platform’s digitisation project.

**Netcare 911**

- Started developing a proof of concept to connect all vital equipment (monitors, ventilators and glucometers) in ambulances to Netcare Milpark Hospital’s emergency department. This will enable the receiving team to have real-time information on the patient before arrival at the hospital and will reduce duplication on admission.

**Primary Care**

- Successfully piloted the HealthOne solution, assisted by Altron, which consists of an EMR and integrated practice management system with online booking functionality, at two Medicross clinics in October 2019.
- Successfully rolled out HealthOne EMRs to four Netcare-operated occupational health sites, including two mining sites.

**National Renal Care**

- An EMR system with renal specificity has been scoped and the project is in initiation phase.
Business improvement initiatives

141 new initiatives started and 143 initiatives completed, with 77 initiatives in progress at year-end.

Founders Factory Africa

Invested in Founders Factory Africa, a corporate-backed platform for startup growth and entrepreneur development. We will provide health-technology startups with access to our service platforms, technical expertise and data to stimulate innovative solutions to healthcare challenges in SA and across Africa. We will invest R180 million over five years in 35 health-tech startups.

Netcare 911

Netcare 911 is fully digitised from receipt of a call through to dispatch and recording of all demographic and clinical data in ambulances.

Netcare Innovation Challenge

Launched the Netcare Innovation Challenge, which is to all employees, encouraging them to share their ideas to positively disrupt our business and participate in future value creation for Netcare. The individual or group with the winning idea will receive R100 000. To date, we have received over 310 submissions.

Looking forward

- Continue to progress the EMR roll out in line with the schedule below.

- Begin a project in 2020 to consolidate all customer-related information into a robust customer relationship management platform. The platform will provide a longitudinal record from all relevant service platform EMRs and operational systems and allow patients seamless access to their personalised health information.
- Ongoing implementation of a data management and analytics organisational design and structure, and fit-for-purpose data technology.

1. Blueprinting to be completed in 2020.
Key strategic initiative
CareOn

Since mid-2017, partnership with various global IT giants, we have customised iMedOne – a basic clinical electronic platform – to create CareOn, providing patients with their own EMRs and our doctors, nurses and pharmacists with a world-class operating environment.

To date, 43 workstreams have touched almost every department and functional area within the Group as the project gained momentum.

Doctor and nurse adoption of the system is closely monitored, with appropriate change management interventions implemented. The Digital Advisory Board of 56 doctors provided input to the project. We were able to ‘leapfrog’ from paper-based to fully mobile in implementing the EMR system, by-passing the need for a static computer interface at the patient’s bedside, which is typical in EMR implementations. Instead, we have been able to provide our doctors with mobile access to the system, away from the bedside and even outside the facility. The development of a fully verified and authenticated e-scripting digital signature, for practitioners approvals will become the gold standard in SA. Ultimately we want patients to be able to access their health records digitally on their smart phones or computers.

The project has been externally reviewed and assured, and the pilot is being conducted in three wards at Netcare Milpark Hospital. The hospital has become the first in Africa able to electronically prescribe medication with a fully integrated pharmacy dispensing system. The solution is integrated with IBM Watson Micromedex, which allows automated drug dosage and interaction checks to significantly improve medication safety. The CareOn solution also includes full digital integration of medical equipment in wards and theatres, pathology laboratories, radiology and blood bank. In 2020, we will roll out CareOn across Netcare Milpark Hospital and in two other hospitals.

Change management: page 94.
External accreditation

Our goal is to achieve Stage 6 or 7 for CareOn from HIMSS at Netcare Milpark Hospital by 2021.

The HIMSS Analytics’ eight-stage benchmarking model – the Electronic Medical Record Adoption Model (EMRAM) – measures the adoption, utilisation and capabilities of EMR functions per hospital. This global advisor and thought leader supports the transformation of the health ecosystem through information and technology.

The HIMSS EMRAM model (shown below) measures progress and maturity in implementing an EMR system. The highest levels of maturity (Stage 6 and Stage 7) correlate with improved patient safety, quality and outcomes. This correlation with regards to improved safety has been demonstrated by relating EMRAM maturity to the Hospital Safety Grade Scale developed by the Leapfrog Group, a US-based non-profit organisation that advocates for hospital transparency and safety.

We will use the EMRAM to score our facilities’ EMR capabilities, benchmarking and recording our progress as we implement CareOn.

Prior to adopting CareOn
HIMSS Analytics assessed our current level of EMR maturity at Netcare Milpark Hospital, rating us below Stage 1.

2020
Good progress has been made on key deliverables for HIMSS accreditation, and we are aiming to achieve Stage 4 or Stage 5 in the coming year.

2021
Achieve either Stage 6 or 7 validation for Netcare Milpark Hospital, the levels at which improved safety and quality outcomes become evident.

Over the medium term, our objective is to ensure that all Netcare healthcare-related services are measurable and comparable to international best-in-class standards. We are also evaluating initiatives to implement a clinical decision support (CDS) system, and storage and archiving of medical images.

EMRAM model

<table>
<thead>
<tr>
<th>Stages</th>
<th>Criteria for each stage</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Complete EMR integrates all clinical areas, virtually paperless, uses data analytics to improve quality of care, patient safety and efficiency of care delivery, disaster recovery, privacy and security, and external health information exchange (HIE).</td>
<td>Paperless patient record environment for highest quality of care and data continuity.</td>
</tr>
<tr>
<td>6</td>
<td>Technology enabled closed loop medication, blood products and human milk administration, risk reporting and full CDS (including background algorithms).</td>
<td>Full electronic CDS and highest medication safety.</td>
</tr>
<tr>
<td>5</td>
<td>Physician documentation using structured template and intrusion/device protection.</td>
<td>Doctor documentation using structured templates.</td>
</tr>
<tr>
<td>4</td>
<td>Computerised provider order entry with CDS evidence-based pathways and protocols, HIE capable and basic business continuity.</td>
<td>Electronic order entry for doctors with CDS.</td>
</tr>
<tr>
<td>3</td>
<td>Nursing and allied health documentation in the EMR using structured templates and electronic tracking of medical administration records and role-based security.</td>
<td>Clinical ordering and documentation, especially nursing care and medicines.</td>
</tr>
<tr>
<td>2</td>
<td>Clinical data repository/electronic patient record allows collection and normalisation of data from disparate clinical sources throughout the hospital and basic security.</td>
<td>A patient-centred electronic data repository.</td>
</tr>
<tr>
<td>1</td>
<td>Information systems for laboratory, pharmacy and radiology/cardiology are installed or data output can be processed electronically.</td>
<td>Electronic diagnostic and pharmacy information available online.</td>
</tr>
<tr>
<td>0</td>
<td>Information systems for laboratory, pharmacy and radiology/cardiology not installed or data output cannot be processed electronically.</td>
<td></td>
</tr>
</tbody>
</table>
Key strategic initiatives

Our focus on data management

In the past, the manner in which we governed and managed data was inconsistent and fragmented. Our focus has been retrospective and mostly centred on financial data with not enough focus on clinical and patient-centred analysis. Our new data strategy, which includes educating employees on the value of our data, together with the new customer relationship management platform, will improve how we use our large sets of data. We are migrating to a Microsoft Azure cloud-based analytics platform that will substantially accelerate and enhance our machine learning and predictive analytics capabilities across the Group.

The following new applications and proof of concepts use big data and machine learning, and are already delivering valuable insights and quality improvements:

- **Antibiotics consumption benchmarking**: see page 79.
- **Netcare 911’s ‘time saves lives’ initiative**: see page 76.
- **Survival rate in Level 1 accredited trauma units**: see page 77.
- **Waiting time in emergency departments**: see page 77.
- **Revenue forecasting and collections**: using historical data and machine learning to forecast revenue and predict high-risk cases likely to be rejected by medical aids, enabling specialised teams to resolve these cases before final billing.

Developing self-service processes for patients

Our two-year project to develop an online hospital admission service is a three-pronged approach, comprising online pre-admission, a partnership with a major funder to integrate authorisation and membership validation, and integration with LogBox (see page 103). Twelve Netcare hospitals are piloting the pre-admission service, enabling patients to register on the Netcare patient portal, create a profile account and complete their pre-admission. The pilot results show a steady increase in surgical online admissions and are providing a better quality of demographic information as well as lower claim rejections and waiting times on the day of admission.

A number of plans are in place to enhance the service going forward, including biometric identification, automation of bed allocation, electronic acceptance of terms and conditions, and the ability to upload relevant documentation.

We will begin a project in 2020 to consolidate all customer-related information into a robust customer relationship management platform. The platform will provide a longitudinal record from all relevant service platform EMRs and operational systems and allow patients seamless access to their personalised health information.
Business improvement

Salaries, our largest cost driver, have continued to increase in excess of inflation, and together with above inflation utility costs, the high probability of low economic growth in the medium term and funder cost containment strategies, our margins remain under pressure.

During the year, structural reviews were undertaken in the Hospital and Primary Care divisions. The Hospital division focused on standardising roles and working hours and conditions, and Primary Care addressed the performance of certain Medicross medical and dental clinics.

The impact of structural reviews on our people: page 93.

Our cost containment and efficiency programmes continue to focus on optimally managing consumables, equipment, maintenance and utilities. Continuous business improvement is an integral part of daily operational thinking and new ideas and suggestions are encouraged at all levels of the organisation.

2019 performance

Payroll
Payroll comprised 66.5% (2018: 66.2%) of our operating cost base, signalling well-managed staffing costs, despite the mismatch between demand and supply of specialised nursing and paramedic skills.

Pharmacy stock days
23.5 overall pharmacy stock days
compared to 23.1 days in 2018.

Hospital division
- Continued to actively manage nursing costs and workforce scheduling, including in theatres and emergency departments, with specific attention given to hospitals with higher than average acuities and nursing costs.

Netcare 911
- Changes to the road operations fleet achieved lease savings and lower repairs and maintenance expenditure.
- The live dashboard system is improving geospatial analysis and enhancing resource management through better fleet placement and utilisation.

Primary Care
- Expanded the occupational health offering.
- Discussions were held country-wide with relevant Medicross practitioners on the conversion of traditional practices to a new and more sustainable business model. The successful implementation of HealthOne is expected to bring about improved operational and financial efficiencies within Primary Care.
- Incorporated two standalone travel clinics (Edenvale and Sandton) into Medicross and Occupational Health clinics to improve cost efficiencies.

National Renal Care
- Redesigned the authorisations process and team structures to improve debtors' days.

Looking forward
- Continue to focus on optimising occupancy levels to sweat our assets.
- In Primary Care, expand the occupational health services client base.
Manufactured and natural capital

Capital investment

In addition to our investment in digitising our business, we selectively 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, healthcare practitioners 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 so that our decisions minimise risk.

While we continue to identify opportunities to convert and transfer beds to higher demand disciplines or hospitals, our opportunities in the acute hospital network have been somewhat exhausted. Strategic opportunities do however exist to expand Akeso Clinics and leverage our data for product development to access new markets.

Our capital expenditure budget for 2020 is R1.4 billion, including the expansion of Netcare Milpark and Netcare St Augustine’s hospitals, the construction of Netcare Alberton Hospital and two new Akeso Clinics, and digitisation projects as well as the continued focused investment in our estate and medical equipment (capital expenditure in 2019: R1.4 billion).

The Finance and Investment Committee reviews and approves proposed business acquisitions and capital investments, with Board approval required for projects exceeding R50 million. The committee ensures that capital expenditure is managed within budgeted targets and allocated to achieve the most appropriate returns. The Procurement Committee identifies, reviews and implements strategies to ensure optimal pricing efficiencies are obtained across the Group.
2019 performance

**Hospital division**
- 29 under-utilised acute beds were converted to higher demand disciplines. This included the conversion of 10 general beds to haematology beds in Netcare Olivedale Hospital, 16 rehabilitation beds to medical ward beds at Netcare University of Cape Town Private Academic Hospital and three paediatric beds to neonatal ICU beds at Netcare Pretoria East Hospital.
- Opened a brachytherapy unit at Netcare Pinehaven Hospital in March 2019.
- Opened a hybrid vascular catheterisation laboratory (combines traditional diagnostic functions of a catheterisation laboratory with the surgical functions of an operating room) at Netcare Unitas Hospital in July 2019.
- Opened a Centre for Diabetes, Endocrinology and Heart Care at Netcare Umhlanga Hospital, the first multi-disciplinary facility of its kind in KwaZulu-Natal. The centre provides a co-ordinated approach to diabetes treatment and care for cancer patients with treatment-related cardiovascular problems. The centre comprises cardio-metabolic and cardio-oncology units, and incorporates wound care, podiatry and diabetes education units.
- Introduced state-of-the-art Mako robotic arm-assisted surgery at Netcare Linksfield Hospital for knee replacements. The system draws data from a computed tomography scan of the patient's knee, enhancing surgical precision. It can also be used for hip replacements.
- Conducting a feasibility study to establish a satellite breast care centre affiliated to the Netcare Milpark Breast Care Centre of Excellence. The chemotherapy unit at Netcare Sunward Park Hospital, mentioned in last year's report, will not go ahead based on the results of our feasibility testing.
- Refurbished the oncology ward at Netcare Linksfield Hospital, and the refurbishment of certain wards at Netcare Park Lane and Netcare Margate hospitals are underway.
- Completed the sale of Netcare Bell Street and Netcare Rand hospitals (in line with the Competition Tribunal’s approval of the Akeso Clinics acquisition).

**Akeso Clinics**
- Added 57 mental health beds, including 28 at the Akeso Clinic in Parktown.
- Re-opened the expanded and refurbished 35-bed Akeso Clinic in George in March 2019.

**Looking forward for the Hospital division**

**2020**
- Complete the major expansion project at Netcare Milpark Hospital. A total of 100 beds (transferred from Netcare Rand Hospital) will be added to the hospital, with 48 beds opened to date. The remaining 52 beds will open in February 2020.
- Open a 28-bed ICU at Netcare St Augustine's Hospital.
- Convert 28 hospital beds to higher demand disciplines.
- Investigate the expansion of radiotherapy treatment facilities.
- Open a new infusion unit at Netcare Linksfield Hospital.

**2021**
- Complete the construction of Netcare Alberton Hospital with 427 beds (consolidation of Netcare Clinton and Netcare Union hospital services as well as the transfer of 35 under-utilised beds from Netcare Mulbarton Hospital).

**Looking forward for Akeso Clinics**

**2020**
- Add 71 new beds to the network, including a new 36-bed Akeso Clinic in Richards Bay.

**2021**
- Open a new 72-bed Akeso Clinic in Port Elizabeth.
- Add 18 beds at the Akeso Clinic in Umhlanga.
Netcare 911
- Added two new helicopters to the rotary wing fleet, expanding this emergency service to the KwaZulu-Natal and the Western Cape provinces. Helicopters are equipped as ICUs and advanced life support paramedics provide emergency medical care in emergencies and when transferring vulnerable ICU patients, including critically ill infants, between hospitals.
- Added three sites to the industrial operations.

Looking forward for Netcare 911
- Add a single engine helicopter with a lower operating cost to our day rotary wing service.
- Further expand the industrial operations.

Primary Care
- Opened the Cape Town Foreshore Day Theatre in August 2019, which services the day hospital needs of doctors at Netcare Christiaan Barnard Memorial Hospital.

Looking forward for Primary Care
- Upgrade the facilities of older Medicross theatres, and expand medical equipment to broaden the scope of services offered.

National Renal Care
- Busamed Renal Care started operating in February 2019, as part of an agreement with the Busamed Hospital Group.
- Added 69 dialysis points.
- Opened new dialysis units in Alice (Eastern Cape), Eerste River (Western Cape) and Pinehaven (Gauteng).
- Expanded the Ballito unit in KwaZulu-Natal.
- Purchased additional Prismaflex machines to support growth in continuous renal replacement therapy.
- Refurbished the centrifuge fleet, supporting improved volumes in plasma exchange.

Looking forward for National Renal Care
- Expand our chronic unit footprint and acute therapy services.
## Facilities and assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospital division</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned and managed acute hospitals¹</td>
<td>55</td>
<td>57</td>
<td>58</td>
</tr>
<tr>
<td>- Registered beds</td>
<td>10 046</td>
<td>10 187</td>
<td>10 181</td>
</tr>
<tr>
<td>- ICU and high care beds</td>
<td>1 813</td>
<td>1 837</td>
<td>1 804</td>
</tr>
<tr>
<td>- Wards</td>
<td>468</td>
<td>485</td>
<td>485</td>
</tr>
<tr>
<td>- Theatres</td>
<td>350</td>
<td>360</td>
<td>364</td>
</tr>
<tr>
<td>- Emergency departments</td>
<td>44</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>- Hybrid theatres, catheterisation and electrophysiology laboratories</td>
<td>33</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>- Cancer care centres</td>
<td>15</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Mental health hospitals</td>
<td>12</td>
<td>12</td>
<td>–</td>
</tr>
<tr>
<td>Registered beds</td>
<td>891</td>
<td>834</td>
<td>–</td>
</tr>
<tr>
<td><strong>Primary Care¹</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicross centres and Netcare Occupational Health clinics</td>
<td>73</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Sub-acute facilities</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Medicross day clinics</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td><strong>Netcare 911</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency bases</td>
<td>83</td>
<td>80</td>
<td>84</td>
</tr>
<tr>
<td>Vehicles</td>
<td>202</td>
<td>181</td>
<td>199</td>
</tr>
<tr>
<td>Helicopter ambulances</td>
<td>6</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>National Renal Care</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Renal Care facilities</td>
<td>67</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Dialysis stations</td>
<td>936</td>
<td>867</td>
<td>843</td>
</tr>
</tbody>
</table>

¹. Excludes Lesotho.
Asset management

Our asset management system includes maintenance processes, policies, procedures and technical resources at a national, regional and hospital level. Compliance with accreditation processes, internal quality reviews and the regular review and audit of suppliers ensure our equipment is safe, secure and maintained at high standards.

Mechanisms that support regular supplier engagement
- Supplier audits and review, tender processes and contract negotiations.
- Conferences and supplier exhibitions as well as online supplier surveys.

The AMIP is automating the vast majority of our equipment maintenance and standardising asset management across the Group. The AMIP Steering Committee oversees the implementation of the project, with progress measured against defined milestones and key performance indicators. Currently, the project covers the Hospital division but it will be extended to Akeso Clinics and Primary Care in future.

2019 performance
AMIP is being implemented over the following four phases:

| Phase 1: Systems integration | We have integrated our asset acquisition system (My-Market) and our computerised maintenance management system (SAP PM), and established new processes for asset acquisition and asset expense recording. | Completed |
| Phase 2: Asset verification | Conducting asset verifications to identify missing equipment, remove redundant equipment, align SAP PM data to the new master list and link the equipment in SAP PM to the fixed asset register as far as possible. Data has been collected from each facility, the quality of which is at a 95% confidence level. An independent consulting firm has been appointed to perform quality assurance on a sample of the physical verification. | Scheduled for completion during the first quarter of the 2020 calendar year. |
| Phase 3: Centralisation | Establish an Asset Management Shared Services Centre with specialist personnel to manage the asset management strategy and centralise preventative maintenance. Focus will be on risk mitigation, centralised scheduling and execution of all maintenance and support activity required by hospitals, centralised reporting, managing service level agreements and warranties, and providing business support. | Scheduled for completion at the end of 2019 calendar year. |
| Phase 4: Technical skills upliftment programme | Deliver technical skills training in partnership with HWSETA, providing opportunities for non-clinical employees. A total of 126 artisans, artisan assistants and clinical engineering employees are receiving training. | Four-year programme started in the 2019 calendar year. |

Expenditure on equipment

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of new equipment</td>
<td>R622 million</td>
<td>R530 million</td>
<td>R765 million</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>R384 million</td>
<td>R345 million</td>
<td>R321 million</td>
</tr>
</tbody>
</table>

Looking forward
- Achieve an asset management system aligned to the best practice principles of the ISO 55000 Standards for Asset Management.
- Start the asset verification process for Primary Care in 2020.
Environmental sustainability

In 2013, Netcare received a R500 million loan from Nedbank Corporate Bank in association with the French Development Agency, and we set ourselves a goal to reduce our energy intensity by 30% in 10 years.

Our environmental sustainability programme focuses on ensuring a sustainable supply of energy and water, efficiently managing the use and cost of utilities, and recycling and controlling waste. We have strategic partnerships with Energy Management SA and Energy Partners, and provide our employees with training and awareness on utility conservation.

Risk management

In the event of a 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, co-ordinated 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 back-up water supply.

During the year, our fleet of approximately 200 generators together with our self-generation capacity, sufficiently mitigated the planned and unplanned electricity outages experienced across SA, ensuring continuity of patient care. All acute and day hospitals have uninterrupted power supply and generators supplying critical areas. Eight hospitals have dual redundancy, enabling continued operation and admission of new patients despite electricity outages. A total of 24 hospitals (representing 55% of our hospital beds) and 13 day hospitals have complete island load capacity, meaning we can supply the entire facility and run independently of the grid.

We are in constant contact with Eskom’s National Control Centre and receive advance notice of any concerns as they develop. We also operate over 70 satellite phones to facilitate communication when other channels are unavailable.

Recognition

2019 South African Energy Efficiency Confederation
- Corporate Company of the Year.
- Corporate Project of the Year.

2020 Health Care Climate Challenge by Global Green and Healthy Hospitals (more than 1 200 members, 60 countries, 36 000 hospitals and healthcare centres)
- Climate resilience I GOLD.
- Climate leadership I GOLD.
- GHG1 reduction I GOLD.
- Renewable energy I SILVER.

This was the second best achievement globally.

2019 Association of Energy Engineers (USA)
Won the Corporate Energy Management Award for the Sub-Saharan Africa region, for outstanding achievements in the development, implementation and management of our energy programme. Netcare is the first healthcare company to receive this global award.

Solar installations

Netcare has one of the largest solar photovoltaic (PV) installations in SA, with an installed capacity of 9.7 megawatt peak, capable of generating approximately 17 gigawatt hours (GWh) of renewable energy per annum.

Capital expenditure on environmental sustainability projects

R496 million invested in the environmental sustainability programme since 2013, with initiatives contributing savings of R366 million. **This equates to a 74% return on capital expenditure.**

Post implementation assessments on projects with a total investment of R331 million, indicate a net present value saving of R115 million, 29% higher than predicted at project approval stage.

**CDP**

**Scored a B** in the latest climate change and water disclosures.

Between 24 and 48 hours of back-up water supply is stored at most Netcare facilities. The desalination plant at the Netcare Christiaan Barnard Memorial Hospital is capable of supplying water to all facilities in the Western Cape, enabling us to run independently of the water utility. Since 1 September 2019, the plant has supplied 100% of the water required by the Netcare Christiaan Barnard Memorial Hospital.

Boreholes and filtration plants are in place in five hospitals that have experienced chronic water shortages in the past. We have a well-entrenched relationship with a supplier of emergency water to hospitals and Primary Care clinics.
Climate change

The Sustainability Committee 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.

We have committed to the Science-based Target Initiative (SBTi) in line with the Paris Agreement within 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 no more than 2°C. We have developed an emissions target in support of this commitment, which we will review in 2023 with the aim of adjusting it to below 2°C and, if possible, set a 1.5°C limit.

2019 performance

Energy
- Electricity expense was R343 million (2018: R306 million). Achieved year-on-year electricity cost savings of R14 million, exceeding our target of R6 million for monitored facilities. Without the efficiency projects implemented since 2013, our electricity cost would have amounted to R430 million.
- The PV installations generated 12 GWh of renewable energy, contributing more than R17 million to the electricity saving.
- Diesel usage increased by 129% as a result of the electricity outages experienced.
- Secured our supply of diesel as a confirmed priority client. We are also working with the supplier to implement a streamlined ordering process that can be monitored and controlled centrally.

Water
- Water expense increased by 28% and consumption by 3%, the biggest contributor being the full year of reporting for Akeso Clinics, which was only reported for six months in the prior year.

Waste
- The cost of healthcare risk waste increased 4% and all other waste streams by 28%.
- Two waste-related proof of concept initiatives are in execution stage - one being the treatment of healthcare risk waste on-site and the second a zero waste to landfill concept for waste outside the healthcare risk waste streams. The results of these pilot projects are expected early in the 2020 calendar year.

Sustainability programme
- Achieved year-on-year savings of R33 million through efficiency projects, tariff and billing corrections and other initiatives.
Achieving our efficiency goal

- Over 123 projects completed; 25 active projects.
- Solar PV systems installed at 53 facilities.
- 9.7 megawatt peak installed solar PV capacity.
- 134,000 lights replaced.
- R366 million saving in six years.

21% energy reduction from baseline (SA and Lesotho operations), the equivalent of taking 1,500 beds (or 15% of our bed base) off the grid.

Electricity intensity on monitored facilities

- kWh per bed in use per year
- kWh per patient day

Electricity: SA operations and Lesotho: trend of optimisation impact

- In 2019, our optimisation initiatives avoided billing on 57 GWh and avoided electricity costs of R87 million.
Utilities | Unit | 2019 | % change | 2018 | 2017 | Baseline (2013)
---|---|---|---|---|---|---
**Energy use**¹ | | | | | | |
Total energy consumed | gigajoules | 983 418 | 2.2% | 961 802 | 1 052 635 | 1 038 540

**CO₂ emissions**² | | | | | | |
Scope 1 emissions | tCO₂e³ | 34 192 | (15.0%) | 40 212 | 33 339 | 38 337
Scope 2 emissions | tCO₂e | 211 026 | 12.6% | 187 422 | 218 252 | 231 467
Total Scope 1 and 2 emissions | tCO₂e | 245 218 | 7.7% | 227 634 | 251 591 | 269 804

**Total Scope 1, 2 and 3 emissions** | tCO₂e | 275 613 | 7.5% | 256 469 | 281 632 | 311 765

**CO₂ intensity ratios** | | | | | | |
Ratio of Scope 1 and 2 emissions to revenue | tCO₂e/Rm | 11.36 | 3.4% | 10.99 | 13.16 | 20.09
Ratio of Scope 1 and 2 emissions to registered beds | tCO₂e/bed | 21.34 | (0.5%) | 21.45 | 23.72 | 33.56

**Water consumption**⁴ | | | | | | |
Total water consumption | kilolitres (kl) | 2 132 022 | 2.9% | 2 072 375 | 2 015 752 | 1 803 026
Ratio of total water to revenue | kl/Rm | 99 | (1.0%) | 100 | 105 | 116
Ratio of total water to registered beds | kl/bed | 186 | (4.6%) | 195 | 190 | 194

**Waste** | | | | | | |
Healthcare risk waste incinerated (SA)⁵ | tonnes | 87 | 10.1% | 79 | 72 | 68
Healthcare risk waste incinerated (Lesotho) | tonnes | 82 | (21.9%) | 105 | - | -
Healthcare risk waste treated and landfilled | tonnes | 4 731 | (0.5%) | 4 753 | 4 630 | 4 110
Landfill waste² | tonnes | 6 425 | 33.5% | 4 813 | 4 692 | 6 860
Recycled waste⁶ | tonnes | 4 136 | 132.2% | 1 781 | 1 791 | 517
Ratio of total waste generated to revenue | kilograms/Rm | 525 | 11.5% | 471 | 491 | 729
Ratio of total waste generated to registered beds | kilograms/bed | 986 | 7.3% | 919 | 886 | 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).

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 and certain Primary Care facilities which together account for 68% of Primary Care's electricity expense. Data covers SA and Lesotho.
2. Data covers SA and Lesotho.
3. Tonnes of carbon dioxide equivalent.
4. Water meters cover more than 90% of the hospital network. Data covers SA and Lesotho.
5. Hospital consumables are mainly surgical in nature and classified as healthcare risk waste which by law cannot be recycled.
6. Data covers SA only.

It is worthwhile noting that Eskom’s emissions per kilowatt hour generated increased by 10% during 2019, largely contributing to the 12.6% increase in our Scope 2 emissions. Lesotho activities contributed to 50% of the increase in landfill waste.

Detailed review of our environmental management approach and performance: GRI report.

Looking forward

- Develop a new 10-year environmental sustainability strategy to 2030 in the next calendar year. The new strategy will be broader than our 2023 strategy, which focused on electricity. Targets will be set for electricity and water consumption, as well as waste management. We envision a target to reduce water by 20% by 2025. The findings from the two waste pilot projects underway will be used to inform the waste targets.
- Continue to develop new sustainability projects, with a particular focus on water and non-medical waste given the significant increases in the associated costs.
- Take the installed base of solar PV to above 10 megawatt peak and investigate further projects to procure renewable energy to achieve our science-based target.
Financial capital

Chief Financial Officer’s review

Netcare delivered a resilient financial performance in the 2019 financial year, built on a platform of solid business fundamentals of cost control, a strong balance sheet and conservative gearing. We remain firmly committed to the principles of disciplined capital management, both in allocating capital to our value creating strategic initiatives, and in the distribution of capital to our shareholders.

Keith Gibson
Chief Financial Officer

Revenue
R21 589 million
2018: R20 717 million

SA cash generated from operations
R4 888 million
2018: R4 305 million
Overview
Netcare delivered a resilient financial performance in a challenging market, and made important strides in executing on our strategic priorities during the 2019 financial year.

As the SA economy continued to struggle, the private healthcare sector faced significant growth challenges. Medical scheme membership remained stagnant and funders continued to focus on initiatives to reduce healthcare costs. This included growth in the number of lower cost medical scheme options that limit member access to specific providers across the healthcare value chain.

Against this backdrop, Netcare managed its cost base well with targeted efficiency initiatives gaining traction, particularly in the second half of the year. Our balance sheet remained strong, with healthy levels of gearing, and our operations continued to generate strong cash flows, converting 111% of EBITDA into cash during the year.

We exercised discipline in our deployment of capital within the business, focusing on expanding and digitising all of our business lines, developing our AI and data analytics capabilities, maintaining and upgrading our facilities, and attracting and retaining clinicians to provide quality services to our customers.

The business fared well in managing its capital resources according to our defined medium-term targets and internal policy limits.

Shareholder returns
Netcare distributed an aggregated R2 454 million to its shareholders during the 2019 financial year in the form of ordinary dividends, share buybacks and a special dividend.

Netcare seeks to pay a sustainable income to its investors. The Board is of the view that Netcare can distribute 50% to 70% of its future earnings to shareholders, while maintaining a safe level of debt and an investment grade credit rating. The Group’s strong cash generation and conservative gearing enabled the Board to approve a total dividend for the year towards the upper end of this policy range, at 65% of adjusted headline earnings. Ordinary dividends for the year amounted to R1 546 million, and grew by 6.7% to 111.0 cents per share (2018: 104.0 cents per share).

Share buybacks are Netcare’s preferred method of returning excess cash to shareholders. During the year, a total of 19 166 550 shares were repurchased and cancelled at a cost of R458 million. In addition, a special dividend of 40.0 cents per share was paid in January 2019, thereby returning R542 million to shareholders.

The Netcare share price closed at R17.55 on 30 September 2019, 27.5% lower than the 2018 closing value of R24.21. Headwinds in the SA economy, as well as sector-specific challenges influenced our share price performance. In particular, the private healthcare sector as a whole experienced significant share price volatility following the publication of the NHl Bill in August 2019.
Capital management

Netcare’s overarching policy with regard to its capital structure is to maintain a strong balance sheet and retain an investment grade credit rating, while reducing the cost of capital with a safe level of debt. Netcare’s disciplined approach to capital management includes medium-term (three- to five-year) targets and internally set policy limits, which we use to guide and measure the efficacy our capital management decisions.

The Group’s performance has tracked well against the stipulated goals:

- Although the Group EBITDA margin remained stable, we have not yet achieved our medium-term target due to healthcare market challenges and resultant pressure on margins.
- The Group has certain bank covenants requiring that the net debt to EBITDA ratio remains below 2.75 times cover. However, we set a more conservative internal limit and remained comfortably within this policy limit.
- Similarly, we set a more conservative EBITDA to net interest coverage policy, even though banking covenants are set at more than 4.0 times. Our actual coverage reflects more than adequate levels of headroom.
- In 2019, Global Credit Ratings confirmed the Group’s short- and long-term credit rating at investment grade. The long-term credit rating was revised upwards from A+ to AA- and the short-term credit rating was maintained at A1+.

Analysis of performance metrics against target

<table>
<thead>
<tr>
<th>Medium term targets: 3 – 5 years¹</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on invested capital (ROIC) &gt;20%</td>
<td>19.9%</td>
<td>20.1%</td>
</tr>
<tr>
<td>Group EBITDA margin</td>
<td>20.5%</td>
<td>20.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Covenant</th>
<th>Policy limit¹</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt to EBITDA &lt;2.75x</td>
<td>&lt;2.0x</td>
<td>1.1x</td>
<td>1.2x</td>
</tr>
<tr>
<td>EBITDA/net interest &gt;4x</td>
<td>&gt;5x</td>
<td>12.9x</td>
<td>9.1x</td>
</tr>
<tr>
<td>Dividend/adjusted HEPS 50% – 70%</td>
<td>60.6%</td>
<td>64.8%</td>
<td></td>
</tr>
</tbody>
</table>

Credit rating:
- Long term: A+ (AA-)
- Short term: A1+ (A1+)

¹ Excluding impact of IFRS 16.
## Analysis of financial performance

### Summarised Group statement of profit or loss

for the year ended

<table>
<thead>
<tr>
<th></th>
<th>30 September 2019</th>
<th>30 September 2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>21 589</td>
<td>20 717</td>
<td>4.2</td>
</tr>
<tr>
<td>Normalised EBITDA</td>
<td>4 388</td>
<td>4 209</td>
<td>4.3</td>
</tr>
<tr>
<td>Normalised operating profit</td>
<td>3 640</td>
<td>3 486</td>
<td>4.4</td>
</tr>
<tr>
<td>Normalised profit before taxation</td>
<td>3 229</td>
<td>3 232</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Normalised taxation</td>
<td>(879)</td>
<td>(904)</td>
<td></td>
</tr>
<tr>
<td><strong>Normalised profit after taxation from continuing operations</strong></td>
<td>2 350</td>
<td>2 328</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Discontinued operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from discontinued operations</td>
<td>–</td>
<td>(467)</td>
<td></td>
</tr>
<tr>
<td>Exceptional items:</td>
<td></td>
<td>128</td>
<td>2 883</td>
</tr>
<tr>
<td>Realisation of foreign currency translation reserve</td>
<td>128</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Profit on loss of control</td>
<td>–</td>
<td>4 205</td>
<td></td>
</tr>
<tr>
<td>Impairment of contractual economic interest in debt of BMI Healthcare</td>
<td>–</td>
<td>(1 544)</td>
<td></td>
</tr>
<tr>
<td>Taxation effect</td>
<td>–</td>
<td>222</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>2 478</td>
<td>4 744</td>
<td>(47.8)</td>
</tr>
</tbody>
</table>

*Normalised” excludes the impact of exceptional items.

### Group financial review

- Group revenue from continuing operations grew by 4.2% to R21 589 million (2018: R20 717 million).
- Normalised Group EBITDA increased 4.3% to R4 388 million (2018: R4 209 million).
- Normalised operating profit was 4.4% higher at R3 640 million (2018: R3 486 million).
- Normalised EBITDA and operating profit margins were flat at 20.3% (2018: 20.3%) and 16.9% (2018: 16.8%), respectively.
- Normalised Group profit before taxation was 0.1% lower at R3 229 million (2018: R3 232 million). The normalised taxation charge amounted to R879 million (2018: R904 million), reflecting a normalised effective Group tax rate of 27.2% (2018: 28.0%).
- Normalised Group profit after taxation increased by 0.9% to R2 350 million (2018: R2 328 million).

### Exceptional items and discontinued operations

In the 2019 financial year, a gain of R128 million was recognised on the realisation of a foreign currency translation reserve related to the deregistration of a foreign subsidiary. In the prior year, we reported an after-tax loss of R467 million from discontinued operations, mostly comprising the results of BMI Healthcare, as well as the recognition of exceptional items of a net favourable R2 883 million relating to Netcare’s exit from the United Kingdom (UK).
### Operational performance

<table>
<thead>
<tr>
<th></th>
<th>Hospital and pharmacy operations</th>
<th>Non-acute services</th>
<th>Hospital and emergency services</th>
<th>Primary Care</th>
<th>Inter-segment elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statement of profit or loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>19 706</td>
<td>1 104</td>
<td>20 810</td>
<td>795</td>
<td>(16)</td>
<td>21 589</td>
</tr>
<tr>
<td>EBITDA(^1) before item below</td>
<td>4 152</td>
<td>118</td>
<td>4 270</td>
<td>118</td>
<td>–</td>
<td>4 388</td>
</tr>
<tr>
<td>Operating profit before item below</td>
<td>3 516</td>
<td>60</td>
<td>3 576</td>
<td>64</td>
<td>–</td>
<td>3 640</td>
</tr>
<tr>
<td>Realisation of foreign currency reserve</td>
<td>128</td>
<td>–</td>
<td>128</td>
<td>–</td>
<td>–</td>
<td>128</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3 644</td>
<td>60</td>
<td>3 704</td>
<td>64</td>
<td>–</td>
<td>3 768</td>
</tr>
</tbody>
</table>

**Additional segment information**

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 PPE of R69 million.

2. Earnings before interest, tax, depreciation and amortisation.

<table>
<thead>
<tr>
<th></th>
<th>Hospital and pharmacy operations</th>
<th>Non-acute services</th>
<th>Hospital and emergency services</th>
<th>Primary Care</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statement of profit or loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>19 202</td>
<td>798</td>
<td>20 000</td>
<td>717</td>
<td>20 717</td>
</tr>
<tr>
<td>EBITDA(^1) before item below</td>
<td>4 090</td>
<td>10</td>
<td>4 100</td>
<td>109</td>
<td>4 209</td>
</tr>
<tr>
<td>Operating profit before item below</td>
<td>3 454</td>
<td>(27)</td>
<td>3 427</td>
<td>59</td>
<td>3 486</td>
</tr>
<tr>
<td>Impairment of contractual economic interest in debt of BMI Healthcare</td>
<td>(1 544)</td>
<td>–</td>
<td>(1 544)</td>
<td>–</td>
<td>(1 544)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1 910</td>
<td>(27)</td>
<td>1 883</td>
<td>59</td>
<td>1 942</td>
</tr>
</tbody>
</table>

1. EBITDA and operating profit in 2018 are inclusive of UK related restructure costs amounting to R45 million, and Akeso Clinics transaction costs amounting to R18 million.

### Hospital and emergency services

This segment has been disaggregated into Hospital and pharmacy operations, covering our acute hospital network and non-acute services. The non-acute services include emergency medical services, mental health clinics and cancer care services.

Revenue for the segment grew by 4.1% to R20 810 million (2018: R20 000 million). Patient days were 3.7% higher, with a 1.4% decline in acute hospital patient days (excluding the Netcare Rand and Bell Street hospitals) offset by strong growth from Akeso Clinics (acquired effective 27 March 2018). More than 30% of our patient days were attributable to hospital network options. The shift to surgical day cases also remained prevalent, with more than 60% of elective procedures in our acute hospitals (excluding maternity and emergency cases) being day cases, in line with international trends. The implementation by funders of new restricted hospital networks from January 2019, and ongoing funder case management from 2018, most notable in reduced medical respiratory admissions, drove the decline in acute patient days.

Excluding these funder-led initiatives, underlying acute patient day growth was around 0.8%. Acute hospital full week occupancy (excluding Netcare Rand and Bell Street) ended the year down at 65.9% (2018: 66.6%), with weekday occupancies also lower at 71.4% (2018: 72.6%). We continue to support occupancy levels by transferring under-utilised beds to higher demand disciplines and facilities. Acute hospital revenue per patient day grew by 4.3%.

Normalised EBITDA, excluding the gain of R128 million on the realisation of the foreign currency translation reserve on deregistration of a foreign subsidiary, and net non-trading income of R7 million (2018: cost of R63 million), increased to R4 263 million (2018: R4 163 million). The EBITDA margin of 20.5% (2018: 20.8%) was higher than anticipated as the benefits of cost efficiency initiatives offset the impact of lower occupancy levels. This allowed the core acute hospital business to maintain its EBITDA margin. However, overall EBITDA margin was impacted by higher central costs due to our accelerated investment in IT and data analytics, driving continual improvement in clinical outcomes, patient experience, operational efficiencies and patient retention across the continuum of care. Normalised operating profit improved by 2.3% to R3 569 million (2018: R3 490 million).
Demand for mental health services remained strong. Akeso’s total patient days were 17.9% higher than in the comparative period (some of which was prior to the Netcare acquisition). Contributions from two new hospitals that opened in 2017 and 2018, and the expanded and refurbished Akeso George Hospital, which re-opened in March 2019, boosted this growth.

**Primary Care**

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

The Primary Care division achieved strong revenue growth of 10.9% to R795 million (2018: R717 million), driven by the expansion of its occupational health offering. EBITDA improved by 8.3% to R118 million (2018: R109 million). The EBITDA margin of 14.8% was below the 2018 margin of 15.2%. This was due to a greater proportion of lower margin occupational health activity, non-recurring restructuring costs and the impact of new day clinics operating below mature activity levels. Operating profit rose 8.5% to R64 million (2018: 59 million).

**Statement of financial position**

<table>
<thead>
<tr>
<th></th>
<th>30 September 2019</th>
<th>30 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPE, goodwill and intangible assets</td>
<td>14 322</td>
<td>13 847</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1 569</td>
<td>1 453</td>
</tr>
<tr>
<td>Current assets</td>
<td>5 298</td>
<td>5 167</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>226</td>
<td>297</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>21 415</td>
<td>20 764</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>10 235</td>
<td>10 415</td>
</tr>
<tr>
<td>Borrowings</td>
<td>6 846</td>
<td>6 176</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>4 334</td>
<td>4 173</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>21 415</td>
<td>20 764</td>
</tr>
</tbody>
</table>

1. Property, plant and equipment
2. Current assets and other liabilities in 2018 have increased by R216 million to restate for credit balances previously included in other receivables.

Total assets increased 3.1% to R21 415 million at 30 September 2019, from R20 764 million a year earlier. In terms of our ‘asset lighter’ approach, which focuses more on IT systems and data than physical infrastructure, the Group’s capital expenditure for the year (including intangible assets) reduced to R1 429 million (2018: R1 514 million), of which R512 million was invested in expansionary projects.

On 30 September 2019, all conditions precedent relating to the sale of the Netcare Rand and Bell Street hospitals were fulfilled, and the sale was recognised. Proceeds relating to the moveable assets were received by the financial year-end, while the balance of R116 million relating to the properties has been reflected as a receivable and will be paid to Netcare in cash upon transfer of the properties.

A sale process for the GHG PropCo 2 assets in the UK is underway. These assets continue to be held for sale at a carrying value of R226 million (2018: R226 million).
### Net debt

<table>
<thead>
<tr>
<th></th>
<th>30 September 2019</th>
<th>30 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross debt</strong></td>
<td>6 846</td>
<td>6 176</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>(1 732)</td>
<td>(1 371)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>5 114</td>
<td>4 805</td>
</tr>
<tr>
<td><strong>Net debt to EBITDA</strong></td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Cost of debt (%)</strong></td>
<td>8.6</td>
<td>8.8</td>
</tr>
</tbody>
</table>

**Net interest paid:**
- Other net interest paid: 484 (2018: 430)
- Interest received – BMI debt: – (2018: 104)

**Net interest paid:**
- Total: 484 (2018: 326)

**Interest cover (times):**
- Normalised: 7.5 (2018: 10.7)

---

1. Normalised to exclude realisation of foreign currency translation reserve and 2018 impairment of contractual economic interest in BMI Healthcare debt.

At 30 September 2019, Group net debt was R5 114 million (2018: R4 805 million). Net debt to normalised EBITDA remained stable at 1.2 times (2018: 1.1 times), comfortably within our policy limit of less than 2.0 times, while interest cover remained strong at 7.5 times. The cost of debt reduced marginally to 8.6%. Excluding the impact of the interest received on BMI Healthcare’s debt in 2018, other net interest paid increased by R54 million from R430 million to R484 million, largely as a result of higher average debt levels during the year.

### Working capital

The optimisation of working capital is a key focus at operational level, and is managed and monitored by the working capital committee. Various initiatives were implemented during the year to optimise the centralised credit control function and improve process flows in the ‘admit to receipt’ cycle. The success of these initiatives is evident in reduced working capital balances of R427 million year-on-year and record cash conversion of 111%.

### Statement of cash flows

<table>
<thead>
<tr>
<th></th>
<th>30 September 2019</th>
<th>30 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>4 888</td>
<td>4 227</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
<td>(602)</td>
<td>(729)</td>
</tr>
<tr>
<td><strong>Taxation paid</strong></td>
<td>(967)</td>
<td>(916)</td>
</tr>
<tr>
<td><strong>Ordinary dividends paid by subsidiaries</strong></td>
<td>(21)</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Ordinary dividends paid</strong></td>
<td>(1 454)</td>
<td>(1 388)</td>
</tr>
<tr>
<td><strong>Special dividends paid</strong></td>
<td>(542)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Preference dividends paid</strong></td>
<td>(54)</td>
<td>(55)</td>
</tr>
<tr>
<td><strong>Distributions to beneficiaries of the HPFL B-BBEE² trusts</strong></td>
<td>(26)</td>
<td>(21)</td>
</tr>
</tbody>
</table>

**Net cash from operating activities:**
- 1 222 (2018: 1 095)

**Net cash from investing activities:**
- (1 125) (2018: 3 087)

**Net cash from financing activities:**
- 265 (2018: 884)

---

1. Restated.
2. Health Partners for Life (HPFL) broad-based black economic empowerment (B-BBEE).
The Group’s strong cash generation was a performance highlight. Cash generated from operations grew by 15.6% to R4 888 million (2018: R4 227 million) for the year. Cash generation was supported by the reduction in net working capital of R427 million. After paying net finance costs of R430 million and cash taxes of R967 million, as well as investing R917 million to maintain its facilities, the Group generated free cash flows of approximately R2 574 million. An amount of R319 million, net of disposal proceeds, was invested in value creating expansionary capital projects. A total of R2 454 million was distributed to shareholders in ordinary dividends, share buybacks and a special dividend. Notwithstanding these distributions during the year, the Group’s net debt increased by only R309 million, with a closing net debt to EBITDA leverage of only 1.2 times. This is illustrated in the graph below.

**Analysis of cash flows (Rbn)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rbn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operations</td>
<td>4.5</td>
</tr>
<tr>
<td>Working capital</td>
<td>0.4</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Tax</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Replacement capex</td>
<td>2.6</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Expansion capex</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Share buyback</td>
<td>0.5</td>
</tr>
<tr>
<td>Special dividend</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Increase in net debt</td>
<td>(1.0)</td>
</tr>
</tbody>
</table>
Events after the reporting period

On 15 October 2019, Netcare approved a further allocation of 61,050,000 previously unallocated Netcare shares (the allocation) that were available under its Health Partners for Life (HPFL) broad-based black economic empowerment (B-BBEE) scheme concluded in 2005, to 20,350 Netcare employees excluding executives (the beneficiaries).

In terms of the allocation, each beneficiary received an equal allotment of 3,000 shares funded through a notional interest-bearing debt structure with a waiting period of ten years. The allocation was made at R13.94 per share, being a 20% discount to the 15-day volume weighted average price (VWAP) on 15 October 2019, with no forfeiture conditions. Beneficiaries are entitled to 20% of the dividends declared from the date of allocation. After the ten-year waiting period, the value of the shares less any outstanding notional funding balance at that time will be delivered to beneficiaries in the form of Netcare shares.

The allocation is aligned with the initial approvals granted by shareholders for the HPFL B-BBEE scheme. Given that it was an extension of an existing scheme and did not involve the issue of any new shares, it did not require shareholder approval.

Outlook

Driven by an increasing burden of disease and an ageing population, healthcare demand should remain intact. However, the weak underlying economic outlook for SA means that conditions in healthcare are unlikely to improve in the short term. We do not foresee any meaningful increase in medical scheme membership, and expect further growth in the number of beneficiaries covered by restricted hospital network options.

The negative impact of these hospital network arrangements will still be felt in the first half of the 2020 financial year. However, Netcare has secured participation as an anchor provider in new restricted hospital networks from January 2020, which should support a recovery in patient days in our acute hospitals. We anticipate patient day growth for the full year of between 0.8% and 1.2%.

In late September 2019, Netcare Milpark Hospital opened 48 beds of the 100 beds transferred from Rand Hospital. The remaining 52 beds will open in February 2020. We expect to convert 28 beds to higher demand specialties during the 2020 financial year, which should support acute hospital occupancy levels.

The efficiency and nurse optimisation programmes, which gained strong traction in the second half of 2019, will continue to assist the core acute hospital business to maintain EBITDA margin at current levels, despite CareOn costs of approximately R38 million. (Note: this guidance excludes the impact of the adoption of IFRS 16: Leases which is covered on page 129).

We expect an increase in central costs of approximately R50 million in the coming year as we build our data platform and analytics capabilities, and step up the digitisation of medical records at Akeso, Medicross and Netcare Cancer Care.
Expected impact of IFRS 16 adoption

<table>
<thead>
<tr>
<th>Range</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of profit or loss</td>
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<td></td>
</tr>
<tr>
<td>Increase in EBITDA</td>
<td>450</td>
<td>500</td>
</tr>
<tr>
<td>Increase in depreciation</td>
<td>(350)</td>
<td>(410)</td>
</tr>
<tr>
<td>Increase in interest paid</td>
<td>(375)</td>
<td>(435)</td>
</tr>
<tr>
<td>Decrease in profit before tax</td>
<td>(275)</td>
<td>(345)</td>
</tr>
<tr>
<td>Decrease in tax</td>
<td>75</td>
<td>95</td>
</tr>
<tr>
<td>Decrease in profit after tax</td>
<td>(200)</td>
<td>(250)</td>
</tr>
<tr>
<td>Statement of financial position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-use asset</td>
<td>4 100</td>
<td>4 500</td>
</tr>
<tr>
<td>Lease liability</td>
<td>4 100</td>
<td>4 500</td>
</tr>
</tbody>
</table>

Appreciation

A once-off, non-cash IFRS 2 charge of R347 million, relating to the implementation of the B-BBEE transaction completed in October 2019 will be recognised in the 2020 financial year. This accounting charge will be excluded from adjusted HEPS. The cost of the 20% of dividends payable to beneficiaries of HPFL B-BBEE scheme will have a minimal annual impact on future earnings per share.

Capital expenditure for 2020 is expected to total R1.4 billion. This will include completion of Netcare Milpark’s expansion, construction on the replacement 427-bed Netcare Alberton Hospital, the ongoing expansion of Netcare St Augustine’s Hospital and the new 36-bed Akeso facility in Richards Bay, as well as the commencement of construction on a new 72-bed Akeso facility in Port Elizabeth. We expect to spend approximately R50 million on the roll out of the CareOn solution. Aside from these projects, which will elevate levels of capital expenditure in the short term, the Group’s ‘asset lighter’ strategy should result in lower levels of expansionary capital expenditure in the medium term.

The Group’s financial position is strong, and we are committed to maintaining an optimal capital structure in line with the policy guidelines set last year. Share buybacks will remain the preferred method of returning excess capital to shareholders and we intend to continue buying back shares over the next twelve months.

Adoption of IFRS 16: Leases

Netcare will adopt IFRS 16: Leases in the 2020 financial year. Under this new accounting standard leases are brought onto the statement of financial position through the capitalisation of a right-of-use asset and recognition of a related lease liability. Rental payments are no longer expensed through the statement of profit and loss, but are applied to reduce the lease liability. The right-of-use asset is depreciated over the lease period, creating an additional depreciation charge, while an interest charge is recognised on the balance of the lease liability. Although the economics and cash flows of the business will not change, there will be an impact on our accounting results from the adoption of this new statement. The adoption of IFRS 16 is expected to have an impact on our results for next year within the ranges set out below.
## Five-year Review

### Summarised Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>12,541</td>
<td>12,098</td>
<td>13,908</td>
<td>14,421</td>
<td>13,622</td>
</tr>
<tr>
<td>Goodwill and intangible assets</td>
<td>1,781</td>
<td>1,749</td>
<td>2,037</td>
<td>4,256</td>
<td>4,879</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>512</td>
<td>447</td>
<td>1,092</td>
<td>1,318</td>
<td>1,597</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1,057</td>
<td>1,006</td>
<td>2,916</td>
<td>2,619</td>
<td>2,618</td>
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<tr>
<td><strong>Total non-current assets</strong></td>
<td>15,891</td>
<td>15,300</td>
<td>19,953</td>
<td>22,614</td>
<td>22,716</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>5,524</td>
<td>5,464</td>
<td>2,819</td>
<td>8,045</td>
<td>8,948</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>21,415</td>
<td>20,764</td>
<td>28,112</td>
<td>30,659</td>
<td>31,664</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>10,235</td>
<td>10,415</td>
<td>8,862</td>
<td>13,009</td>
<td>14,281</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5,061</td>
<td>5,114</td>
<td>7,232</td>
<td>6,132</td>
<td>6,104</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>44</td>
<td>21</td>
<td>1,187</td>
<td>2,158</td>
<td>224</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>238</td>
<td>210</td>
<td>1,049</td>
<td>1,207</td>
<td>1,633</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>541</td>
<td>582</td>
<td>2,116</td>
<td>664</td>
<td>668</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>5,884</td>
<td>5,927</td>
<td>11,584</td>
<td>10,161</td>
<td>8,629</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>5,296</td>
<td>4,422</td>
<td>7,666</td>
<td>7,489</td>
<td>8,754</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>21,415</td>
<td>20,764</td>
<td>28,112</td>
<td>30,659</td>
<td>31,664</td>
</tr>
</tbody>
</table>

### Summarised Statement of Cash Flows

- **Cash generated from operations before working capital changes**: 4,461
- **Working capital changes**: 427
- **Cash generated from operations**: 4,888
- **Interest paid**: 5,061
- **Taxation paid**: 44
- **Ordinary dividends paid by subsidiaries**: 238
- **Ordinary dividends paid**: 1,454
- **Special dividends paid**: 542
- **Preference dividends paid**: 541
- **Distributions to beneficiaries of the HPFL trust**: 26
- **Net cash from operating activities**: 1,222
- **Net cash from investing activities**: (1,125)
- **Net cash from financing activities**: 265

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase/(decrease) in cash and cash equivalents</strong></td>
<td>362</td>
<td>(1108)</td>
<td>556</td>
<td>(327)</td>
<td>613</td>
</tr>
<tr>
<td>Translation effects on cash and cash equivalents of foreign entities</td>
<td>-</td>
<td>(81)</td>
<td>21</td>
<td>(170)</td>
<td>157</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>1,365</td>
<td>2,525</td>
<td>1,979</td>
<td>2,476</td>
<td>1,706</td>
</tr>
<tr>
<td>Cash and cash equivalents related to assets held-for-sale</td>
<td>-</td>
<td>29</td>
<td>(31)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>1,727</td>
<td>1,365</td>
<td>2,525</td>
<td>1,979</td>
<td>2,476</td>
</tr>
</tbody>
</table>

1. Includes assets held for sale.
2. Restated for credit balances of R216 million previously incorrectly included in total current assets.
3. Includes liabilities held for sale.
5. Restated for an outflow of R238 million on the refinancing of debt directly related to the Akeso Clinics Group acquisition which has been reclassified from Cash Flow from Investing Activities to Cash Flow from Financing Activities.
## Summarised income statement

### Continuing operations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit before items listed below</strong></td>
<td>0.6</td>
<td>3.640</td>
<td>3.486</td>
<td>3.331</td>
<td>4.128</td>
<td>3.728</td>
</tr>
<tr>
<td>Realisation of foreign currency translation reserve</td>
<td>128</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment of contractual economic interest in the debt of BMI Healthcare</td>
<td>-</td>
<td>(1,544)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit on sale of old Netcare CBMH³ land and buildings</td>
<td>-</td>
<td>-</td>
<td>203</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>3.768</td>
<td>1.942</td>
<td>3.534</td>
<td>4.128</td>
<td>3.728</td>
<td></td>
</tr>
<tr>
<td>Financial income and expenses</td>
<td>(486)</td>
<td>(327)</td>
<td>(143)</td>
<td>(2,420)⁴</td>
<td>(467)</td>
<td></td>
</tr>
<tr>
<td>Attributable earnings of associates and joint ventures</td>
<td>75</td>
<td>73</td>
<td>89</td>
<td>157</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>3.357</td>
<td>1.688</td>
<td>3.480</td>
<td>1.865</td>
<td>3.375</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(879)</td>
<td>(682)</td>
<td>(942)</td>
<td>(831)⁴</td>
<td>(936)</td>
<td></td>
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<tr>
<td><strong>Profit for the year from continuing operations</strong></td>
<td>2.478</td>
<td>1.006</td>
<td>2.538</td>
<td>1.034</td>
<td>2.439</td>
<td></td>
</tr>
<tr>
<td><strong>Discontinued operations</strong></td>
<td>(467)</td>
<td>(5,267)</td>
<td>14</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>2.011</td>
<td>1.942</td>
<td>3.534</td>
<td>4.128</td>
<td>3.728</td>
<td></td>
</tr>
<tr>
<td>Financial income and expenses</td>
<td>(486)</td>
<td>(327)</td>
<td>(143)</td>
<td>(2,420)⁴</td>
<td>(467)</td>
<td></td>
</tr>
<tr>
<td>Attributable earnings of associates and joint ventures</td>
<td>75</td>
<td>73</td>
<td>89</td>
<td>157</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td><strong>Profit/(loss) for the year</strong></td>
<td>2.478</td>
<td>4.744</td>
<td>(2.729)</td>
<td>1.048</td>
<td>2.439</td>
<td></td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Owners of the parent</td>
<td>2.393</td>
<td>4.885</td>
<td>(549)</td>
<td>1.667</td>
<td>2.412</td>
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<tr>
<td>Preference shareholders</td>
<td>54</td>
<td>55</td>
<td>56</td>
<td>52</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>31</td>
<td>(196)</td>
<td>(2,236)</td>
<td>(671)</td>
<td>(22)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit/(loss) for the year</strong></td>
<td>2.478</td>
<td>4.744</td>
<td>(2.729)</td>
<td>1.048</td>
<td>2.439</td>
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</table>

### Divisional analysis

#### Revenue

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<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>South Africa</strong></td>
<td>5.7</td>
<td>21.589</td>
<td>20.717</td>
<td>19.114</td>
<td>18.891</td>
<td>17.289</td>
</tr>
<tr>
<td>Hospitals and Emergency services</td>
<td>6.6</td>
<td>20.810</td>
<td>20.000</td>
<td>18.403</td>
<td>17.713</td>
<td>16.119</td>
</tr>
<tr>
<td>Primary Care</td>
<td>(9.2)</td>
<td>795</td>
<td>717</td>
<td>711</td>
<td>1,178</td>
<td>1,170</td>
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<tr>
<td>Inter-segment elimination</td>
<td>(16)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>21.605</td>
<td>20.717</td>
<td>19.114</td>
<td>37.729</td>
<td>33.711</td>
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</tbody>
</table>

#### Operating profit

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>South Africa</strong></td>
<td>2.5</td>
<td>3.768</td>
<td>1.942</td>
<td>3.534</td>
<td>3.528</td>
<td>3.411</td>
</tr>
<tr>
<td>SA before items listed below</td>
<td>1.6</td>
<td>3.640</td>
<td>3.486</td>
<td>3.331</td>
<td>3.528</td>
<td>3.411</td>
</tr>
<tr>
<td>Hospitals and Emergency services</td>
<td>1.8</td>
<td>3.576</td>
<td>3.427</td>
<td>3.268</td>
<td>3.449</td>
<td>3.335</td>
</tr>
<tr>
<td>Primary Care</td>
<td>(4.2)</td>
<td>64</td>
<td>59</td>
<td>63</td>
<td>79</td>
<td>76</td>
</tr>
<tr>
<td>Profit on sale of old Netcare CBMH³ land and buildings</td>
<td>-</td>
<td>-</td>
<td>203</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment of contractual economic interest in the debt of BMI Healthcare</td>
<td>-</td>
<td>(1,544)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Realisation of foreign currency translation reserve</td>
<td>128</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>600</td>
<td>317</td>
<td></td>
</tr>
</tbody>
</table>

|                      | 3.768    | 1.942      | 3.534                | 4.128      | 3.728      |            |

2. Restated for discontinued 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.
Five-year review continued

<table>
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<tr>
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<td>Closing rate at 30 September</td>
<td>R:£</td>
<td>18.60</td>
<td>18.42</td>
<td>18.15</td>
<td>17.79</td>
<td>20.94</td>
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<td>Average rate for the year</td>
<td>R:£</td>
<td>18.30</td>
<td>17.55</td>
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<td>18.55</td>
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<tr>
<td>EBITDA margin¹</td>
<td>%</td>
<td>20.3</td>
<td>20.3</td>
<td>20.8</td>
<td>14.6</td>
<td>14.8</td>
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<tr>
<td>Operating profit margin³</td>
<td>%</td>
<td>16.9</td>
<td>16.8</td>
<td>17.4</td>
<td>10.9</td>
<td>11.1</td>
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<td>Interest cover¹</td>
<td>times</td>
<td>7.5</td>
<td>10.7</td>
<td>22.8</td>
<td>11.1</td>
<td>11.2</td>
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<tr>
<td>Effective tax rate³</td>
<td>%</td>
<td>27.2</td>
<td>28.0</td>
<td>27.7</td>
<td>24.9</td>
<td>27.7</td>
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<tr>
<td>Return on invested capital</td>
<td>%</td>
<td>20.1</td>
<td>19.9</td>
<td>20.7</td>
<td>24.8</td>
<td>27.9</td>
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<td>Current ratio</td>
<td>:1</td>
<td>1.0</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
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<td><strong>Invested capital⁵</strong></td>
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<tr>
<td>Property, plant and equipment</td>
<td>12 541</td>
<td>12 098</td>
<td>11 127</td>
<td>10 329</td>
<td>8 896</td>
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<td>Intangible assets</td>
<td>175</td>
<td>135</td>
<td>127</td>
<td>133</td>
<td>109</td>
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<td>Deferred lease assets</td>
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<td>25</td>
<td>23</td>
<td>21</td>
<td>16</td>
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<td>Deferred taxation</td>
<td>512</td>
<td>447</td>
<td>433</td>
<td>423</td>
<td>391</td>
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<td>Current assets</td>
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<td>3 748</td>
<td>3 150</td>
<td>3 205</td>
<td>3 037</td>
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<td>Inventories</td>
<td>564</td>
<td>589</td>
<td>565</td>
<td>610</td>
<td>596</td>
<td></td>
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<tr>
<td>Trade and other receivables</td>
<td>2 837</td>
<td>3 124</td>
<td>2 579</td>
<td>2 579</td>
<td>2 422</td>
<td></td>
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<tr>
<td>Taxation receivable</td>
<td>43</td>
<td>35</td>
<td>6</td>
<td>16</td>
<td>19</td>
<td></td>
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<tr>
<td>Current liabilities</td>
<td>(3 485)</td>
<td>(3 350)</td>
<td>(2 716)</td>
<td>(3 116)</td>
<td>(2 929)</td>
<td></td>
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<tr>
<td>Trade and other payables</td>
<td>(3 462)</td>
<td>(3 288)</td>
<td>(2 653)</td>
<td>(3 035)</td>
<td>(2 819)</td>
<td></td>
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<tr>
<td>Taxation payable</td>
<td>(23)</td>
<td>(62)</td>
<td>(63)</td>
<td>(81)</td>
<td>(110)</td>
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13 215 13 103 12 144 10 995 (9 520)

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<th>Shareholder returns</th>
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<tr>
<td>Basic earnings/(loss) per share</td>
<td>cents</td>
<td>176.7</td>
<td>357.7</td>
<td>(40.9)</td>
<td>122.6</td>
<td>178.9</td>
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<tr>
<td>Continuing operations</td>
<td>cents</td>
<td>176.7</td>
<td>68.5</td>
<td>182.1</td>
<td>121.6</td>
<td>178.9</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>cents</td>
<td>-</td>
<td>289.2</td>
<td>(223.0)</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>cents</td>
<td>(1.2)</td>
<td>165.9</td>
<td>49.3</td>
<td>109.9</td>
<td>119.0</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>cents</td>
<td>165.9</td>
<td>68.8</td>
<td>169.2</td>
<td>118.0</td>
<td>174.1</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>cents</td>
<td>-</td>
<td>(19.5)</td>
<td>(59.3)</td>
<td>1.0</td>
<td>-</td>
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<tr>
<td>Adjusted headline earnings per share</td>
<td>cents</td>
<td>(2.4)</td>
<td>171.2</td>
<td>152.1</td>
<td>146.2</td>
<td>199.5</td>
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<tr>
<td>Continuing operations</td>
<td>cents</td>
<td>171.2</td>
<td>171.6</td>
<td>170.6</td>
<td>198.5</td>
<td>189.0</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>cents</td>
<td>-</td>
<td>(19.5)</td>
<td>(24.4)</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Total dividends per share</td>
<td>cents</td>
<td>111.0</td>
<td>144.0</td>
<td>95.0</td>
<td>95.0</td>
<td>92.0</td>
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<tr>
<td>Ordinary dividends per share</td>
<td>cents</td>
<td>111.0</td>
<td>104.0</td>
<td>95.0</td>
<td>95.0</td>
<td>92.0</td>
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<tr>
<td>Special dividend per share</td>
<td>cents</td>
<td>-</td>
<td>40.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>times</td>
<td>1.5</td>
<td>0.3</td>
<td>1.2</td>
<td>1.3</td>
<td>1.9</td>
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<tr>
<td>Net asset value per share</td>
<td>cents</td>
<td>761</td>
<td>764</td>
<td>652</td>
<td>959</td>
<td>1 059</td>
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</table>

2. Restated for discontinued operations.
3. Based on continuing operations and excluding extraordinary items.
4. Excluding non-cash fair value RPI swap charge and related tax credit.
5. South African operations.
## Key performance indicators continued

### Operational performance indicators

#### South African acute hospitals

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of hospitals¹</td>
<td>55</td>
<td>57</td>
<td>58</td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Registered beds</td>
<td>10 046</td>
<td>10 187</td>
<td>10 181</td>
<td>10 088</td>
<td>9 996</td>
</tr>
<tr>
<td>Theatres</td>
<td>350</td>
<td>360</td>
<td>364</td>
<td>358</td>
<td>352</td>
</tr>
<tr>
<td>Hybrid theatres, catheterisation and electrophysiology laboratories</td>
<td>33</td>
<td>34</td>
<td>33</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>(Decrease)/increase in patient days²</td>
<td>%</td>
<td>(1.4)</td>
<td>1.7</td>
<td>(1.0)</td>
<td>4.7</td>
</tr>
<tr>
<td>Average length of stay</td>
<td>days</td>
<td>3.89</td>
<td>3.83</td>
<td>3.79</td>
<td>3.78</td>
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#### Mental health

<p>| | | | | | |</p>
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</thead>
<tbody>
<tr>
<td>Number of facilities</td>
<td>12</td>
<td>12</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Registered beds</td>
<td>891</td>
<td>834</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Increase in patient days</td>
<td>17.9</td>
<td>25.8³</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Average length of stay</td>
<td>12.23</td>
<td>12.08</td>
<td>–</td>
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#### Emergency Services

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<tbody>
<tr>
<td>Netcare 911 sites</td>
<td>83</td>
<td>80</td>
<td>84</td>
<td>85</td>
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#### Oncology

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</thead>
<tbody>
<tr>
<td>Number of oncology radiotherapy facilities</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>7</td>
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#### National Renal Care

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<tbody>
<tr>
<td>Renal dialysis facilities</td>
<td>67</td>
<td>63</td>
<td>63</td>
<td>62</td>
<td>59</td>
</tr>
<tr>
<td>Renal dialysis stations</td>
<td>936</td>
<td>867</td>
<td>843</td>
<td>796</td>
<td>740</td>
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#### Primary Care

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</thead>
<tbody>
<tr>
<td>Primary healthcare centres and travel clinics</td>
<td>79</td>
<td>83</td>
<td>83</td>
<td>82</td>
<td>85</td>
</tr>
<tr>
<td>Sub-acute facilities</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Registered sub-acute beds</td>
<td>46</td>
<td>66</td>
<td>66</td>
<td>36</td>
<td>–</td>
</tr>
<tr>
<td>Day clinics</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>14</td>
<td>13</td>
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<tr>
<td>Total number of visits - millions</td>
<td>2.7</td>
<td>2.9</td>
<td>3.0</td>
<td>3.1</td>
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#### United Kingdom hospitals

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<tbody>
<tr>
<td>Number of hospitals¹</td>
<td>–</td>
<td>–</td>
<td>56</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Registered beds</td>
<td>–</td>
<td>–</td>
<td>2 797</td>
<td>2 797</td>
<td>2 785</td>
</tr>
<tr>
<td>Increase in inpatient and day admissions (total cases)</td>
<td>%</td>
<td>–</td>
<td>–</td>
<td>0.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Increase in outpatient cases</td>
<td>%</td>
<td>–</td>
<td>–</td>
<td>0.4</td>
<td>3.7</td>
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</tbody>
</table>

---

1. Owned and managed hospitals.
2. 2018 and 2019 exclude Netcare Bell Street and Netcare Rand hospitals.
3. Year-on-year growth.
## Five-year review continued

### Key performance indicators continued

#### Social performance indicators

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<tr>
<td>Total employees</td>
<td>20,193</td>
<td>22,165</td>
<td>30,056</td>
<td>30,086</td>
<td>30,184</td>
</tr>
<tr>
<td>South Africa¹</td>
<td>20,193</td>
<td>22,165</td>
<td>21,172</td>
<td>20,985</td>
<td>21,324</td>
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<td>United Kingdom</td>
<td>8,884</td>
<td>9,101</td>
<td>8,860</td>
<td>8,860</td>
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<tr>
<td>Employee turnover</td>
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<tr>
<td>South Africa</td>
<td>% 14.1</td>
<td>12.1</td>
<td>13.3</td>
<td>15.7</td>
<td>18.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>% –</td>
<td>–</td>
<td>18.5</td>
<td>18.1³</td>
<td>26.9</td>
</tr>
<tr>
<td>Gender split</td>
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<tr>
<td>South Africa</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>% 17.9</td>
<td>17.5</td>
<td>18.6</td>
<td>18.1</td>
<td>17.8</td>
</tr>
<tr>
<td>Female</td>
<td>% 82.1</td>
<td>82.5</td>
<td>81.4</td>
<td>81.9</td>
<td>82.2</td>
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<tr>
<td>United Kingdom</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>% –</td>
<td>–</td>
<td>42.8</td>
<td>21.7</td>
<td>21.7</td>
</tr>
<tr>
<td>Female</td>
<td>% –</td>
<td>–</td>
<td>57.2</td>
<td>78.3</td>
<td>78.3</td>
</tr>
<tr>
<td>Employees trained</td>
<td></td>
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<tr>
<td>South Africa</td>
<td>16,314</td>
<td>13,693</td>
<td>14,335</td>
<td>14,191</td>
<td>11,142</td>
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<tr>
<td>United Kingdom</td>
<td>–</td>
<td>–</td>
<td>8,884</td>
<td>9,101</td>
<td>9,653</td>
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<tr>
<td>Training costs</td>
<td></td>
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<tr>
<td>South Africa</td>
<td>Rm 84</td>
<td>70</td>
<td>54</td>
<td>51</td>
<td>41</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>£m –</td>
<td>–</td>
<td>1.9</td>
<td>2.2</td>
<td>1.9</td>
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<tr>
<td>Black (African, Coloured and Indian) employee representation⁴</td>
<td>% 78.3</td>
<td>77.0</td>
<td>75.4</td>
<td>73.3</td>
<td>73.9</td>
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<tr>
<td>Unionised employees⁴</td>
<td>% 52.6</td>
<td>50.8</td>
<td>51.3</td>
<td>51.2</td>
<td>51.2</td>
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<tr>
<td>Corporate social investment⁵</td>
<td>Rm 35</td>
<td>26</td>
<td>37</td>
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#### Environmental performance indicators

##### South Africa and Lesotho

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<tr>
<th></th>
<th>gigajoules</th>
<th>kilolitres</th>
<th>tonnes</th>
<th>tonnes</th>
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<tr>
<td>Energy usage</td>
<td>983,418</td>
<td>961,802</td>
<td>1,052,635</td>
<td>1,141,465</td>
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<tr>
<td>Water usage¹</td>
<td>2,132,022</td>
<td>2,072,375</td>
<td>2,015,752</td>
<td>2,147,653</td>
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<tr>
<td>Carbon dioxide equivalent (CO₂e) emissions</td>
<td>275,613</td>
<td>256,469</td>
<td>281,632</td>
<td>313,552</td>
</tr>
<tr>
<td>Total CO₂e per R1 million revenue</td>
<td>11.36</td>
<td>10.99</td>
<td>13.16</td>
<td>14.88</td>
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</table>

##### United Kingdom

<table>
<thead>
<tr>
<th></th>
<th>megawatt hours</th>
<th>tonnes</th>
</tr>
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<tbody>
<tr>
<td>Energy usage</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Carbon dioxide equivalent (CO₂e) emissions</td>
<td>–</td>
<td>41,840</td>
</tr>
</tbody>
</table>

1. Includes the five PPPs.
2. Previously reported as Full Time Equivalents.
3. Restated from year of original publication.
4. SA operations only.
5. Inclusive of bursaries.
### Key performance indicators continued

#### Ordinary share statistics

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</thead>
<tbody>
<tr>
<td>Shares in issue</td>
<td>1,452</td>
<td>1,471</td>
<td>1,462</td>
<td>1,462</td>
<td>1,456</td>
</tr>
<tr>
<td>Shares in issue net of treasury shares</td>
<td>1,345</td>
<td>1,363</td>
<td>1,360</td>
<td>1,356</td>
<td>1,349</td>
</tr>
<tr>
<td>Weighted average number of shares</td>
<td>1,345</td>
<td>1,362</td>
<td>1,359</td>
<td>1,354</td>
<td>1,345</td>
</tr>
<tr>
<td>Diluted weighted average number of shares</td>
<td>1,358</td>
<td>1,378</td>
<td>1,374</td>
<td>1,376</td>
<td>1,377</td>
</tr>
<tr>
<td>Market capitalisation²</td>
<td>25,483</td>
<td>35,613</td>
<td>34,796</td>
<td>49,167</td>
<td>52,853</td>
</tr>
</tbody>
</table>

#### JSE statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market price per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>highest</td>
<td>1,755</td>
<td>2,421</td>
<td>2,380</td>
<td>3,363</td>
<td>3,630</td>
</tr>
<tr>
<td>lowest</td>
<td>1,481</td>
<td>2,144</td>
<td>2,310</td>
<td>2,910</td>
<td>2,962</td>
</tr>
<tr>
<td>weighted average</td>
<td>2,123</td>
<td>2,632</td>
<td>2,879</td>
<td>3,366</td>
<td>3,834</td>
</tr>
<tr>
<td>Number of share transactions</td>
<td>761,431</td>
<td>570,951</td>
<td>833,192</td>
<td>856,974</td>
<td>777,692</td>
</tr>
<tr>
<td>Value of share transactions</td>
<td>26,233</td>
<td>31,499</td>
<td>39,232</td>
<td>47,507</td>
<td>36,241</td>
</tr>
<tr>
<td>Volume of shares traded</td>
<td>1,235.5</td>
<td>1,196.8</td>
<td>1,362.7</td>
<td>1,411.2</td>
<td>945.3</td>
</tr>
<tr>
<td>Volume traded to issued</td>
<td>%</td>
<td>85.1</td>
<td>81.4</td>
<td>93.2</td>
<td>96.5</td>
</tr>
</tbody>
</table>

#### Market performance ratios

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings yield³</td>
<td>%</td>
<td>9.5</td>
<td>2.0</td>
<td>4.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Distribution yield³</td>
<td>%</td>
<td>6.3</td>
<td>4.3</td>
<td>4.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Price:earnings ratio³</td>
<td>times</td>
<td>10.6</td>
<td>49.1</td>
<td>21.7</td>
<td>28.3</td>
</tr>
</tbody>
</table>

1. Restated for discontinued operations
2. Based on shares in issue.
3. Based on continuing operations.
Summarised Group annual financial statements
for the year ended 30 September 2019

These summarised Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2019 that were approved by the Netcare Board on 14 November 2019. 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 complete audited annual financial statements are available at www.netcare.co.za.

The summarised consolidated annual financial statements comprise:

- Group statement of profit or loss.
- Group statement of comprehensive income.
- Group statement of financial position.
- Group statement of cash flows.
- Summarised Group statement of changes in equity.
- Headline earnings.
- Summarised segment report.
- Summarised notes to the abridged Group annual financial statements.

Basis of preparation and accounting policies

The Group annual financial statements from which these summarised financial statements have been summarised from have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the Companies Act and the JSE Listings Requirements. These summarised financial statements have also been prepared in compliance with the requirements of International Accounting Standard (IAS) 34: Interim Financial Reporting and the Companies Act.

The financial statements are presented in South African Rand (ZAR), the functional currency of the Group and all amounts are rounded to the nearest million, except where otherwise indicated. Foreign currency exchange rates used in the preparation of converting into Rands are set out below:

<table>
<thead>
<tr>
<th>Currency</th>
<th>30 September 2019 Closing rate</th>
<th>30 September 2019 Average rate</th>
<th>30 September 2018 Closing rate</th>
<th>30 September 2018 Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>MZN Mozambique Meticals</td>
<td>4.05</td>
<td>4.11</td>
<td>4.28</td>
<td>4.59</td>
</tr>
</tbody>
</table>

The Group financial statements have been prepared on the historical cost basis, except for the following material items included in the statement of financial position that are measured as described below:

- Derivative financial instruments are measured at fair value;
- Certain non-current assets held for sale are measured at fair value less costs to sell; and
- Post-employment healthcare benefit obligations are measured in terms of the projected unit credit method.
Operating activities
The activities of the Group’s operating segments are described below:

Hospital and Emergency services
This segment is further disaggregated into Hospital and pharmacy operations covering our private acute hospital network, and 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
The directors consider it appropriate to adopt the going concern basis in preparing the Group's annual financial statements.

Accounting policies
The accounting policies and methods of computation applied in the preparation of these abridged Group annual financial statements are in accordance with IFRS. Aside from the adoption of IFRS 9 and IFRS 15, detailed in note 9, all policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2018.

Independent report of the auditors
These summarised Group annual financial statements for the year ended 30 September 2019 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**

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>21 589</td>
<td>20 717</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>(10 653)</td>
<td>(10 364)</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>10 936</td>
<td>10 353</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>446</td>
<td>511</td>
</tr>
<tr>
<td>Administrative and other expenses – excluding items below</td>
<td></td>
<td>(7 742)</td>
<td>(7 378)</td>
</tr>
<tr>
<td>Operating profit before items below</td>
<td></td>
<td>3 640</td>
<td>3 486</td>
</tr>
<tr>
<td>Realisation of foreign currency translation reserve</td>
<td></td>
<td>128</td>
<td>–</td>
</tr>
<tr>
<td>Impairment of contractual economic interest in the debt of BMI Healthcare</td>
<td></td>
<td>–</td>
<td>(1 544)</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>1 3 768</td>
<td>1 942</td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td>2 172</td>
<td>271</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>3 (656)</td>
<td>(597)</td>
</tr>
<tr>
<td>Other financial losses – net</td>
<td></td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Attributable earnings of associates</td>
<td></td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>Attributable earnings of joint ventures</td>
<td></td>
<td>46</td>
<td>41</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>3 357</td>
<td>1 688</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>4 (879)</td>
<td>(682)</td>
</tr>
<tr>
<td><strong>Profit for the year from continuing operations</strong></td>
<td></td>
<td>2 478</td>
<td>1 006</td>
</tr>
<tr>
<td>Loss from discontinued operations</td>
<td></td>
<td>8 –</td>
<td>(467)</td>
</tr>
<tr>
<td>Profit on loss of control</td>
<td></td>
<td>–</td>
<td>4 205</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>2 478</td>
<td>4 744</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td></td>
<td>2 393</td>
<td>4 885</td>
</tr>
<tr>
<td>Preference shareholders</td>
<td></td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>Profit attributable to shareholders</td>
<td></td>
<td>2 447</td>
<td>4 940</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>31 (196)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>2 478</td>
<td>4 744</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cents</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td></td>
<td>176.7</td>
</tr>
<tr>
<td>Continuing operations</td>
<td></td>
<td>176.7</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td></td>
<td>175.0</td>
</tr>
<tr>
<td>Continuing operations</td>
<td></td>
<td>175.0</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td>–</td>
</tr>
</tbody>
</table>

| Dividend per share | | 111.0 | 104.0 |
| Special dividend per share | | – | 40.0 |
## Summarised Group statement of comprehensive income

for the year ended 30 September

<table>
<thead>
<tr>
<th>Rm</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td>2,478</td>
<td>4,744</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not subsequently be reclassified to profit or loss</td>
<td>66</td>
<td>-</td>
</tr>
<tr>
<td>Remeasurement of defined benefit obligation</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td>Taxation on items that will not subsequently be reclassified to profit or loss</td>
<td>(25)</td>
<td>-</td>
</tr>
<tr>
<td>Items that may subsequently be reclassified to profit or loss</td>
<td>(161)</td>
<td>(1,842)</td>
</tr>
<tr>
<td>Effect of cash flow hedge accounting</td>
<td>(44)</td>
<td>42</td>
</tr>
<tr>
<td>Amortisation of cash flow hedge accounting reserve</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Change in the fair value of cash flow hedges</td>
<td>(49)</td>
<td>38</td>
</tr>
<tr>
<td>Effect of translation of foreign entities</td>
<td>(1)</td>
<td>104</td>
</tr>
<tr>
<td>Realisation of foreign currency translation reserve</td>
<td>(128)</td>
<td>(1,976)</td>
</tr>
<tr>
<td>Taxation on items that may subsequently be reclassified to profit or loss</td>
<td>12</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year</strong></td>
<td>(95)</td>
<td>(1,842)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>2,383</td>
<td>2,902</td>
</tr>
</tbody>
</table>

**Attributable to:**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the parent</td>
<td>2,298</td>
<td>2,737</td>
</tr>
<tr>
<td>Preference shareholders</td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>31</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,383</td>
<td>2,902</td>
</tr>
</tbody>
</table>
# Summarised Group statement of financial position

at 30 September

<table>
<thead>
<tr>
<th>Rm</th>
<th>Notes</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>12 541</td>
<td>12 098</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>1 606</td>
<td>1 614</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>175</td>
<td>135</td>
<td></td>
</tr>
<tr>
<td>Equity-accounted investments, loans and receivables</td>
<td>1 024</td>
<td>965</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>5</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Deferred lease assets</td>
<td>28</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>512</td>
<td>447</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>15 891</td>
<td>15 300</td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>122</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>564</td>
<td>589</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2 837</td>
<td>3 124</td>
<td></td>
</tr>
<tr>
<td>Taxation receivable</td>
<td>43</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1 732</td>
<td>1 371</td>
<td></td>
</tr>
<tr>
<td><strong>Assets classified as held for sale</strong></td>
<td>226</td>
<td>297</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>5 524</td>
<td>5 464</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>21 415</td>
<td>20 764</td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>4 334</td>
<td>4 391</td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(3 853)</td>
<td>(3 871)</td>
<td></td>
</tr>
<tr>
<td>Other reserves</td>
<td>447</td>
<td>635</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>8 611</td>
<td>8 566</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>9 539</td>
<td>9 721</td>
<td></td>
</tr>
<tr>
<td>Preference share capital and premium</td>
<td>644</td>
<td>644</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>52</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>10 235</td>
<td>10 415</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5 061</td>
<td>5 114</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>44</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Post-employment benefit obligations</td>
<td>487</td>
<td>535</td>
<td></td>
</tr>
<tr>
<td>Deferred lease liabilities</td>
<td>54</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>238</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>5 884</td>
<td>5 927</td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>3 462</td>
<td>3 288</td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>1 780</td>
<td>1 056</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>26</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Taxation payable</td>
<td>23</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>5</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>5 296</td>
<td>4 422</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>21 415</td>
<td>20 764</td>
<td></td>
</tr>
</tbody>
</table>

1. Other receivables and other payables in 2018 have increased by R216 million to restate for credit balances previously incorrectly included in other receivables.
## Summarised Group statement of cash flows

for the year ended 30 September

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>21 890</td>
<td>20 203</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(17 002)</td>
<td>(15 976)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>4 888</td>
<td>4 227</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(602)</td>
<td>(729)</td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(967)</td>
<td>(916)</td>
</tr>
<tr>
<td>Ordinary dividends paid by subsidiaries</td>
<td>(21)</td>
<td>(23)</td>
</tr>
<tr>
<td>Ordinary dividends paid</td>
<td>(1 454)</td>
<td>(1 388)</td>
</tr>
<tr>
<td>Special dividends paid</td>
<td>(542)</td>
<td>–</td>
</tr>
<tr>
<td>Preference dividends paid</td>
<td>(54)</td>
<td>(55)</td>
</tr>
<tr>
<td>Distribution to beneficiaries of the HPFL B-BBEE² Trusts</td>
<td>(26)</td>
<td>(21)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>1 222</td>
<td>1 095</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of business</td>
<td>–</td>
<td>(1 233)</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>(1 378)</td>
<td>(1 512)</td>
</tr>
<tr>
<td>Additions to intangible assets</td>
<td>(51)</td>
<td>(2)</td>
</tr>
<tr>
<td>Proceeds on disposal of property, plant and equipment and intangible assets</td>
<td>193</td>
<td>44</td>
</tr>
<tr>
<td>(Payments for)/proceeds from investments and loans</td>
<td>(66)</td>
<td>92</td>
</tr>
<tr>
<td>Interest received</td>
<td>172</td>
<td>171</td>
</tr>
<tr>
<td>Dividends received</td>
<td>8</td>
<td>27</td>
</tr>
<tr>
<td>Increase in equity from joint ventures to subsidiaries</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Cash and cash equivalents of businesses deconsolidated</td>
<td>(3)</td>
<td>(673)</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(1 125)</td>
<td>(3 087)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds on disposal of treasury shares</td>
<td>22</td>
<td>48</td>
</tr>
<tr>
<td>Proceeds from issue of ordinary shares</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Purchase of ordinary shares</td>
<td>(458)</td>
<td>–</td>
</tr>
<tr>
<td>Debt raised</td>
<td>2 748</td>
<td>3 054</td>
</tr>
<tr>
<td>Debt repaid</td>
<td>(2 050)</td>
<td>(1 989)</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>Issue of shares to non-controlling interests</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Settlement of debt related to acquisition of business</td>
<td>–</td>
<td>(238)</td>
</tr>
<tr>
<td>Settlement of derivatives</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>265</td>
<td>884</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>362</td>
<td>(1 108)</td>
</tr>
<tr>
<td>Translation effects on cash and cash equivalents of foreign entities</td>
<td>–</td>
<td>(81)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>1 365</td>
<td>2 525</td>
</tr>
<tr>
<td>Cash and cash equivalents related to assets held for sale</td>
<td>–</td>
<td>29</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>1 727</td>
<td>1 365</td>
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<tr>
<td><strong>Consisting of</strong></td>
<td></td>
<td></td>
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<tr>
<td>Cash on hand and balances with banks</td>
<td>1 732</td>
<td>1 371</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>(5)</td>
<td>(6)</td>
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</table>

1. 2018 has been restated to reclassify an outflow of R238 million on the refinancing of debt directly related to the Akeso Clinics Group acquisition from Cash Flows from Investing Activities to Cash Flows from Financing Activities. In addition, debt raised and debt repaid have been presented on a gross basis.
Summarised Group statement of changes in equity
for the year ended 30 September

<table>
<thead>
<tr>
<th>Rm</th>
<th>Ordinary share capital</th>
<th>Treasury shares</th>
<th>Cash flow hedge accounting reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 October 2017</strong></td>
<td>4 205</td>
<td>(3 720)</td>
<td>(45)</td>
</tr>
<tr>
<td>Shares issued during the year</td>
<td>186</td>
<td>(183)</td>
<td></td>
</tr>
<tr>
<td>Sale of treasury shares</td>
<td>–</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
<td>(7)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of subsidiaries</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Share-based payment reserve movements</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Tax recognised in equity</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Preference dividends paid</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Distributions to beneficiaries of the HPFL B-BBEE¹ Trusts</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Changes in equity interest in subsidiaries</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>30</td>
</tr>
<tr>
<td>Ordinary movements</td>
<td>–</td>
<td>–</td>
<td>30</td>
</tr>
<tr>
<td>Deconsolidation of BMI Healthcare</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 30 September 2018</strong></td>
<td>4 391</td>
<td>(3 871)</td>
<td>(15)</td>
</tr>
<tr>
<td>Impact of adoption of IFRS 9</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Tax impact of adoption of IFRS 9</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 1 October 2018</strong></td>
<td>4 391</td>
<td>(3 871)</td>
<td>(15)</td>
</tr>
<tr>
<td>Shares purchased and cancelled during the year²</td>
<td>(57)</td>
<td>–</td>
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</tr>
<tr>
<td>Sale of treasury shares</td>
<td>–</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Share-based payment reserve movements</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Reclassification of investment reserve to retained earnings</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Reclassification of reserves</td>
<td>–</td>
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</tr>
<tr>
<td>Tax recognised in equity</td>
<td>–</td>
<td>–</td>
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<td>Preference dividends paid</td>
<td>–</td>
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<tr>
<td>Ordinary dividends paid</td>
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<tr>
<td>Special dividends paid</td>
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<tr>
<td>Written put option over non-controlling interest</td>
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<tr>
<td>Distributions to beneficiaries of the HPFL B-BBEE¹ Trusts</td>
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<td>–</td>
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</tr>
<tr>
<td>Changes in equity interest in subsidiaries</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>(32)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(32)</td>
</tr>
<tr>
<td><strong>Balance at 30 September 2019</strong></td>
<td>4 334</td>
<td>(3 853)</td>
<td>(47)</td>
</tr>
</tbody>
</table>

2. The Group purchased 19 million shares at an average price of R24.11 per share. The shares have subsequently been cancelled and now form part of authorised shares not issued.
<table>
<thead>
<tr>
<th>Foreign currency translation reserve</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Equity attributable to owners of the parent</th>
<th>Preference share capital and premium</th>
<th>Non-controlling interest</th>
<th>Total shareholders’ equity</th>
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<tbody>
<tr>
<td>2 001</td>
<td>525</td>
<td>5 316</td>
<td>8 282</td>
<td>644</td>
<td>(64)</td>
<td>8 862</td>
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<td></td>
<td>(1 411)</td>
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<td>(21)</td>
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<td>(32)</td>
<td>4 628</td>
<td>2 737</td>
<td>55</td>
<td>110</td>
<td>2 902</td>
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<tr>
<td>87</td>
<td></td>
<td>680</td>
<td>797</td>
<td>55</td>
<td>(180)</td>
<td>672</td>
</tr>
<tr>
<td>(1 976)</td>
<td>(32)</td>
<td>3 948</td>
<td>1 940</td>
<td>-</td>
<td>290</td>
<td>2 230</td>
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<tr>
<td>112</td>
<td>538</td>
<td>8 566</td>
<td>9 721</td>
<td>644</td>
<td>50</td>
<td>10 415</td>
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<td>10</td>
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<td>129</td>
<td></td>
<td>2 459</td>
<td>2 298</td>
<td>54</td>
<td>31</td>
<td>2 383</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 2. The Group purchased 19 million shares at an average price of R24.11 per share. The shares have subsequently been cancelled and now form part of authorised shares not issued.
# Headline earnings

for the year ended 30 September

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reconciliation of headline earnings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>2 478</td>
<td>4 744</td>
</tr>
<tr>
<td>Adjusted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid on shares attributable to the Forfeitable Share Plan</td>
<td>(16)</td>
<td>(13)</td>
</tr>
<tr>
<td>Preference shareholders</td>
<td>(54)</td>
<td>(55)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(31)</td>
<td>196</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of the parent used in the calculation of basic and diluted earnings per share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 377</td>
<td>4 872</td>
</tr>
<tr>
<td>Adjusted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Net loss/(profit) on disposal of investments</td>
<td>25</td>
<td>(4)</td>
</tr>
<tr>
<td>Profit on loss of control</td>
<td>–</td>
<td>(4 205)</td>
</tr>
<tr>
<td>Fair value gain on investments on acquisition of control</td>
<td>–</td>
<td>(5)</td>
</tr>
<tr>
<td>Net profit on disposal of property, plant and equipment and intangibles</td>
<td>(64)</td>
<td>(3)</td>
</tr>
<tr>
<td>Realisation of foreign currency translation reserve</td>
<td>(128)</td>
<td>–</td>
</tr>
<tr>
<td>Recognition of impairment of investment in associate</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Recognition of impairment of property, plant and equipment</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Tax effect of headline adjusting items</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Non-controlling share of headline adjusting items</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td>2 231</td>
<td>672</td>
</tr>
<tr>
<td><strong>Adjustments for discontinued operations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from discontinued operations</td>
<td>–</td>
<td>467</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>–</td>
<td>(201)</td>
</tr>
<tr>
<td>Net profit on disposal of property, plant and equipment</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td>Non-controlling share of headline adjusting items</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td><strong>Headline earnings from continuing operations</strong></td>
<td>2 231</td>
<td>937</td>
</tr>
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</table>
### Adjusted headline earnings

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings</td>
<td>2 231</td>
<td>672</td>
</tr>
<tr>
<td>Adjusted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement loss on FEC option</td>
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<tr>
<td>Ineffectiveness gains on cash flow hedges</td>
<td>(4)</td>
<td>(4)</td>
</tr>
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<td>Fair value losses on derivative financial instruments</td>
<td>–</td>
<td>85</td>
</tr>
<tr>
<td>Amortisation of the cash flow hedge accounting reserve</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Recognition of loan impairment</td>
<td>19</td>
<td>6</td>
</tr>
<tr>
<td>Recognition of impairment of contractual economic interest in debt of BMI Healthcare</td>
<td>–</td>
<td>1 544</td>
</tr>
<tr>
<td>Health Market Inquiry</td>
<td>34</td>
<td>36</td>
</tr>
<tr>
<td>Reversal of onerous lease provisions</td>
<td>–</td>
<td>(168)</td>
</tr>
<tr>
<td>Fair value loss on derivative financial instrument</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Restructure costs incurred by BMI Healthcare</td>
<td>–</td>
<td>212</td>
</tr>
<tr>
<td>Restructure costs incurred by Netcare in respect of BMI Healthcare</td>
<td>13</td>
<td>45</td>
</tr>
<tr>
<td>Akeso Clinics related transaction costs</td>
<td>–</td>
<td>18</td>
</tr>
<tr>
<td>Hospital division restructure costs</td>
<td>22</td>
<td>–</td>
</tr>
<tr>
<td>Tax effect of adjusting items</td>
<td>(19)</td>
<td>(254)</td>
</tr>
<tr>
<td>Non-controlling share of adjusting items</td>
<td>–</td>
<td>(43)</td>
</tr>
<tr>
<td><strong>Adjusted headline earnings</strong></td>
<td>2 302</td>
<td>2 154</td>
</tr>
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</table>

#### Adjustments for discontinued operations:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss from discontinued operations</td>
<td>–</td>
<td>467</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>(201)</td>
</tr>
<tr>
<td>Headline adjustments relating to discontinued operations</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Fair value losses on derivative financial instruments</td>
<td>–</td>
<td>(85)</td>
</tr>
<tr>
<td>Reversal of onerous lease provisions</td>
<td>–</td>
<td>168</td>
</tr>
<tr>
<td>Restructure costs incurred by BMI Healthcare</td>
<td>–</td>
<td>(212)</td>
</tr>
<tr>
<td>Tax effect of adjusting items</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Non-controlling share of adjusting items</td>
<td>–</td>
<td>43</td>
</tr>
</tbody>
</table>

### Adjusted headline earnings from continuing operations

<table>
<thead>
<tr>
<th>Description</th>
<th>2 302</th>
<th>2 337</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings/(loss) per share</td>
<td>165.9</td>
<td>49.3</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>165.9</td>
<td>68.8</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>–</td>
<td>(19.5)</td>
</tr>
<tr>
<td><strong>Diluted headline earnings/(loss) per share</strong></td>
<td>164.3</td>
<td>48.8</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>164.3</td>
<td>68.0</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>–</td>
<td>(19.2)</td>
</tr>
<tr>
<td><strong>Adjusted headline earnings/(loss) per share</strong></td>
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<td>158.1</td>
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<td>Continuing operations</td>
<td>171.2</td>
<td>171.6</td>
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<td>Discontinued operations</td>
<td>–</td>
<td>(13.5)</td>
</tr>
<tr>
<td><strong>Diluted adjusted headline earnings/(loss) per share</strong></td>
<td>169.5</td>
<td>156.3</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>169.5</td>
<td>169.6</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>–</td>
<td>(13.3)</td>
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</table>

1. 2018 restated due to calculation error.
### Summarised segment report

for the year ended 30 September

<table>
<thead>
<tr>
<th>Rm</th>
<th>Hospital and pharmacy operations¹</th>
<th>Non-acute services</th>
<th>Hospital and emergency services</th>
<th>Primary Care</th>
<th>Inter-segment elimination</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Statement of profit or loss</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>19 706</td>
<td>1 104</td>
<td>20 810</td>
<td>795</td>
<td>(16)</td>
<td>21 589</td>
</tr>
<tr>
<td>EBITDA² before item below</td>
<td>4 152</td>
<td>118</td>
<td>4 270</td>
<td>118</td>
<td>–</td>
<td>4 388</td>
</tr>
<tr>
<td>Operating profit before item below</td>
<td>3 516</td>
<td>60</td>
<td>3 576</td>
<td>64</td>
<td>–</td>
<td>3 640</td>
</tr>
<tr>
<td>Realisation of foreign currency reserve</td>
<td>128</td>
<td>–</td>
<td>128</td>
<td>–</td>
<td>–</td>
<td>128</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3 644</td>
<td>60</td>
<td>3 704</td>
<td>64</td>
<td>–</td>
<td>3 768</td>
</tr>
</tbody>
</table>

**Additional segment information**

- **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 PPE of R69 million.

2. Earnings before interest, tax, depreciation and amortisation.

<table>
<thead>
<tr>
<th>Rm</th>
<th>Hospital and pharmacy operations¹</th>
<th>Non-acute services</th>
<th>Hospital and emergency services</th>
<th>Primary Care</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statement of profit or loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>19 202</td>
<td>798</td>
<td>20 000</td>
<td>717</td>
<td></td>
</tr>
<tr>
<td>EBITDA before item below</td>
<td>4 090</td>
<td>10</td>
<td>4 100</td>
<td>109</td>
<td></td>
</tr>
<tr>
<td>Operating profit before item below</td>
<td>3 454</td>
<td>(27)</td>
<td>3 427</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Impairment of contractual economic interest in debt of BMI Healthcare</td>
<td>(1 544)</td>
<td>–</td>
<td>(1 544)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>1 910</td>
<td>(27)</td>
<td>1 883</td>
<td>59</td>
<td></td>
</tr>
</tbody>
</table>

1. EBITDA and operating profit in 2018 are inclusive of UK related restructure costs amounting to R45 million, and Akeso transaction costs amounting to R18 million.
## Notes to the summarised Group financial statements
for the year ended 30 September 2019

<table>
<thead>
<tr>
<th>Rm</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Operating profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 768</td>
<td>1 942</td>
</tr>
<tr>
<td>After including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(748)</td>
<td>(723)</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>(7)</td>
<td>(8)</td>
</tr>
<tr>
<td>Operating lease charges</td>
<td>(629)</td>
<td>(617)</td>
</tr>
<tr>
<td>Profit on disposal of property, plant and equipment</td>
<td>69</td>
<td>12</td>
</tr>
<tr>
<td>2. <strong>Investment income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on bank accounts and other</td>
<td>172</td>
<td>167</td>
</tr>
<tr>
<td>Interest income on contractual economic interest in the debt of BMI Healthcare¹</td>
<td>–</td>
<td>104</td>
</tr>
<tr>
<td></td>
<td>172</td>
<td>271</td>
</tr>
<tr>
<td>1. 2018 balance is inclusive of six months of interest up until the deconsolidation of BMI Healthcare.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. <strong>Finance costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on bank loans and other</td>
<td>(193)</td>
<td>(215)</td>
</tr>
<tr>
<td>Interest on promissory notes</td>
<td>(409)</td>
<td>(333)</td>
</tr>
<tr>
<td>Total funding finance costs</td>
<td>(602)</td>
<td>(548)</td>
</tr>
<tr>
<td>Retirement benefit plan finance costs</td>
<td>(54)</td>
<td>(49)</td>
</tr>
<tr>
<td></td>
<td>(656)</td>
<td>(597)</td>
</tr>
<tr>
<td>4. <strong>Taxation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>South African normal and deferred taxation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>(875)</td>
<td>(665)</td>
</tr>
<tr>
<td>Prior years</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>Capital gains tax</td>
<td>(9)</td>
<td>(3)</td>
</tr>
<tr>
<td></td>
<td>(869)</td>
<td>(666)</td>
</tr>
<tr>
<td><strong>Foreign normal and deferred taxation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>(10)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Total taxation per the statement of profit or loss</strong></td>
<td>(879)</td>
<td>(682)</td>
</tr>
</tbody>
</table>
5. **Equity-accounted investments, loans and receivables**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associates</td>
<td>476</td>
<td>501</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>259</td>
<td>215</td>
</tr>
<tr>
<td>Other loans and receivables</td>
<td>289</td>
<td>249</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 024</td>
<td>965</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>122</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 146</td>
<td>1 013</td>
</tr>
</tbody>
</table>

6. **Financial assets/liabilities**

<table>
<thead>
<tr>
<th></th>
<th>Level</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-derivative financial asset</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Cell Captive</td>
<td>2</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td><strong>Derivative financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>2</td>
<td>–</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivative financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Written put option over non-controlling interest</td>
<td>3</td>
<td>(10)</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>2</td>
<td>(31)</td>
<td>(5)</td>
</tr>
<tr>
<td>Inflation rate swaps</td>
<td>2</td>
<td>(29)</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(70)</td>
<td>(31)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Included in:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>5</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>(44)</td>
<td>(21)</td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>(26)</td>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(70)</td>
<td>(31)</td>
<td></td>
</tr>
</tbody>
</table>

**Fair value hierarchy**

Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value:

- **Level 1:** Fair value is derived from quoted prices (unadjusted) in active markets for identical instruments.
- **Level 2:** Fair value is derived through the use of valuation techniques based on observable inputs, either directly or indirectly.
- **Level 3:** Fair value is derived through the use of valuation techniques using inputs not based on observable market data.

The Group has no financial instruments measured at fair value categorised as Level 1. There were no transfers between categories in the current year.
7. Debt

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>5 061</td>
<td>5 114</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>1 780</td>
<td>1 056</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td>6 841</td>
<td>6 170</td>
</tr>
</tbody>
</table>

Comprising:

**Secured liabilities**
- Finance leases: 26, 29

**Unsecured liabilities**
- Bank loans: 2 050, 1 700
- Promissory notes and commercial paper in issue: 4 761, 4 411
- Other: 4, 30

**Total:** 6 841, 6 170

Maturity profile

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>&lt;1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>&gt;4 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Sept 2019</td>
<td>8 069</td>
<td>2 304</td>
<td>1 725</td>
<td>1 570</td>
<td>1 871</td>
<td>599</td>
</tr>
<tr>
<td>30 Sept 2018</td>
<td>7 519</td>
<td>1 525</td>
<td>1 717</td>
<td>1 471</td>
<td>2 188</td>
<td>618</td>
</tr>
</tbody>
</table>

1. This maturity analysis includes the contractual undiscounted cash flows, represented by gross commitments, including finance charges. These amounts are different to those reflected in the statement of financial position, which are based on discounted cash flows.

8. Loss from discontinued operations

Included in discontinued operations in the current year are the results of the Mozambique emergency services business. The entity was deregistered prior to 30 September 2019.

<table>
<thead>
<tr>
<th>Rm</th>
<th>Mozambique emergency services</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Sept 2019</td>
<td></td>
</tr>
</tbody>
</table>

The profit from discontinued operations is analysed as follows:

- **Operating profit**: 1
- **Finance costs**: (1)
- **Profit from discontinued operations**: –
- **Cash flows from discontinued operations**: –
- **Cash flows from operating activities**: 3
- **Cash flows from investing activities**: (5)
- **Net decrease in cash and cash equivalents**: (2)
## 8. Loss from discontinued operations

### 30 September 2018

The (loss)/profit from discontinued operations is analysed as follows:

<table>
<thead>
<tr>
<th></th>
<th>Mozambique emergency services</th>
<th>BMI Healthcare</th>
<th>GHG PropCo 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6</td>
<td>7 608</td>
<td>–</td>
<td>7 614</td>
</tr>
</tbody>
</table>

(Loss)/profit after taxation for the year is analysed as follows:

<table>
<thead>
<tr>
<th></th>
<th>Mozambique emergency services</th>
<th>BMI Healthcare</th>
<th>GHG PropCo 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>(2)</td>
<td>(184)</td>
<td>–</td>
<td>(186)</td>
</tr>
<tr>
<td>Investment income</td>
<td>–</td>
<td>4</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Finance costs</td>
<td>–</td>
<td>(226)</td>
<td>–</td>
<td>(226)</td>
</tr>
<tr>
<td>Other financial losses – net</td>
<td>–</td>
<td>(85)</td>
<td>–</td>
<td>(85)</td>
</tr>
<tr>
<td>Attributable earnings of associates</td>
<td>–</td>
<td>11</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Attributable earnings of joint venture</td>
<td>–</td>
<td>7</td>
<td>–</td>
<td>7</td>
</tr>
</tbody>
</table>

(Loss)/profit before taxation

<table>
<thead>
<tr>
<th></th>
<th>Mozambique emergency services</th>
<th>BMI Healthcare</th>
<th>GHG PropCo 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>(2)</td>
<td>(473)</td>
<td>10</td>
<td>(465)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(3)</td>
<td>1</td>
<td>–</td>
<td>(2)</td>
</tr>
</tbody>
</table>

(Loss)/profit from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>Mozambique emergency services</th>
<th>BMI Healthcare</th>
<th>GHG PropCo 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>(2)</td>
<td>(265)</td>
<td>–</td>
<td>(267)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>2</td>
<td>(310)</td>
<td>–</td>
<td>(308)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(25)</td>
<td>386</td>
<td>–</td>
<td>361</td>
</tr>
</tbody>
</table>

Net decrease in cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>Mozambique emergency services</th>
<th>BMI Healthcare</th>
<th>GHG PropCo 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>(2)</td>
<td>(265)</td>
<td>–</td>
<td>(267)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>2</td>
<td>(310)</td>
<td>–</td>
<td>(308)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(25)</td>
<td>386</td>
<td>–</td>
<td>361</td>
</tr>
</tbody>
</table>

Operating (loss)/profit after charging:

<table>
<thead>
<tr>
<th></th>
<th>Mozambique emergency services</th>
<th>BMI Healthcare</th>
<th>GHG PropCo 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>–</td>
<td>239</td>
<td>–</td>
<td>239</td>
</tr>
<tr>
<td>Employee costs – salaries and wages</td>
<td>4</td>
<td>2 566</td>
<td>–</td>
<td>2 570</td>
</tr>
<tr>
<td>Operating lease charges</td>
<td>–</td>
<td>1 421</td>
<td>–</td>
<td>1 421</td>
</tr>
</tbody>
</table>
9. **New accounting standards**

The Group adopted IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*, effective 1 October 2018. As permitted by these standards, the Group has elected not to restate comparatives. Accordingly, the impact of adopting the revised requirements has been applied retrospectively with an adjustment to retained earnings as at 1 October 2018. Reported information in the prior financial year to 30 September 2018 was unaffected by the application of IFRS 9 and IFRS 15.

9.1 **Impact of initial application of IFRS 9: *Financial Instruments***

IFRS 9: *Financial Instruments* (IFRS 9) was issued in July 2014 and has replaced IAS 39: *Financial Instruments – Recognition and Measurement*.

**Classification and measurement**

IFRS 9 incorporates amendments to the classification and measurement of financial instruments, hedge accounting guidance and the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income. Accordingly, the Group has applied the requirements of IFRS 9 to financial instruments that continue to be recognised as at 1 October 2018 and has not applied the requirements of IFRS 9 to financial instruments that have already been derecognised as at 1 October 2018.

All derivative financial instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at fair value through profit or loss (FVTPL). The Group has elected to adopt IFRS 9 – *Hedge Accounting*.

The following table illustrates the impact on opening retained earnings on transition to IFRS 9.

<table>
<thead>
<tr>
<th>Impact of adopting IFRS 9 at 1 October 2018</th>
<th>Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of additional expected credit losses under IFRS 9</td>
<td>50</td>
</tr>
<tr>
<td>Related tax</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Decrease in retained earnings</strong></td>
<td>40</td>
</tr>
</tbody>
</table>

The adoption of IFRS 9 had no impact on non-controlling interest.

**Impairment**

IFRS 9 requires an expected credit loss model to calculate impairment as opposed to an incurred loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses as a result of changes in credit risk since initial recognition of financial assets. Under IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
## 9. New accounting standards continued

### 9.1 Impact of initial application of IFRS 9: Financial Instruments continued

The table below illustrates the credit risk attributes of the financial assets considered for impairment, as well as their related probability of default, resulting in the adjustment to retained earnings.

<table>
<thead>
<tr>
<th>Credit risk attributes</th>
<th>IAS 39</th>
<th>IFRS 9</th>
<th>Probability of default (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tested under IAS 36</td>
<td>Amortised cost</td>
<td>0.01 – 100</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Actual 30 September 2018 under IFRS 9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Impairment upon adoption on 1 October 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Carrying value under IFRS 9 on 1 October 2018</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>Loans and receivables</td>
<td>Amortised cost</td>
<td>0.01 – 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>Loans and receivables</td>
<td>Amortised cost</td>
<td>0.01 – 100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>Loans and receivables</td>
<td>Amortised cost</td>
<td>0.01 – 3.61</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>Loans and receivables</td>
<td>Amortised cost</td>
<td>0.01 – 3.61</td>
</tr>
</tbody>
</table>

The loss allowances increased by R9 million in the 12 months to 30 September 2019.

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset. The adoption of IFRS 9 has had no impact on the consolidated cash flows of the Group.
The table below illustrates the credit risk attributes of the financial assets considered for impairment, as well as their related probability of default, resulting in the adjustment to retained earnings.

<table>
<thead>
<tr>
<th>Probability of default (%)</th>
<th>Actual 30 September 2018 under IAS 39</th>
<th>Impairment under IFRS 9 upon adoption on 1 October 2018</th>
<th>Carrying value under IFRS 9 on 1 October 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.01 – 100</td>
<td>336</td>
<td>(14)</td>
<td>322</td>
</tr>
<tr>
<td>0.01 – 100</td>
<td>297</td>
<td>(1)</td>
<td>296</td>
</tr>
<tr>
<td>0.01 – 3.61</td>
<td>2 875</td>
<td>(35)</td>
<td>2 840</td>
</tr>
<tr>
<td>0.01</td>
<td>1 371</td>
<td>–</td>
<td>1 371</td>
</tr>
</tbody>
</table>

The loss allowances increased by R9 million in the 12 months to 30 September 2019.
The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset. The adoption of IFRS 9 has had no impact on the consolidated cash flows of the Group.
9. **New accounting standards continued**

9.2 **Impact of initial application of IFRS 15:**

*Revenue from Contracts with Customers*

IFRS 15: *Revenue from Contracts with Customers* (IFRS 15) establishes a five-step model for recognising and measuring revenue from contracts with customers. Under IFRS 15, revenue is measured at the consideration the Group expects to be entitled to in exchange for goods and services. The Group has applied the five step model as follows:

Identify the contract with a customer – the Group enters into a contract with the counterparty with consent from both parties. Each party's rights and obligations regarding the goods or services of the contract are easily identifiable, as are the payment terms. The Group follows strict processes to obtain pre-authorisations from medical aids when required, performing credit checks on debtors and requesting deposits when engaging with private patients. These contracts are therefore considered to have commercial substance, with a high probability of collection of the consideration.

Identify the performance obligations in the contract – the Group provides distinct goods and services in the form of hospital, emergency and primary care services. The performance obligations of the contract are easily identifiable.

Determine the transaction price – pricing is set based on regulatory requirements (Single Exit Pricing for pharmaceutical goods) or through negotiation with various funders and other parties (medical aid tariffs). These are revised on an annual basis, and the relevant pricing is clearly identifiable in all contracts. The Group is not entitled to variable consideration, and contracts, even those that extend beyond 12 months, require payments on a monthly basis for the performance of services rendered within that month. Therefore, there are no significant financing components.

Allocate the transaction price to the performance obligations in the contract – patients receive various services during their stay as per the contract. Each service rendered is clearly distinct and is able to be billed at its relative stand-alone selling price.

Recognise revenue as and when the entity satisfies a performance obligation – a performance obligation is satisfied when control of the underlying goods or services for the particular performance obligation is transferred to the patient. Control is defined as the ability to direct the use of, and obtain substantially all of the remaining benefits from the underlying goods or services. For hospital, emergency and primary care services, revenue is recognised as and when each performance obligation as per the contract is satisfied.

Upon application of the five step model above, the Group has determined that the adoption of IFRS 15 has not had a significant impact on the recognition and measurement of revenue, as the methodology for the Group, followed under IAS 18, remains the same under IFRS 15 and does not require changes. Accordingly, no adjustment was made to opening retained earnings.
10. **Commitments**

**Capital expenditure commitments**

<table>
<thead>
<tr>
<th>Authorised and contracted for</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>73</td>
<td>463</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Medical equipment</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Other (including furniture and fittings)</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4</td>
<td>–</td>
</tr>
</tbody>
</table>

**Authorised but not yet contracted for**

<table>
<thead>
<tr>
<th>Authorised but not yet contracted for</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>858</td>
<td>1102</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>117</td>
<td>29</td>
</tr>
<tr>
<td>Medical equipment</td>
<td>371</td>
<td>175</td>
</tr>
<tr>
<td>Other (including furniture and fittings)</td>
<td>323</td>
<td>306</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>189</td>
<td>–</td>
</tr>
</tbody>
</table>

**Operating lease commitments**

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 821</td>
<td>3 439</td>
</tr>
</tbody>
</table>

The capital commitments will be financed from internally generated funds and existing banking facilities.

11. **Contingent liabilities**

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>34</td>
</tr>
</tbody>
</table>

12. **Events after the reporting period**

On 15 October 2019, Netcare approved a further allocation of 61 050 000 previously unallocated Netcare shares (the Allocation), at a strike price of R13.94 per share, to 20 350 permanent Netcare employees (excluding executives), of which 80% are black and 65% are black women (the Beneficiaries). These shares were available under the Health Partners for Life (HPFL) Broad-based Black Economic Empowerment (B-BBEE) scheme, which was concluded in 2005.

The Allocation reflects Netcare’s commitment to the imperative of building a transformed SA characterised by values of social and economic equality and inclusion for all and achieves this objective in a manner that enables Netcare to further strengthen the ownership component of its empowerment rating. As a result, Netcare has been able to increase its B-BBEE ownership and improved its overall B-BBEE rating to Level 4 (from Level 5 in 2018 and Level 8 in 2017).

The Allocation, as contemplated in the HPFL B-BBEE scheme, will result in an upfront once off non-cash IFRS2 charge of approximately R347 million to be recognised in the 2020 financial year. The dividend payable to beneficiaries will have a negligible annual impact on Netcare’s future earnings per share.

The directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the Group’s annual financial statements, which significantly affect the financial position at 30 September 2019 or the results of its operations or cash flows for the year then ended.
Remuneration report

PART 1

Background

The Remuneration Committee is pleased to present Netcare’s remuneration report for the financial year ended 30 September 2019. The overview of our remuneration policy on page 158 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. The implementation report, starting on page 166, focuses on executive remuneration linked to performance and measured using a balanced scorecard.

The Remuneration Committee’s core function is to ensure that the remuneration at a senior level motivates superior performance and that key executives are suitably rewarded and retained. It is committed to ensuring that Netcare’s remuneration reporting is straightforward, sufficiently comprehensive and transparent, and recognises the need to continuously improve in this regard.

During the year, Dr APH Jammine, the Chair of the Remuneration Committee, retired as a non-executive director of the Netcare Board, effective 30 September 2019. Netcare thanks him for his invaluable contribution and astute advice over the years as a committee and Board member and wishes him well.

Members of the Remuneration Committee, Mrs T Brewer and Mr N Weltman are independent non-executive directors, with Mrs Brewer appointed as the acting committee Chair for the meeting scheduled in December 2019. Mr MR Bower was appointed to the committee on 1 October 2019 and a new committee member and Chair, Mr D Kneale, will be appointed as of 1 January 2020.

Netcare’s remuneration report:

- Aligns with the principles and recommended practices of the King Report on Corporate Governance for South Africa King IV and applies Principle 14’s three part structure.
- Meets JSE Limited (JSE) Listings Requirements.
- Meets, to the extent applicable, the requirements of the Companies Act.
- Requests support through a non-binding advisory vote for the remuneration policy and implementation report.
- Includes feedback from shareholder engagement on remuneration, as part of our inclusive stakeholder engagement approach.
- Sets out our approach to fair and responsible remuneration.
Shareholder engagement and key committee activities

The Remuneration Committee is satisfied that it has successfully responded to shareholder feedback and expectations, as well as the changing regulatory context as evidenced by the overview of the committee's activities and revisions to the remuneration policy set out in the table below. Given these changes, 2020 will represent a key baseline year for implementation and for more consistent reporting going forward.

The committee convened twice during the reporting year, with a key focus given to the following remuneration aspects and shareholder concerns.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Key activities of and decisions made by the Remuneration Committee</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive director fees.</td>
<td>Engaged PwC to conduct an independent benchmarking exercise, with the results informing the proposed non-executive director adjustments for 2020 to be presented at the annual general meeting (AGM) on 31 January 2020.</td>
<td>170</td>
</tr>
<tr>
<td>Executive Committee members.</td>
<td>Reviewed and approved the executive balanced scorecard, which identifies performance parameters and areas of focus for the year, and refined and enhanced the short-term incentive (STI) target disclosure.</td>
<td>166</td>
</tr>
<tr>
<td>Forfeitable Share Plan (FSP) allocations.</td>
<td>Ratified 50% of the performance share allocations of FSP 2 based on 50% of the performance targets having been met.</td>
<td>169</td>
</tr>
</tbody>
</table>
| Long-term incentives (LTIs).                                          | Approved a new LTI plan, which also comprises forfeitable shares and incorporates shareholder feedback, for implementation in 2020. The shareholder feedback incorporated includes but is not limited to:  
  ▪ performance shares only for executives;  
  ▪ minimum shareholding for executives, outlined in more detail on page 164; and  
  ▪ malus and clawback.                                                                                                          | 164  |
| FSP performance parameters.                                          | Revised the performance parameters for the new LTI, focusing on return on invested capital (ROIC) and earnings before interest, taxation, depreciation and amortisation (EBITDA) margin.                                     | 164  |
| Annual salary increases.                                              | Approved annual salary increases, which are linked to the consumer price inflation (CPI) index with executives getting a 4.5% increase in March 2019. Salary increases at non-management levels were at a higher percentage rate.                                        | –    |
| Feedback on salary negotiations.                                      | Successfully concluded the 2019/20 salary negotiations with all four recognised trade unions.                                                                                                                                                                      | –    |
| A review of the 2018 remuneration report to identify areas for improvement. | Satisfied that the 2018 remuneration report met shareholder information needs and, in response to shareholder feedback, updated the remuneration policy to include malus and clawback clauses, which will apply to short- and long-term incentives made from 2020 onwards. | 165  |
| Review of the Remuneration Committee's terms of reference.           | Satisfied that the requirements of the committee's terms of reference have been fulfilled.                                                                                                                                                                         | –    |

We are committed to enhancing our remuneration reporting in line with shareholder expectations, and maintaining accurate, transparent and relevant disclosure on the performance measures used to determine the award of short- and long-term incentives. To this end, the Remuneration Committee will continue to actively engage with shareholders, and should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2020 AGM, we undertake to fully understand reasons for dissenting votes and address legitimate and reasonable objections raised.
Non-binding advisory votes

The Remuneration Committee's commitment to proactively engage and consult with shareholders on the remuneration policy pleasingly resulted in a significant improvement in the number of votes in favour of the policy at the 2019 AGM of 96.1%, compared to the 87.6% 'yes' votes received in the prior year. This indicates shareholder appreciation for the level of transparency of our 2018 remuneration report as well as the CEO and CFO remuneration benchmarking exercise undertaken in 2018, which indicated that our pay levels for these positions align with market norms and peer companies.

AGM held on 1 February 2019

<table>
<thead>
<tr>
<th></th>
<th>Votes in favour</th>
<th>Votes against</th>
<th>Abstentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration policy</td>
<td>96.1%</td>
<td>3.9%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Implementation report</td>
<td>97.2%</td>
<td>2.8%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

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 31 January 2020. These resolutions are set out in the 2020 AGM Notice.

Board approval

The Remuneration Committee reviewed and recommended the remuneration report to the Board for approval, which was obtained on 5 December 2019.

PART 2

Remuneration policy overview

SUBJECT TO NON-BINDING ADVISORY VOTE AT THE AGM ON 31 JANUARY 2020

Our remuneration policy sets out the principles used to ensure competitive remuneration while complying with all applicable laws and codes. It applies to 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 2019. Updates are made to ensure that Netcare’s remuneration structure reflects best practice and aligns to our operating model and strategic priorities. The policy has been updated to include malus and clawback clauses.

Remuneration philosophy

Our remuneration philosophy is to ensure that our employees are fairly, reasonably and responsibly rewarded for their contribution to the Group’s strategic, operating and financial performance. It guides our remuneration policy and supports our ability to attract and retain talent at every level of the organisation.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Value creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure crucial skills.</td>
<td>Provide world-class health and care.</td>
</tr>
<tr>
<td>Reward the achievement of strategic and operational priorities and exceptional performance using STIs.</td>
<td>Delivery of the Netcare strategy and a motivated workforce.</td>
</tr>
<tr>
<td>Provide key talented executives and managers with LTIs as a reward and retention mechanism.</td>
<td>Continued alignment between management and stakeholder objectives for the long-term sustainability of the business.</td>
</tr>
</tbody>
</table>
Remuneration policy

Remuneration policy objectives

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

The effectiveness of the remuneration policy in achieving these objectives is reviewed annually. The results are used as a base from which to develop the Remuneration Committee’s annual work plan.

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 such as the complex environment in which Netcare operates, the regulatory environment and the scarcity of skills. Strategy implementation mitigates these market factors to some extent.

Remuneration decisions are linked to individual performance and a balanced scorecard, as well as values and behaviours that promote value creation. As such, strategic and financial performance and the achievement of non-financial objectives are used to determine executive compensation. Incentive programmes reward individual, team and Group performance when the effort and output align to the Group's strategic priorities.

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.

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.

Using the services of external consultants to benchmark executive and non-executive remuneration on a regular basis ensures our compliance with King IV’s requirements. Over the past two years, PwC has conducted benchmarking exercises on executive director remuneration and non-executive director fees. The results confirm broad alignment with market peers, with some adjustments required to non-executive director fees as set out on page 170.

The total cost for the benchmarking exercises over 2018 and 2019 amounted to approximately R100 000 excluding VAT.

Executive remuneration structure

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 guaranteed package 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 2019 comprised a guaranteed package, and short- and long-term incentives.

Remuneration policy: https://www.netcare.co.za/Netcare-Investor-Relations/Governance/Remuneration-Policy
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 retirement funding and medical scheme. The Group also makes group life assurance cover, funeral cover and disability insurance contributions.

Short-term incentives
(variable)

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

**Eligibility**
Executive directors, prescribed officers, senior executives and managers.

**Basis of determination for 2019**
Potential STIs are calculated by applying an individual's potential eligibility percentage to their guaranteed package. The potential eligibility percentage depends on the individual's job grade and threshold. The result is then modified by the balanced scorecard outcome. This means that no executive director, senior executive or prescribed officer is capable of earning 100% or more of their annual guaranteed package.

**STI formula**

\[
\text{Bonus paid if targets met} = \frac{\text{Annual guaranteed package}}{\text{Potential eligibility} \times \text{Weighted average of balanced scorecard}}
\]

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

**2018 allocation (paid in 2019)**
At the time of the allocation in respect of the 2018 financial year, due to difficult operating conditions expected and the potential need for a restructuring exercise (and possible significant headcount reduction), the CEO, CFO, Managing Directors of Hospital and Primary Care division, and the Human Resources Director elected to forego the discretionary STIs awarded to them.
### Balanced scorecard

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

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

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

The Remuneration Committee has approved the following Group-wide performance conditions and targets relating to:

- Financial targets: EBITDA margin, cash conversion and economic profit.
- Disruptive innovation.
- Transformation of society.
- Consistency of care.
- Organic growth.
- Integration of services.

Individuals must score a minimum of 60% on their individual scorecard to be eligible for participation in the STI plan.

More detail on the balanced scorecard and how it has been implemented can be found on page 166 of the implementation report.

### 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.

### Looking forward to 2020

STIs will be calculated using the same formula and strategic parameters as 2019 with no changes foreseen. The focus will remain on meeting the Board-approved budget aligned to EBITDA and other key financial and non-financial targets.
Long-term incentives
(variable)

**Objective**

To attract and retain executive directors, prescribed officers and senior executives, and reward sustainable value creation that 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.

**Basis of determination**

The FSP provides benefits in line with recommended governance practice and provides both performance- and retention-based share awards. Performance shares are awarded against strictly monitored targets which, if not met, result in the forfeiture of the shares. The retention-based award serves to incentivise 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 is primarily based on the employee's annual guaranteed package, grade, performance, retention requirements and market benchmarks. The split in shares favours performance-based targets over retention-based awards, with weightings being 75% for performance and 25% for retention for executive directors, prescribed officers and senior executives, and equal weightings for other senior managers.

The performance-based targets are stretched goals linked to financial targets and the Netcare share price, considering a minimum return over and above inflation.

<table>
<thead>
<tr>
<th>Performance parameter</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on capital employed (ROCE)</td>
<td>Weighted average cost of capital (WACC) +6%.</td>
</tr>
<tr>
<td>50% weighting</td>
<td></td>
</tr>
<tr>
<td>Headline earnings per share (HEPS)</td>
<td>Compound annual growth rate of the average CPI index +4% for the performance period.</td>
</tr>
<tr>
<td>50% weighting</td>
<td></td>
</tr>
</tbody>
</table>

**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.
Performance shares

Three distinct performance periods aligned with the financial year, for portion of allocated shares subject to performance conditions.

ROCE – 50%
HEPS – 50%

Retention shares

Three distinct vesting periods of allocated shares, which do not have performance conditions associated with them.

1/3 of the 'retention shares' allocated vest, subject to continued employment.

The performance shares allocated to the performance targets are forfeited if the targets are not met within the performance period.

Termination of employment
Unvested shares are forfeited on termination of employment.

Dilution
Out of the three awards made since inception of the FSP, approximately 19 million shares, of the approved limit of approximately 20 million shares, have been settled to participating employees. This represents an actual dilution to date of 1.30% in respect of the total issued share capital of 1.45 billion shares. The low dilution rate is attributable to the stretch targets set for the performance conditions and targets, which have resulted in historically low vesting and/or subsequent forfeiture of FSP awards.
The positions of the three tranches of the FSP
(at 30 September 2019)

<table>
<thead>
<tr>
<th>FSP 1</th>
<th>FSP 2</th>
<th>FSP 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarded</td>
<td>Awarded</td>
<td>Awarded</td>
</tr>
<tr>
<td>Unvested</td>
<td>Unvested</td>
<td>Unvested</td>
</tr>
<tr>
<td>Vested</td>
<td>Vested</td>
<td>Vested</td>
</tr>
<tr>
<td>Forfeited</td>
<td>Forfeited</td>
<td>Forfeited</td>
</tr>
</tbody>
</table>

Looking forward to 2020

The Remuneration Committee has approved a new LTI plan, FSP 4, subject to shareholder approval at the 2020 AGM.

The new plan has been designed to:

- Take into account shareholder feedback and as such will only issue performance shares to executive directors, prescribed officers and senior executives, however retention shares will be awarded to the balance of participants at less senior management levels.
- Ensure meaningful benefits accrue to employees based on medium-term and sustained delivery of results, with a degree of hedging against market volatility.

The performance conditions applicable to the awards are as follows:

a. ROIC of greater than 20%; and
b. EBITDA margin of 20.5%.

Graduated vesting will apply after a three-year waiting period in thirds over a further two-year period as illustrated in the graph on page 165.

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 guaranteed package (AGP). The ratios that apply will be as follows: CEO: 2.5 x AGP; CFO: 2.0 x AGP; prescribed officers and other senior executives: 1.5 x AGP. This will be achieved over an eight to 10-year period through either the retention of at least 10% of shares that vest and are not forfeited or alternatively 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 2019).
- 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.

1. Subject to adjustment to account for IFRS 16.
Malus and clawback

In line with shareholder feedback, the Remuneration Committee reviewed trends relating to practices that recoup benefits paid to executives, and investigated how best to incorporate malus and clawback clauses in Netcare's remuneration policy. These provisions are set out below.

Malus (pre-vesting)

All future LTI awards to executive directors, prescribed officers and senior executives will be subject to malus provisions from 1 January 2020. 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 will 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.

Going forward

The Remuneration Committee will develop processes to assess executives against the malus and clawback criteria and to exercise discretionary malus or clawback which will be reviewed on an annual basis and in line with market practice.

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 Principal 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.
PART 3
Implementation report
SUBJECT TO NON-BINDING ADVISORY VOTE AT THE AGM ON 31 JANUARY 2020

During 2019, the increases to the executive AGPs (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 2020.

Balanced scorecard

<table>
<thead>
<tr>
<th>Group performance parameter</th>
<th>Actual</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>R4 381 million</td>
<td>R4 358 million</td>
</tr>
</tbody>
</table>

In addition to EBITDA and EBITDA margin, the achievement of Netcare’s strategic priorities accounted for 40% of executive directors, prescribed officers and senior executives’ balanced scorecards as set out below. The scorecard implemented was robust and included both financial and non-financial targets.

Non-financial aspects for 2019 covered digitisation projects, transformation initiatives, clinical outcomes and key business development projects, with all related targets having been substantively achieved.

Short-term incentives

<table>
<thead>
<tr>
<th>CONSISTENCY OF CARE</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve compliance to revised surgical and drug formulary</td>
<td>TARGET MET</td>
<td>Achieved target of 90% formulary compliance.</td>
</tr>
<tr>
<td>Refine and upgrade standardised clinical dashboard</td>
<td>TARGET MET</td>
<td>Dashboard established and implemented.</td>
</tr>
<tr>
<td>Efficient management of arthroplasty contract</td>
<td>TARGET MET</td>
<td>Contract managed within defined parameters.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DISRUPTIVE INNOVATION</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital division – CareOn electronic medical record (EMR)</td>
<td>TARGET MET</td>
<td>Successful implementation of the EMR pilot at Netcare Milpark Hospital and key milestones achieved through to 30 September 2019.</td>
</tr>
<tr>
<td>Primary Care – EMR</td>
<td>TARGET NOT MET</td>
<td>Successful roll out of EMR pilot, however implementation date was delayed.</td>
</tr>
<tr>
<td>Akeso Clinics – EMR</td>
<td>TARGET PARTIALLY MET</td>
<td>Developed and approved full business case for the EMR project.</td>
</tr>
<tr>
<td>National Renal Care – EMR</td>
<td>TARGET PARTIALLY MET</td>
<td>Developed and approved full business case for the EMR project.</td>
</tr>
<tr>
<td>Data analytics</td>
<td>TARGET MET</td>
<td>Established Data Council and developed and implemented four predictive models that use machine learning for business application.</td>
</tr>
</tbody>
</table>
### TRANSFORMATION OF SOCIETY

<table>
<thead>
<tr>
<th>Ownership</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implemented broad-based black economic empowerment (B-BBEE) ownership share scheme and improved B-BBEE rating to Level 4.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Preferential procurement</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved 87% or R9.2 billion preferential procurement spend (against targets of 80% or R8.0 billion).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enterprise and supplier development (ESD)</th>
<th>TARGET PARTIALLY MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spent or invested 2.6% (target: 3.0%) of net profit after tax (NPAT) in ESD programmes.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diversity of executive, senior management, middle management and differently abled people</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved demographic representation linked to the economically active population.</td>
<td></td>
</tr>
</tbody>
</table>

### ORGANIC GROWTH

<table>
<thead>
<tr>
<th>EBITDA margin – Hospital and Emergency services</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved target EBITDA margin of 20.5%.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recruitment of new doctors</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain of 112 doctors (against target of 100).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target EBITDA exceeded in Hospital and Emergency services and Primary Care divisions.</td>
<td></td>
</tr>
</tbody>
</table>

### NEW PRODUCT AND SERVICES DEVELOPMENT

<table>
<thead>
<tr>
<th>Supportive care</th>
<th>TARGET PARTIALLY MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed proof of concept and contracted with one major administrator (against a goal of two).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partner with Founders Factory Africa</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formalised partnership with Founders Factory Africa enabling investment in health technology startup ventures.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extend occupational health client base</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two new occupational health contracts secured.</td>
<td></td>
</tr>
</tbody>
</table>

### INTEGRATION

<table>
<thead>
<tr>
<th>Warehouse services contract</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>New service provider contracted on favourable terms.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appointmed</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful Appointmed pilot and key milestones achieved.</td>
<td></td>
</tr>
</tbody>
</table>

### INVESTMENT

<table>
<thead>
<tr>
<th>ROIC</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved ROIC of 20.1% (target: 20.0%).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net debt to EBITDA</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved net debt to EBITDA coverage of 1.2 times (target: less than 2.0 times)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA/net interest (times)</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved EBITDA to net interest coverage of 9.1 times (target: greater than 7.9 times).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash conversion</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved cash conversion of 111.4% (target: 100.0%).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Akeso Clinics – new developments</th>
<th>TARGET MET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtained licences, approved business cases and commenced preparations for new 36-bed facility in Richards Bay and new 72-bed facility in Port Elizabeth.</td>
<td></td>
</tr>
</tbody>
</table>
Variable remuneration

Short-term incentives relative to AGP

(executive directors and prescribed officers)

<table>
<thead>
<tr>
<th>Financial years</th>
<th>Guaranteed package (R’000)</th>
<th>Short-term incentive bonus (R’000)</th>
<th>Short-term incentive bonus as % of guaranteed package (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>21 905</td>
<td>21 905</td>
<td>56.4%</td>
</tr>
<tr>
<td>2016</td>
<td>21 114</td>
<td>21 114</td>
<td>45.9%</td>
</tr>
<tr>
<td>2017</td>
<td>24 191</td>
<td>24 191</td>
<td>22.5%</td>
</tr>
<tr>
<td>2018</td>
<td>21 093</td>
<td>21 093</td>
<td>10.0%</td>
</tr>
<tr>
<td>2019</td>
<td>21 757</td>
<td>21 757</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

1. 2019 includes an additional prescribed officer for 4.5 months of the year, therefore pro-rata portion of AGP and STI has been included in 2019 numbers.

Incentives outlined in the graph above illustrate incentives awarded over a five-year period and specifically incentives for the financial year 2019, awarded on 5 December 2019. These are not captured in the executive remuneration table below as these awards will be captured in the 2020 results.

Executive director STIs

The table below provides a view of the STIs received by the CEO and CFO over the last three years.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018¹</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RH Friedland</td>
<td>5 000</td>
<td>–</td>
<td>2 750</td>
</tr>
<tr>
<td>KN Gibson</td>
<td>1 825</td>
<td>–</td>
<td>875</td>
</tr>
</tbody>
</table>

1. The CEO and CFO chose to voluntarily forego the discretionary STIs awarded to them.

Executive remuneration

The table below summarises executive remuneration related to STIs awarded for the 2018 financial year, which were paid in the 2019 financial year.

<table>
<thead>
<tr>
<th></th>
<th>FIXED</th>
<th>VARIABLE</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Guaranteed package</td>
<td>Short-term incentives</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RH Friedland</td>
<td>9 826</td>
<td>–</td>
<td>9 826</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KN Gibson</td>
<td>5 103</td>
<td>–</td>
<td>5 103</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prescribed officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J du Plessis</td>
<td>4 639</td>
<td>–</td>
<td>4 639</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Grindell</td>
<td>3 140</td>
<td>500</td>
<td>3 640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S Mhlongo¹</td>
<td>1 161</td>
<td>–</td>
<td>1 161</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WN van der Merwe</td>
<td>3 888</td>
<td>–</td>
<td>3 888</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The audited financial table has been included in the annual financial statements under note 4.1.3, and includes the fair value of the award of the LTIs which have not yet vested.
LTI vesting outcomes
Following the review of the performance conditions imposed in respect of the FSP 2, 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 2, vested on 5 December 2019.

<table>
<thead>
<tr>
<th>Performance parameter</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCE (over three years)</td>
<td>ROCE of WACC plus 6% = 17.3%</td>
</tr>
<tr>
<td>50% weighting</td>
<td>Target met: 22%</td>
</tr>
<tr>
<td>HEPS</td>
<td>HEPS of CPI plus 4%</td>
</tr>
<tr>
<td>50% weighting</td>
<td>Target not met</td>
</tr>
</tbody>
</table>

Forfeitable shares
Held by executive directors and prescribed officers at 30 September 2019 (number of options).

<table>
<thead>
<tr>
<th>Number of options</th>
<th>Grant date</th>
<th>1 Oct 2018</th>
<th>Shares forfeited during the year</th>
<th>Exercised (sold and retained)</th>
<th>30 Sep 2019</th>
<th>Market price at exercise date (cents)</th>
<th>Gain arising on exercise (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RH Friedland¹</td>
<td>FSP 2: 20 Jan 2016</td>
<td>1 388 665</td>
<td>– (68 036) (113 393)</td>
<td></td>
<td>1 207 236</td>
<td>26.78</td>
<td>3 037</td>
</tr>
<tr>
<td>KN Gibson²</td>
<td>592 080</td>
<td>– (28 861) (48 103)</td>
<td></td>
<td></td>
<td>515 116</td>
<td>26.78</td>
<td>1 288</td>
</tr>
<tr>
<td>Prescribed officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J du Plessis</td>
<td>FSP 3: 20 Jan 2018</td>
<td>466 932</td>
<td>– (22 094) (36 825)</td>
<td></td>
<td>408 013</td>
<td>26.78</td>
<td>986</td>
</tr>
<tr>
<td>C Grindell</td>
<td>216 911</td>
<td>– (4 364) (13 094)</td>
<td></td>
<td></td>
<td>199 453</td>
<td>22.24</td>
<td>291</td>
</tr>
<tr>
<td>N Phillipson</td>
<td>290 172</td>
<td>– (290 172)</td>
<td></td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>WN van der Merwe</td>
<td>273 445</td>
<td>– (5 559) (16 679)</td>
<td></td>
<td></td>
<td>251 207</td>
<td>20.13</td>
<td>336</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3 228 205</td>
<td>2 581 025</td>
<td>5 938</td>
</tr>
</tbody>
</table>

1. RH Friedland exercised 113 393 (2018: 154 622) share options during the year in terms of the FSP.
2. KN Gibson exercised 48 103 (2018: 61 892) share options during the year in terms of the FSP.

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

<table>
<thead>
<tr>
<th>R000</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR Bower</td>
<td>1 356</td>
<td>1 196</td>
</tr>
<tr>
<td>T Brewer</td>
<td>2 177</td>
<td>1 810</td>
</tr>
<tr>
<td>B Bulo</td>
<td>1 169</td>
<td>1 100</td>
</tr>
<tr>
<td>L Human¹</td>
<td>405</td>
<td>–</td>
</tr>
<tr>
<td>APH Jammine²</td>
<td>1 169</td>
<td>1 225</td>
</tr>
<tr>
<td>JM Kahn³</td>
<td>1 162</td>
<td>1 177</td>
</tr>
<tr>
<td>MJ Kuscus</td>
<td>990</td>
<td>996</td>
</tr>
<tr>
<td>KD Moroka</td>
<td>1 508</td>
<td>1 314</td>
</tr>
<tr>
<td>N Weltman</td>
<td>9 936</td>
<td>9 838</td>
</tr>
</tbody>
</table>

1. Appointed as director effective 13 May 2019.
2. retired as director effective 30 September 2019.
3. Retired as Chair and director effective 31 March 2018.
For the period 1 October 2018 to 30 September 2019

<table>
<thead>
<tr>
<th></th>
<th>Board</th>
<th>Audit</th>
<th>Nom¹</th>
<th>Risk</th>
<th>Rem²</th>
<th>S&amp;E³</th>
<th>CoC⁴</th>
<th>Fin&amp;Invest⁵</th>
<th>Tariff⁶</th>
<th>2019 Total</th>
<th>2018 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR Bower</td>
<td>685</td>
<td>225</td>
<td>126</td>
<td>126</td>
<td>126</td>
<td>126</td>
<td></td>
<td>320</td>
<td></td>
<td>1 356</td>
<td>1 196</td>
</tr>
<tr>
<td>T Brewer</td>
<td>1 340</td>
<td>179</td>
<td>126</td>
<td>126</td>
<td>179</td>
<td></td>
<td></td>
<td>280</td>
<td></td>
<td>2 177</td>
<td>1 810</td>
</tr>
<tr>
<td>B Bulo</td>
<td>685</td>
<td>179</td>
<td>126</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
<td>1 356</td>
<td></td>
<td>1 169</td>
<td>1 100</td>
</tr>
<tr>
<td>L Human⁷</td>
<td>342</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>405</td>
<td></td>
</tr>
<tr>
<td>APH Jammine⁸</td>
<td>685</td>
<td>179</td>
<td>126</td>
<td>179</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 169</td>
<td>1 225</td>
</tr>
<tr>
<td>MJ Kuscus</td>
<td>685</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 162</td>
<td>1 177</td>
</tr>
<tr>
<td>K Moroka</td>
<td>685</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>990</td>
<td>996</td>
</tr>
<tr>
<td>N Weltman</td>
<td>685</td>
<td>179</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 508</td>
<td>1 314</td>
</tr>
<tr>
<td>Total</td>
<td>5 792</td>
<td>762</td>
<td>431</td>
<td>746</td>
<td>431</td>
<td>583</td>
<td>600</td>
<td>9 936</td>
<td>9 838</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Committee names:
1. Nomination.
2. Remuneration.
5. Finance and Investment (operating committee).
6. Tariff (operating committee).
7. L Human appointed on 13 May 2019.
8. APH Jammine resigned effective 30 September 2019.

Proposed non-executive directors’ fees

The Remuneration Committee has proposed a variable increase, based on sub-committee, in non-executive directors’ fees exclusive of VAT for 2020, informed by a PwC benchmarking exercise and taking 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 31 January 2020. 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.

Proposed non-executive director fees

<table>
<thead>
<tr>
<th></th>
<th>Proposed</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td>1 340</td>
<td>1 340</td>
<td>1 270</td>
</tr>
<tr>
<td>Member</td>
<td>685</td>
<td>685</td>
<td>650</td>
</tr>
<tr>
<td>Audit Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td>235¹</td>
<td>225</td>
<td>212</td>
</tr>
<tr>
<td>Member</td>
<td>179</td>
<td>179</td>
<td>170</td>
</tr>
<tr>
<td>Nomination Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td>179</td>
<td>179</td>
<td>170</td>
</tr>
<tr>
<td>Member</td>
<td>126</td>
<td>126</td>
<td>120</td>
</tr>
<tr>
<td>Risk Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td>186²</td>
<td>179</td>
<td>170</td>
</tr>
<tr>
<td>Member</td>
<td>132²</td>
<td>126</td>
<td>120</td>
</tr>
<tr>
<td>Remuneration Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td>186³</td>
<td>179</td>
<td>170</td>
</tr>
<tr>
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<td>Consistency of Care Committee</td>
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<tr>
<td>Chair</td>
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<td>Payable per meeting</td>
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<td>Ad hoc committees</td>
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Note: values exclude VAT.
1. Audit Chair fees adjusted by 4.5%.
2. Risk Chair and members fees adjusted by 4.5%.
3. Remuneration Chair fees adjusted by 4.5%.
4. Consistency of Care Chair and members fees adjusted by 4.5%.
Glossary

An explanation of some of the terms and abbreviations used in this integrated report is shown below. The full list of abbreviations can be accessed online.

AI
Artificial intelligence

AMIP
Asset management improvement project

B-BBEE
Broad-based black economic empowerment

BSI
British Standards Institution

CAGR
Compound annual growth rate

Dividend cover
Adjusted headline earnings per share divided by total dividends per share

dti Codes
Department of Trade and Industry's B-BBEE Codes of Good Practice

DoH
Department of Health

EBITDA
Earnings before interest, taxation, depreciation and amortisation

EBITDA margin
EBITDA expressed as a percentage of revenue

Effective tax rate
Taxation expressed as a percentage of profit before taxation

EMR
Electronic medical record

EMRAM
Electronic Medical Record Adoption Model

ESD
Enterprise and supplier development

ESG
Environmental, social and governance

FSP
Forfeitable Share Plan

GHG PropCo 2
Six hospital properties in the UK

HAI
Hospital acquired infections

HASA
Hospital Association of South Africa

HCAHPS
Hospital Consumer Assessment of Healthcare Providers and Systems

HEPS
Headline earnings per share

Headline earnings
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

HIMSS
Healthcare Information and Management Systems Society

HMI
Health Market Inquiry

HPCSA
Health Professions Council of South Africa

HPFL
Health Partners for Life

HWSETA
Health and Welfare Sector Education and Training Authority

Interest cover
Operating profit divided by net interest paid

ISO
International Organisation for Standardisation

LTI
Long-term incentive

MOI
Company’s Memorandum of Incorporation

Net asset value per share
Total shareholders’ equity divided by shares in issue net of treasury shares

Net debt
Long-term debt, short-term debt and bank overdrafts net of cash and cash equivalents

Net debt to EBITDA
Net debt divided by EBITDA

NHI
National Health Insurance (South Africa)

NPAT
Net profit after tax

NQF
National Qualifications Framework

PCI
Personalised clinical information

PMBs
Prescribed minimum benefits

PPPs
Public Private Partnerships

PROMs
Patient reported outcome measures

Return on equity
Profit for the year divided by average total shareholders’ equity

ROCE
Return on capital employed

ROIC
Return on invested capital: net operating profit after tax divided by invested capital

SANC
South African Nursing Council

STI
Short-term incentive

YES
Youth Employment Service

WACC
Weighted average cost of capital
Corporate information

Company registration number
(Registration number 1996/008242/06)

Business address and registered office
Netcare Limited
76 Maude Street (corner West Street),
Sandton 2196, Private Bag X34,
Benmore 2010

Company Secretary
Lynelle Bagwandeen
Tel no: +27 (0) 11 301 0265
Lynelle.bagwandeen@netcare.co.za

Investor relations
ir@netcare.co.za

Customer call centre
0860 NETCARE (0860 638 2273)
customer.service@netcare.co.za

Fraud line
0860 fraud 1 (086 037 2831)
fraud@netcare.co.za

JSE information
JSE share code: NTC (Ordinary shares)
ISIN code: ZAE000011953
JSE share code: NTCP (Preference shares)
ISIN code: ZAE000081121

Sponsor
Nedbank Corporate and Investment Banking
Third floor, F Block, Nedbank 135 Rivonia Campus,
135 Rivonia Road,
Sandown, Sandton, 2196

Transfer Secretaries
4 Africa Exchange
1st Floor, Cedarwood House
Ballywoods Office Park, 33 Ballyclare Drive,
Bryanston, 2191
Tel no: +27 (0) 11 100 8352

Auditors
Grant Thornton Johannesburg – until 31 December 2018
Deloitte & Touche – from 1 January 2019

Principal bankers
Nedbank Limited

Selected websites
www.netcare.co.za
www.netcare911.co.za
www.medicross.co.za
www.nrc.co.za
www.akeso.co.za
Shareholders’ diary

Annual general meeting  31 January 2020

Reports
Interim results announcement  May
Final results announcement  November

Dividends
Ordinary dividend

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<tr>
<td>Final</td>
<td>November</td>
<td>January</td>
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Preference dividend

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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 report 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.