



NETCARE

Netcare Limited Integrated Report

for the year ended 30 September 2022



This is Netcare

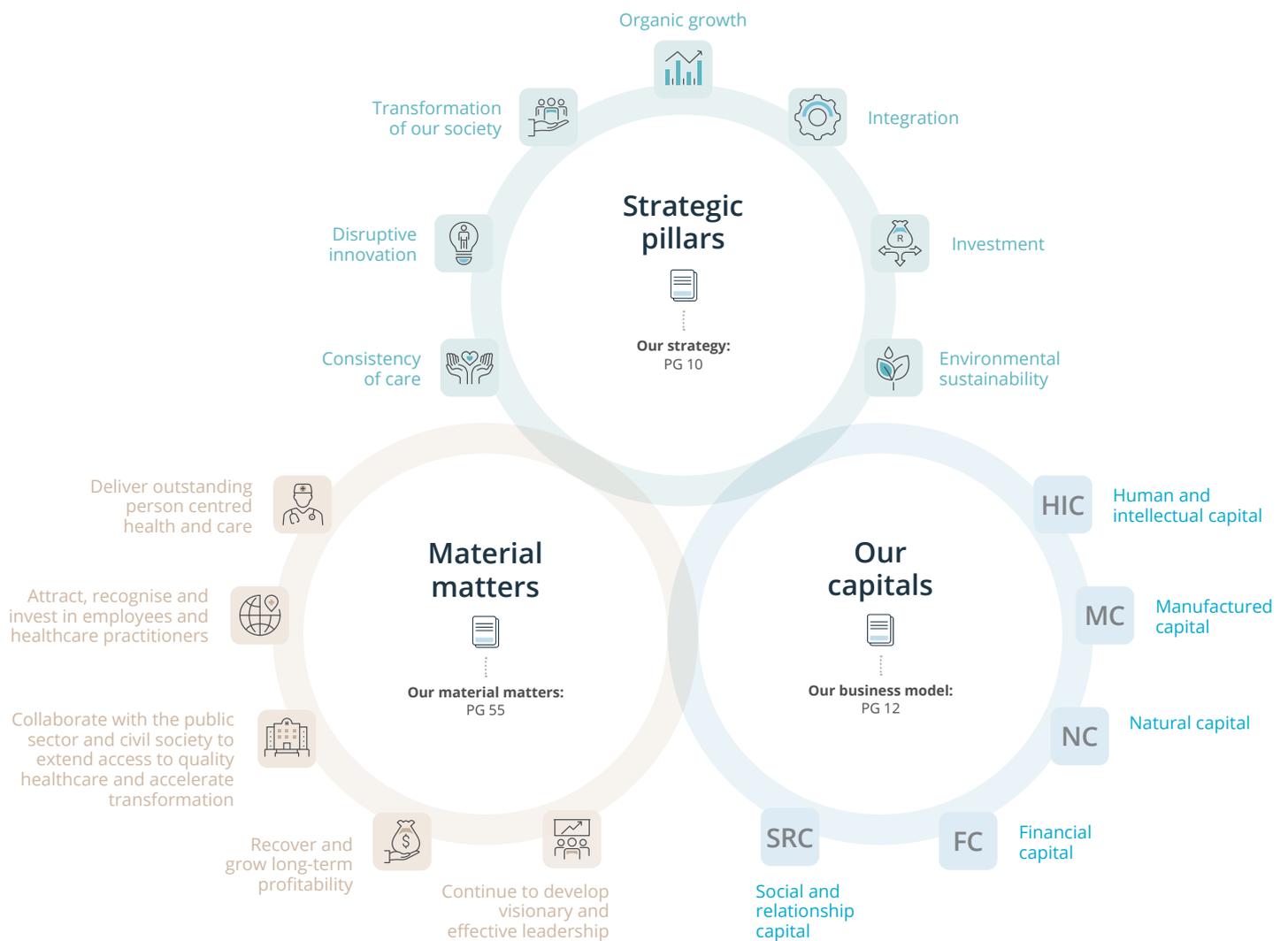


NETCARE

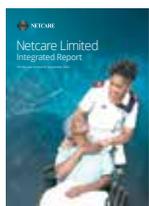
The Netcare Group is a leading provider of private healthcare services in South Africa

We provide acute services across our national network of hospitals and are the market leader in mental health services. We provide emergency, cancer care, diagnostic support, primary care and renal care services as well as occupational health and wellness services. We improve access to affordable services and high-quality healthcare through NetcarePlus healthcare products and vouchers. Netcare Education develops healthcare professionals in nursing and emergency medical services.

Report navigation



Our reporting suite



Integrated report

Primary report to stakeholders available in print and online

Provides material information on the Group's strategy to create a sustainable competitive advantage and deliberate social, economic and environmental value; in particular how Netcare creates and preserves enterprise value and mitigates its erosion over time, in relation to the six capitals. Applying this value lens, the integrated report includes material information and data that is presented and analysed in more detail in the supplementary reports. It complies with the JSE Limited (JSE) Listings Requirements and the South African Companies Act 71 of 2008, as amended (Companies Act).

Reporting frameworks applied:

- International Integrated Reporting <IR> Framework (January 2021).
- King Report on Corporate Governance for South Africa (2016)¹ (King IV)¹.

Link to strategic pillars



Supplementary reports

Publications that cater to the specific information needs of our stakeholders and satisfy compliance reporting requirements, available online at www.netcare.co.za/Netcare-Investor-Relations



Shareholder report

Provides detailed disclosure on the Group's approach to corporate governance, its full remuneration policy and implementation report and the summarised Group annual financial statements; of particular interest to investors, debt providers and regulators. The report complies with the JSE Listings Requirements and the Companies Act.

Reporting framework applied:

- King IV.

Link to strategic pillars



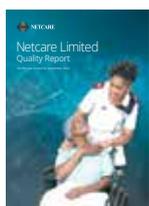
Environmental, social and governance report

Sets out in detail the Group's economic, social and environmental impacts and the governance practices and approaches that ensure they are appropriately managed; of particular interest to shareholders, analysts, regulators and broader society.

Reporting frameworks applied:

- King IV.
- Global Reporting Initiative's (GRI) Standards (core option).
- Task Force on Climate-related Financial Disclosures (TCFD).

Link to strategic pillars



Quality report

Sets out the Group's consistency of care strategy, and includes clinical outcomes data and measurement requirements; of particular interest to patients, doctors and funders.

Link to strategic pillars



Annual financial statements

Sets out the Group's audited annual financial statements, and includes the report of the independent auditor. The report complies with the JSE Listings Requirements and the Companies Act.

Reporting frameworks applied:

- King IV.
- International Financial Reporting Standards (IFRS).
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides.

Link to strategic pillars



Additional information

- GRI content index.
- TCFD content index.
- Notice of annual general meeting and proxy form.
- Hospital listing.

Feedback

We welcome your feedback to enhance the quality of our integrated report and supplementary information. Please email your feedback to ir@netcareinvestor.co.za.

1. King IV copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

Our purpose and promise

Our purpose

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

Our promise

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

Our values



Our first duty to protect the sanctity of life, and our irrevocable commitment to care, defines the value we create for individuals and society, today and for the future.

Our purpose matters to our people, our patients and society

We strive for consistent and excellent patient care delivered by people who are passionate about the sanctity of life, personal respect and dignity. During the COVID-19 pandemic, patients and the public alike recognised the critical contribution of healthcare workers to the safety, health and wellbeing of individuals and communities. This reaffirmed for healthcare workers their calling, and for the Group that our strategy is appropriate and our purpose never more meaningful and inspiring.

We serve people in their time of need

We combine compassion, technology and skill to provide each and every patient with the best and safest care, recognising their uniqueness, engaging with them honestly and openly, and instilling within them the confidence they need when making health decisions at every stage of their life journey. We call this person centred health and care, digitally enabled and data driven.

We are committed to pushing out the boundaries of healthcare

We are reinventing our business and innovating to create a world class healthcare ecosystem that inspires and equips the biggest hearts, brightest minds and deepest expertise in the country to play a meaningful role in the lives of more South Africans, more often.

We are dedicated to providing a consistent standard of exceptional care

Our values and our strategy make care for people and society intrinsic to all our decisions and actions. And we believe that care for people automatically demands care for the environment. Our efforts to be a leading corporate citizen engenders pride in our heritage and contribution to society. This is how we create value for our stakeholders and for the healthcare system of which we are an integral part, now and for the future.



Contents

IFC	Our reporting suite
IFC	Our purpose and promise
02	Our report
Our business	
05	What we do
08	Where we are
10	Our strategy
12	Our business model
Our leadership	
17	Board chair's review
20	Board of directors
24	Chief executive officer's review
28	Executive Committee
Our value story	
31	Governance overview
40	Our context
40	Operating environment
47	Stakeholder engagement
55	Our material matters
58	Our risks and opportunities
71	Overview of strategic progress
80	Outlook and key strategic trade-offs
84	ESG rating performance
86	Remuneration overview
How we performed	
Social and relationship capital	
101	Our patients
104	Perception of care
107	Quality of care
110	Clinical governance
111	Safety, health, environment and quality
113	Doctor partnerships
116	Private medical funders
118	Suppliers
119	Supply chain management
120	Diversifying our supply chain
123	Society
125	Reforming SA's healthcare system
126	Force for social good
Human and intellectual capital	
128	Our people
139	Digital transformation and data
146	New business development
Manufactured capital	
149	Estate and medical equipment
Natural capital	
152	Environmental sustainability
Financial capital	
162	Chief financial officer's review (capital allocation and operational and financial performance)
172	Five-year review
178	Summarised Group annual financial statements
Administration	
188	Glossary
190	Corporate information
IBC	Shareholders' diary
IBC	Disclaimer on forward-looking statements

Our report

The Netcare integrated report is addressed to all our stakeholders in our sector and society, with whom we partner and to whom we are accountable. It provides leadership insight and disclosure on which they can base their assessments of our ability to meet their expectations and align their interests over time; by so doing, to create enterprise value over the short, medium and long term.

In our report we set out the Group's strategy, assess our progress against its objectives and discuss our expectations for the medium term, in the context of the longer-term trends affecting our sector and South Africa (SA). Our report covers the value outcomes we achieved for Netcare, for our key stakeholders and for society in the period 1 October 2021 to 30 September 2022 (FY2022) and includes material information up to Board approval on 17 November 2022.

Integrated thinking

Our purpose, values and Code of Ethics – the mainstays of Netcare's culture – frame our approach to integrated thinking. In essence, they make care for people and society intrinsic to everything we do. Automatically, this demands that we care for our natural environment. The Group's corporate and operational governance structures, processes and controls are mature and consider best practice in our sector. They ensure that our decision-making considers the

operational and systemic risks, opportunities and responsibilities arising from our operating environment and our stakeholder relationships.

Our strategy, underpinned by this integrated system of governance and control, places the delivery of positive outcomes for current and future stakeholders at the centre of our efforts to create, preserve and limit the erosion of enterprise value. Specifically, this pertains to securing a sustainable competitive advantage and enhancing shareholder returns in the medium term, and intentionally deepening socioeconomic and environmental value for all our stakeholders and society over the longer term.

Achieving this balance of outcomes requires careful management of stakeholder expectations as we recover from the impact of COVID-19, while responding to the skills, capital, competitive and regulatory intensity of our sector.

Scope and boundary

The integrated report's scope and boundary covers the risks, opportunities and outcomes associated with our patients, people, doctors, private medical funders, investors and society

Our business model
on PG 12 includes constraints to our capital inputs, and **our strategy** on PG 10 shows how we plan to address these to secure a sustainable competitive advantage.

Our operating context
on PG 40 analyses the trends in our sector and the expectations of our key stakeholders, to which our strategy responds.

Our value outcomes
starting from PG 100, describe and measure the value achieved for our stakeholders, including performance and reward relative to our balanced scorecard.

Our outlook
on PG 80 sets out our expectations for the medium term including the strategic trade-offs required as we complete our strategic initiatives.

Financial reporting boundary

Our operating subsidiaries, joint ventures and key associates

Non-financial reporting boundary

Our joint ventures where we have management responsibility, specifically those that are co-located at our facilities

Time horizons

Short term

FY2023, in which we expect to maintain the momentum gained in implementing our digitisation and data strategies, absent the direct impacts of COVID-19.

Medium term

FY2024 to FY2025, in which we expect to complete the digital implementations across all our divisions and begin to leverage the benefits of our integrated ecosystem.

Longer term

FY2026 and beyond, specifically pertinent being our goal to use only renewable sources for energy supply by FY2030.

To this end, we are committed to balanced reporting, taking care to explain the material constraints and trade-offs related to our strategy, including where we have eroded value due to factors either within or outside our control. Information excluded from our report is done only on the basis that it is deemed immaterial at this time, or is legally privileged or competitively sensitive.

Certain statements in our report are forward looking. By their nature, these statements are inherently predictive, speculative and involve risk and uncertainty as they relate to events and depend on circumstances that will occur in the future, and which may impact our performance and expectations. Our disclaimer on forward-looking statements can be found on the inside back cover of this report.

Reporting structure

We aim to continually improve the quality of our reporting. We are pleased that our efforts to achieve best reporting practice have been recognised, with our 2021 Integrated Report earning third place in the EY Excellence in Integrated Reporting awards.

While the structure of this year's integrated report remains largely the same, we have tried to simplify and streamline our value story to stakeholders. Specifically, this has involved the consolidation of information – particularly that pertaining to our outlook for the medium term, which includes the strategic trade-offs we expect to have to make, and the value outcomes delivered to our key stakeholders, which can now be found in the performance reviews related to each stakeholder group.

Our suite of reporting publications remains the same, catering to the diverse needs and detailed disclosure requirements of our key stakeholders and chosen reporting frameworks. An overview of these reports can be found in *our reporting suite*.

Process disclosure

Executive management is responsible for the preparation and presentation of the report, led by the chief financial officer (CFO). The chair of the Board and of the relevant Board committees, chief executive officer (CEO) and Executive Committee are directly involved in reviewing and approving the report.

The following steps are taken to ensure the integrity of Netcare's disclosure:

- Our material matters (page 55) are determined through a robust independent process involving a qualitative analysis of selected documents. The matters identified are submitted to key members of the Executive Committee for review to ensure adequate coverage, and then to the Board for approval. Our material matters, mapped to the Group's strategic priorities, informed the preparation of the integrated and ESG reports.
- Content on our strategic progress and management of our material matters, risks and opportunities is drawn from various sources; predominantly Board papers, budget planning presentations, governance and risk-related papers and interviews with the Group chair and CEO.

- The heads of various functions review content during the drafting process. A specially convened Review Panel of selected Executive Committee members and the CFO reviews the report when it is near completion, followed by a final review by the CEO.
- Approval of various sections of the integrated report and supplementary reports in the reporting suite are delegated by the Board to the chairs of various Board committees, as appropriate, being the chairs of the Audit Committee, Risk Committee, Social and Ethics Committee, Remuneration Committee and Consistency of Care Committee. Where a section or report does not align with any committee's responsibilities, approval is delegated to the CEO and CFO.
- The chairs of the respective committees and the Review Panel recommended the report to the Board for approval.

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. Selected non-financial information is assured by Internal Audit on an annual basis.

Independent assurance includes:

- **The British Standards Institution (certification):** ISO 9001:2015.
- **Empowerdex (verification):** broad-based black economic empowerment (B-BBEE) scorecard.
- **Global Carbon Exchange SA Proprietary Limited (limited assurance):** carbon emissions, energy and water usage and waste generation.
- **Deloitte & Touche (unmodified assurance):** Group annual financial statements. The summarised annual financial statements (page 178 of *financial capital*) are an extract from the audited Group consolidated annual financial statements.

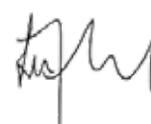
Approval

The Board is ultimately responsible for ensuring the integrity of the 2022 Integrated Report. It has approved the material matters and annual financial statements of the Group for the year ended 30 September 2022, and based on the reviews of the chairs of the relevant Board committees, the CEO and CFO, is of the opinion that this report provides a fair, balanced and appropriate account of the Group's strategy, risks, performance and prospects and addresses all material matters that impact or could impact the Group's capacity to create value in the short, medium and longer term. The Board believes that the integrated report has been prepared in accordance with the International <IR> framework (2021) in all material respects.

The material matters and the annual financial statements of the Group for the year ended 30 September 2022 were approved by the Board on 17 November 2022 and are signed on its behalf by:



Thevendrie Brewer
Non-executive Board Chair



Dr Richard Friedland
Chief Executive Officer

Our business

Our business

- 05 What we do
- 08 Where we are
- 10 Our strategy
- 12 Our business model



What we do



>18 000 employees



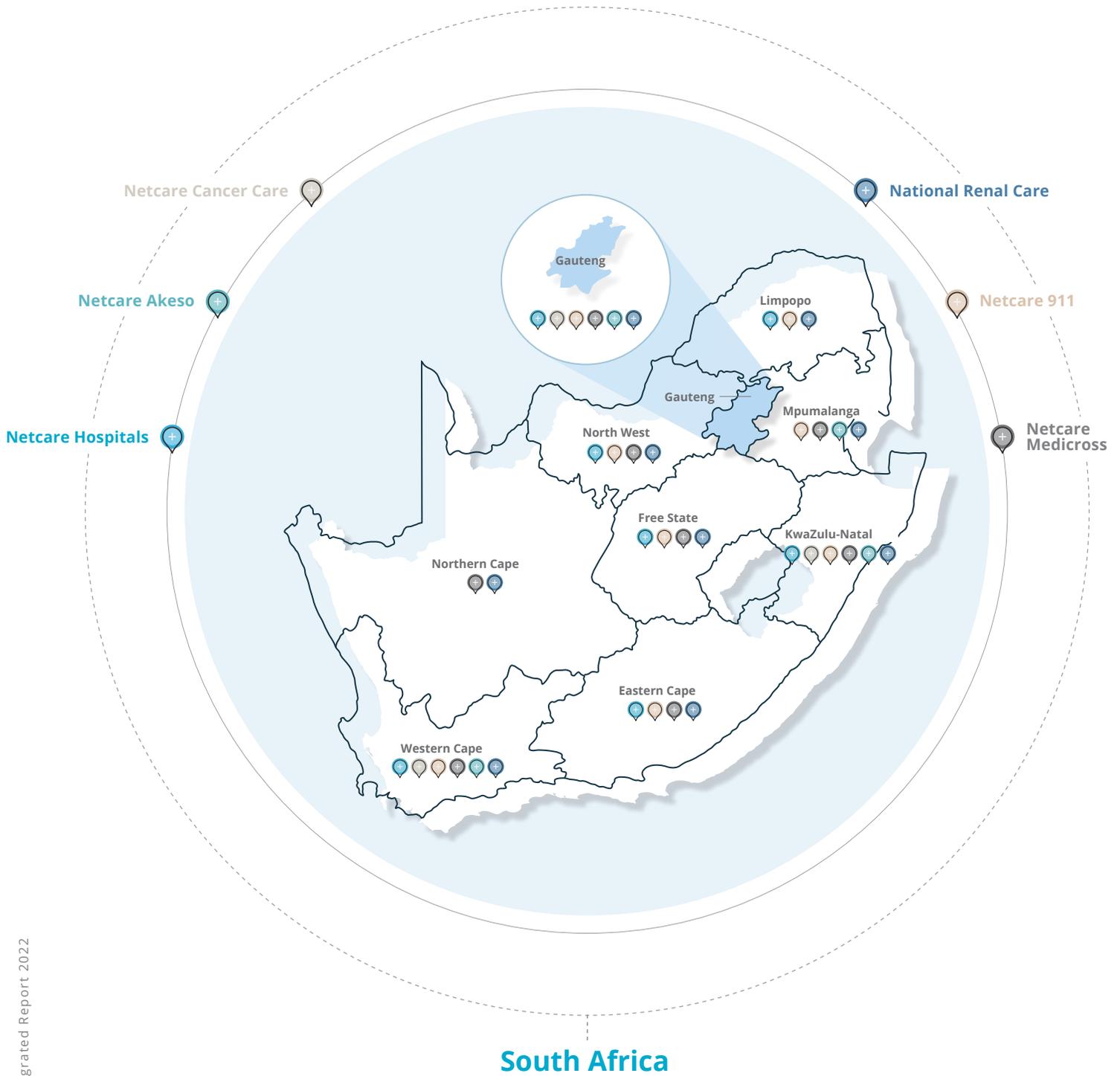
What we do continued

Private hospitals	Emergency services	Primary care
 NETCARE hospitals  NETCARE cancer care  NETCARE pharmacy  NETCARE akeso  NETCARE Education  NETCARE appointmed™	 NETCARE 082911 <small>24HR EMERGENCY MEDICAL SERVICES</small>	 NETCARE medicross  NETCARE occupational health  NETCARE appointmed™
Services	Services	Services
<ul style="list-style-type: none"> Multi-disciplinary acute medical institutions, including centres of excellence, rehabilitation, day clinics for non-acute procedures and care, and emergency and trauma departments. Institutional pharmacies for direct supply, management and dispensing of medicine. Dedicated acute mental health facilities. 	<ul style="list-style-type: none"> Pre-hospital emergency services including: <ul style="list-style-type: none"> Specialised helicopter ambulances. Intensive care unit (ICU) ambulance service (patient transfer between medical facilities). An ICU-configured jet ambulance service (national and international patient transfer). National Emergency Operations Centre (EOC) 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. 	<ul style="list-style-type: none"> Family medical and dental centres providing access to general practitioners (GPs), dentists, radiology, pathology, pharmacy and allied healthcare practitioners. Occupational health, travel and wellness services to contracted employer groups.
Key facts	Key facts	Key facts
<p>We lead trauma care in SA:</p> <ul style="list-style-type: none"> 28 accredited trauma units Netcare Alberton, Netcare Milpark and Netcare St Anne's hospitals are the only accredited Level I¹ trauma hospitals in SA <p>A number of accredited facilities, including for cancer treatment, renal dialysis and Netcare Education²</p> <p>21 digitised acute hospitals</p> <p>An integrated multi-disciplinary mental health offering focusing on dialectical behavioural therapy</p> <p>Nine cancer care centres providing radiation treatment</p> <p>Eight haematology centres</p> <p>~12 000 appointments with acute and mental health specialists facilitated through Netcare appointmed^{TM3}</p> <p>Five nursing education colleges</p> <p>Two emergency and critical care colleges</p>	<p>Leading provider of emergency medical services</p> <p>>429 000 calls managed by the EOC in FY2022</p> <p>247 ambulances and emergency response vehicles, including helicopters</p> <p>The only emergency service in Africa that is fully digitised</p>	<p>The largest primary healthcare provider in the private sector having a national footprint</p> <p>>3 800 appointments with GPs and dentists facilitated through Netcare appointmed^{TM3}</p> <p>25 occupational health service clients</p> <p>1.7 million patient visits</p>

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 specialties with a trauma surgeon as director. Our trauma units are accredited by the Trauma Society of South Africa.
 2. The full list of our accredited facilities can be found in the online **quality report**.
 3. Netcare **appointmed**TM is our free telephonic appointment service.
 4. Nephrology nursing course has been on hold since 2019 due to SANC's updated curriculum.

Renal care	NetcarePlus	Diagnostics	Employee wellness
			
Services	Products	Services	Services
<ul style="list-style-type: none"> Dialysis services to patients with compromised kidney function. 	<ul style="list-style-type: none"> Prepaid vouchers for GPs, optometrists and dentists. Prepaid all-inclusive in-hospital procedures. Accident and trauma cover and gap cover. 	<ul style="list-style-type: none"> Provides equipment, specialised infrastructure, logistics, administration, finance and operational support to a black woman-owned pathology service provider (an enterprise and supplier development initiative). 	<ul style="list-style-type: none"> A holistic offering of people-focused solutions, preventative care and counselling services that mitigate risks and puts business and employee wellbeing first.
Key facts	Key facts	Key facts	Key facts
<p>Largest private provider of dialysis services in SA</p> <hr/> <p>Four National Renal Care training academies</p> <hr/> <p>12 National Renal Care units accredited to train clinical technology students</p> <hr/> <p>18 National Renal Care units accredited to train nephrology nursing students⁴</p> <hr/> <p>A mobile application (app) that supports patients in achieving wellness and targeted dialysis outcomes.</p>	<p>Integrates funding solutions with the provision of care</p> <hr/> <p>Trusted partner network of healthcare practitioners across SA comprising:</p> <p>1 332 partner GPs</p> <p>795 optometrists</p> <p>65 dentists</p>	<p>130 blood gas analysers</p> <hr/> <p>>250 000 tests in nine months</p>	<p>Leading provider of employee health and wellness programmes</p> <hr/> <p>1 000 clients</p> <hr/> <p>2.1 million lives covered</p>

Where we are



**NETCARE**

Province	Facilities	Beds
Eastern Cape	2	489
Free State	4	408
Gauteng	26	5 625
KwaZulu-Natal	10	2 031
Limpopo	1	200
North West	1	211
Western Cape	5	939

49 acute hospitals **9 903** beds



24HR EMERGENCY MEDICAL SERVICES



Province	Facilities
Eastern Cape	2
Free State	4
Gauteng	26
KwaZulu-Natal	10
Limpopo	9
Mpumalanga	20
North West	10
Western Cape	6

87 Netcare 911 sites



Province	Facilities	Beds
Gauteng	4	415
KwaZulu-Natal	3	176
Mpumalanga	1	75
Western Cape	5	269

13 mental health hospitals **935** beds

Hospital listing

NETCARE
cancer care

Province	Facilities
Gauteng	8
KwaZulu-Natal	4
Western Cape	4

16 cancer care centres

**NETCARE**
medicross

Province	Facilities
Eastern Cape	6
Free State	1
Gauteng	20
KwaZulu-Natal	14
Mpumalanga	2
North West	2
Northern Cape	2
Western Cape	18

65 primary healthcare facilities

**NATIONAL**
RENAL CARE

Province	Facilities	Dialysis stations
Eastern Cape	11	191
Free State	3	22
Gauteng	23	297
KwaZulu-Natal	15	228
Limpopo	3	32
Mpumalanga	1	12
North West	2	16
Northern Cape	1	10
Western Cape	12	163

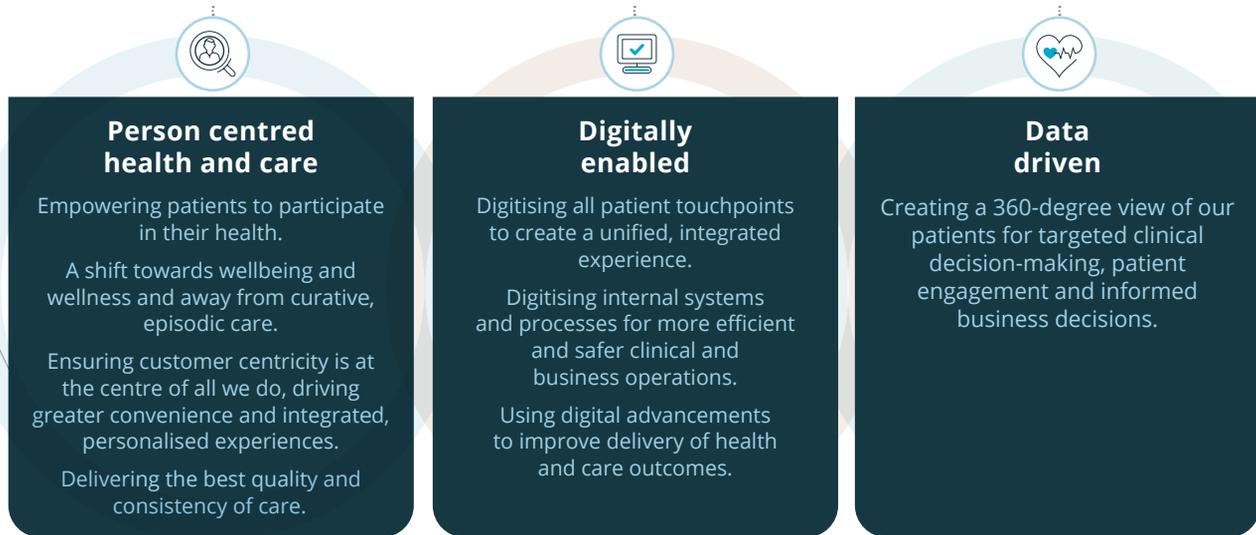
71 renal dialysis units **971** dialysis stations

Our strategy

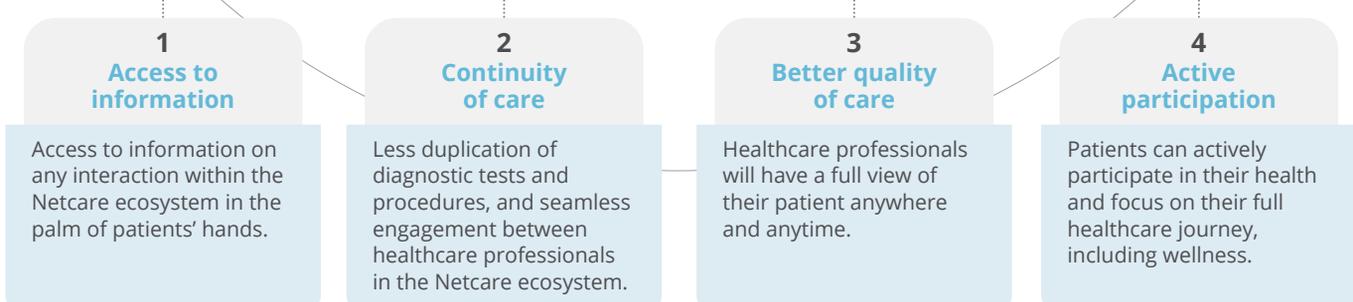
Patient centric healthcare is convenient, transparent, personalised and continuous. Yet across the world, healthcare models are typically fragmented, episodic and not individualised. We are embracing solutions and new ways of working to move Netcare to an integrated delivery model across all our divisions, one that is seamless and personalised, enabled by digitisation and informed by rich data. In tandem, we are committed to deepening the socioeconomic and environmental value we create for our stakeholders and society in the long term. Our redesigned health and care offering will be highly differentiated in SA and will create a sustainable competitive advantage for the Group – we call this *the Netcare moat*.



The Netcare moat



The benefits



Our strategic pillars

Group balanced scorecard FY2022



Consistency of care

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

- Roll out of Care4YOU programme (Hospital Division)
- Nurse compassion score



Disruptive innovation

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

- CareOn EMR roll out
- CareOn: adoption of e-scripts by doctors
- CareOn: adoption of clinical orders by doctors



Transformation of our society

Continuing to invest in and develop our workforce and communities.

- Board and management diversity
- Preferential procurement
- Diversity programme and survey



Organic growth

Driving strategic engagements with doctors and funders, investing to maintain the quality of our facilities and developing new products and services to promote inclusivity and access.

- EBITDA¹ margin
- Adjusted HEPs²
- ROIC³
- Cash conversion



Integration

Creating strategic and synergistic partnerships between all divisions and functions.



Investment

Creating economic value and optimising capacity utilisation.



Environmental sustainability

Ensuring minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment.

- Carbon emissions reduction
- Waste to landfill reduction
- Water use reduction

1. Earnings before interest, tax, depreciation and amortisation (EBITDA).
 2. Headline earnings per share (HEPS).
 3. Return on invested capital (ROIC).

Intended strategic outcomes

Medium-term outcome

Grow market share

Annual patient day growth to exceed the market by excelling in our traditional business and developing new products and services.

Medium-term outcome

Differentiate the patient experience

Differentiate Netcare with superior quality outcomes, and enhanced patient safety, experience and engagement.

Medium-term outcome

Retain patients within our ecosystem of integrated services

Provide an integrated healthcare platform and improved personalised experiences to retain patients within our ecosystem over their lifetimes.

Medium-term outcome

Grow margins and improve returns

Meet our internal targets for ROIC, EBITDA margin, net debt/EBITDA, EBITDA/net interest and occupancy.

Medium- to long-term outcome

Maintain social licence to operate

Contribute meaningfully to the national healthcare system, maintain our B-BBEE rating, deliver our 2030 environmental sustainability strategy and maintain a high level of stakeholder engagement and communication.

Partnering with global IT giants to deliver our strategy



Our business model

Our inputs

SRC Social and relationship capital

- Maintaining trusted relationships with key stakeholders – especially our patients, employees, independent healthcare practitioners, funders and suppliers – in the private healthcare value chain.
- Strategic partnerships to support our digital transformation and grow new business.
- Developing constructive relationships within the public healthcare sector and with regulators and government in support of a better healthcare system in SA.
- The way we manage our business, our digital platforms and our values-driven culture, which support quality stakeholder relationships.
- Programmes that provide medical procedures to indigent patients.

Key constraints

PG 101

- Consistency of quality care across our ecosystem.
- Balancing key stakeholder interests.
- Local manufacture of medical supplies.
- Alignment between the interests of private medical funders and healthcare providers.

HIC Human and intellectual capital

- An experienced leadership team.
- Intangible assets such as our innovation capability, brand, reputation and institutional knowledge.
- Investment in employee training and development.
- Management of data, systems, processes and procedures to develop, monitor and deliver quality clinical outcomes that ensure the best and safest care.
- Investment in digitisation and data management and analytics.

Key constraints

PG 128

- Post-pandemic stress.
- Attracting and retaining scarce talent.
- Regulated limits on the number of nurses that we can train.
- User acceptance of digital offerings.
- Regulatory challenges associated with innovation and new business development.

MC Manufactured capital

- Specialised healthcare facilities and advanced medical equipment.
- Investment in expansionary projects and upgrades.
- Digital and information technology infrastructure.
- Nurse and paramedic training facilities.

Key constraints

PG 149

- Balancing asset heavy and asset light service provision.

NC Natural capital

- Investment in projects to secure the supply of utilities while contributing to environmental improvement.
- Energy and water consumption, including from renewable sources.
- Investment in waste recycling initiatives.

Key constraints

PG 152

- Unstable supply of electricity and water as a result of ailing utility infrastructure.
- Capital required to transition to cleaner technologies.

FC Financial capital

- Equity capital from shareholders.
- Cash and debt facilities.

Key constraints

PG 162

- Recovering profitability in a tough economic environment.
- Rising costs relative to tariffs.
- Retaining the long-term support of our providers of capital while we transform digitally.

Our promise PG 01
To provide YOU with the best and safest care

Our context PG 40

Operating environment

Stakeholder engagement

Our material matters PG 55

Deliver outstanding person centred health and care

Attract, recognise and invest in employees and healthcare practitioners

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

Recover and grow long-term profitability

Continue to develop visionary and effective leadership

Our strategy PG 71

Person centred health and care that is digitally enabled

and data driven

Electronic medical records (EMRs) across all divisions

Improved IT infrastructure and architecture

Integrated and centralised systems

Customer engagement model

Person centred engagement channels

Modernised data infrastructure

Predictive analytics tools

Data Council

Our management systems PG 100

People management

SRC HIC FC

Consistency of care leadership

SRC HIC FC

Asset management

HIC MC FC

Environmental sustainability

SRC HIC MC NC FC

Capital management

SRC FC

Governance, risk management and compliance frameworks, policies and controls, which align to King IV and best practice, are well embedded at enterprise and operational levels to support our ability to fulfil our purpose and conduct our business ethically, responsibly and efficiently: PG 31.

Our outputs and activities

Care pathways supported by ongoing wellness initiatives

ACCESS TO CARE



Need for primary, acute, mental health or emergency care



Book an appointment or call an ambulance



Choose facility



Pre-admission



Admission

CONSISTENCY OF CARE



Diagnosis



Treatment



Recovery

GUIDED CARE



Discharge



Follow-ups



Ongoing treatment

Outcomes

The Quadruple Aim

Development and wellbeing of staff, leaders and healthcare practitioners

Best patient experience

Most cost effective

Best outcomes

The **Quadruple Aim** seeks to optimise the performance of healthcare systems through the integration of four critical objectives. Our adoption of this international framework enables us to balance the value of our services with their cost to society, recognising that our people and partnerships are fundamental to achieving this balance.

Our business model continued

Our value outcomes

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

- ✓ Value created
- ⊙ Value preserved
- ✗ Value eroded
- Areas where we expect to create further value in the medium term through our digital and data strategies.

SRC Social and relationship capital

Value created, preserved or eroded

Outcomes	Our patients	Our people	Doctors	Funders ¹	Suppliers	Regulators	Government	Associations	Investors	Society
Inclusive relationships that are mutually beneficial.	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓
An improved personalised patient experience. ●	✓	⊙	✓	✓					⊙	
Partnerships with highly skilled healthcare professionals. ●	✓	⊙	✓	⊙		⊙			⊙	
Clinically appropriate consumables and pharmaceuticals.	✓		✓	✓	✓	⊙				
Collaboration to improve national health outcomes and broader access to quality healthcare (e.g. policy development, partnerships with public sector).						✓	✓	✓	⊙	✓
Solutions that address inequality and socioeconomic challenges (e.g. education, access to medical procedures, community upliftment).		✓	✓		✓		✓	✓	⊙	✓
Enhanced legitimacy and our social licence to operate.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ethical and compliant business conduct.	✓	✓	✓	✓	✓	⊙	⊙	✓	⊙	✓

HIC Human and intellectual capital

Outcomes	Our patients	Our people	Doctors	Funders ¹	Suppliers	Regulators	Government	Associations	Investors	Society
A skilled and compassionate workforce that is engaged and motivated to live the behaviours of <i>the Netcare Way</i> .	✓	✓	✓	⊙					⊙	
Growth of talented individuals and a robust succession pipeline.	⊙	✓	⊙						⊙	
Best and safest person centred health and care that is participatory and aligned to international standards with a focus on continuous clinical improvement. ●	✓	⊙	✓	✓	✓	⊙	✓		⊙	✓
World class healthcare at an affordable price. ●	✓	⊙	⊙	⊙			✓		⊙	✓
Inclusion in restricted provider networks. ●	✓	⊙	✓						⊙	

MC **Manufactured capital**

Value created, preserved or eroded

	Our patients	Our people	Doctors	Funders ¹	Suppliers	Regulators	Government	Associations	Investors	Society
Outcomes										
Well maintained equipment and facilities.	✓	✓	✓	⊙	✓				⊙	
Advanced medical equipment and technologies.	✓		✓	⊙	✓				⊙	
Enhanced national healthcare infrastructure.							✓			✓

NC **Natural capital**

Outcomes										
Scope 1, 2 and 3 emissions.										x
Defined pathway to becoming carbon neutral.							✓		⊙	✓
Responsible treatment of waste that guards against health risks.	✓	✓	✓			⊙	⊙		⊙	✓
A secure supply of natural resources.	✓	✓	✓						⊙	
Access to sustainability-linked financing.									✓	

FC **Financial capital**

Outcomes										
Expansion into higher-demand disciplines.	✓	⊙	✓	⊙					✓	
A strategy that delivers competitive differentiation.	✓	✓	✓	✓	✓				✓	✓
Improved operational efficiencies, cost avoidance and savings. ●	⊙	⊙	⊙	✓					✓	
Reduced medicolegal costs. ●			✓						⊙	

1. Private medical funders.

Our leadership

Our leadership

17	Board chair's review
20	Board of directors
24	Chief executive officer's review
28	Executive Committee



Board chair's review

My first chair's review in 2018 concluded with the following promise: "Underpinned by a demonstrable commitment to effective governance and ethical leadership, our stakeholders can be assured that your strong and committed Board will do what is needed, with rigorous oversight, to create value for you, our sector and our country."



Thevendrie Brewer

Introduction

In this, my last review, I can confirm that Netcare, its management and Board have delivered on that commitment – to govern ethically and firmly as we transform Netcare for a person centred, digital future for healthcare. As this report shows, what makes this achievement all the more remarkable is that this has taken place in an unrelenting operating environment that included the greatest challenge South African healthcare has ever faced, COVID-19.

Undivided focus on strategic implementation

The two pandemic years, which demanded constant disaster management, meant that we were constrained in implementing our strategic projects at the pace and to the extent originally envisaged. However, since February 2022, the management team and the Board were able to give our undivided attention to the bold strategy we developed in 2018. We have learned and innovated as we have implemented, and we are largely back on track in our people centred digitisation and data initiatives, the spine of Netcare's strategic transformation.

Today, I am optimistic that our strategy will be fully and successfully implemented, creating significant sustainable competitive advantage for Netcare and value for all our stakeholders, including current and future generations of South Africans.

There are two caveats to this expectation. First, the risk of a dangerous new variant of the virus that causes COVID-19. The lessons we learned and experience we gained during successive waves of the pandemic, both as Netcare and as the SA scientific and medical community, provides some mitigation to this risk. Second, and perhaps inescapably, is the risk that a shortage of qualified personnel, nurses in particular, poses.

The stubborn failure to train sufficient healthcare professionals places the entire healthcare sector's ability to provide value and evidence-based care to South Africans, at stark risk. This shortage is being further exacerbated by the accelerating loss of skills to emigration and an insufficiently robust approach to attracting critical skills to SA.

There is wide room for a far better partnership between the government and private healthcare. Allowing private hospital groups to train sufficient nurses to care for all South Africans, is the most urgent and valuable opportunity for collaboration. The skills shortage in the face of persistently high unemployment figures represents a credible and meaningful opportunity for urgent and effective partnership. We simply must remove the obstacles and leverage our collective resources to train the number of nurses needed to fulfil our Constitutional duty to provide the people of SA with access to quality healthcare.

Nurses are at the centre of several of our strategic initiatives, particularly our CareOn programme which focuses on the digitisation of patient monitoring and health recordkeeping. It largely frees our nurses from administrative tasks and allows them to focus on care that demands uniquely human skill and compassion.

In its combination of human and digital attributes, CareOn will improve patient safety, clinical outcomes and patient engagement, and reduce prescribing errors. As the project is implemented, we expect to see broader benefits including lower physical storage and printing and stationery costs, as well as medicolegal expenses. Beyond CareOn, the digitisation of various financial processes will yield efficiencies and, importantly, provide Netcare with the data required to develop innovative products and service offerings.

 I encourage you to read more about CareOn on page 139 of *digital transformation and data*.

Board chair's review continued

One of our growth strategies is NetcarePlus, which will give more people, including those who do not have medical insurance, access to quality private care. Expanding access to private care is, rightfully, a strategic focus for many providers and we expect strong competition in this field. However, our long-term focus on comprehensive care and access to superior data give us a compelling competitive edge in this endeavour.



Read more on NetcarePlus on page 146 of *new business development*.

Our efforts to expand healthcare access requires government to be amenable to exploring partnering models with the private sector. In addition to the private sector's ability and aspiration to alleviate the shortage of nurses, the excess capacity in the private sector, which includes fully functional hospitals available for sale, can be utilised for public sector patients. The proviso is that a mutually beneficial business model can be agreed on.

Governance the bedrock of shared value

Your Board appreciates that governance best practice demands assurance that everything Netcare does must support the achievement of strategic goals that create, preserve and share value.

On a practical level, this has led to closer links between our strategic priorities, how we measure progress against them through our balanced scorecard, and the basis on which our executives are rewarded. This approach, which in essence puts sustainability considerations at the heart of performance management, is of course not unique to Netcare. It is reassuring to see it being adopted progressively in the private and public sectors.

One example of how intrinsic sustainability concerns are to Netcare is our environmental sustainability strategy. We recognise that climate change and a deteriorating environment places the wellbeing of entire populations at risk, but also that we unavoidably contribute to the problem.

We set out to address environmental sustainability several years ago with a multi-dimensional approach to reducing our energy intensity, which included the large-scale installation of photovoltaic solar panels at our facilities. While this initiative was driven largely by the need to lessen our dependence on unreliable power supply, it became the foundation stone to reach carbon neutrality by FY2030.

We have been honoured to receive several international and local accolades for our environmental sustainability projects, noting that our sustainability initiatives are grounded in our values. More specifically, that care for people automatically demands care for the environment.



Please read our ESG report for progress on our environmental commitments.

Also in our ESG report, you will find details of our commitment to transformation across all its pillars. Our support of small, medium and micro-sized enterprises (SMMEs) and the diversification of our supply chain that has resulted from it is a noteworthy achievement. It has been gratifying to see many SMMEs growing and eventually thriving to the benefit of our

stakeholders and economy. In addition, Netcare has been recognised for employing the highest percentage of persons with disabilities among JSE listed companies with more than 10 000 staff members. There are many other examples of how Netcare continues to find new opportunities to create socioeconomic value for the people of SA, and of this I am deeply proud.

An engaged and committed Board

I am one of three directors vacating our seats on the Board at the end of 2022. Comprehensive handover plans have been implemented and onboarding of our two new colleagues should be seamless.

For the past four years, the Board's focus has been on the development and implementation of comprehensive strategies, under the most challenging of circumstances. We have assessed the balance of Board skills to ensure we can guide the business to a customer centric, digital future, while we serve our stakeholders to the very best of our abilities. Six new non-executive directors have been appointed to the Board during this time.

As I reflect on my tenure on the Board, I am deeply grateful to my fellow Board members for the culture of collaboration that characterises our relationships with each other and the management team. It has been our privilege to be co-curators of a business that has not only withstood extreme challenges but is poised to create value for all stakeholders for generations to come.

In particular, I wish to thank Dr Richard Friedland for his unwavering commitment and astute leadership of our Group, particularly during the pandemic. Richard's dedication and diligence was only surpassed by his empathy and compassion for his team and our patients.

It has been a great honour and privilege to serve on the Board of Netcare, as chair over the past four years, and so to serve the people and patients of Netcare. I leave reassured that Netcare is in safe hands. Thank you.

Thevendrie Brewer
Board Chair



Board of directors

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

Non-executive directors



T (Thevendrie) Brewer | 50

Independent Board chair
 BCom, PGDA, CA(SA)
Appointed: 24 January 2011
Tenure: 11 years
Board attendance: 4/4
Resigned: effective 31 December 2022.
Skills: Governance, healthcare, general business management, global commerce, investment banking, financial services, legal, human resources, compensation, public policy.



MR (Mark) Bower | 67

Independent non-executive director
 BCom (Cum Laude), BCompt, BCompt (Hons), CA(SA)
Appointed: 23 November 2015
Tenure: 7 years
Board attendance: 4/4
New appointments: appointed chair of the Board and Nomination Committee, and as a member of the Social and Ethics Committee effective 1 January 2023 and as chair of the Remuneration Committee effective 3 February 2023.
Skills: Governance, general business management, global commerce, financial services, human resources, compensation.

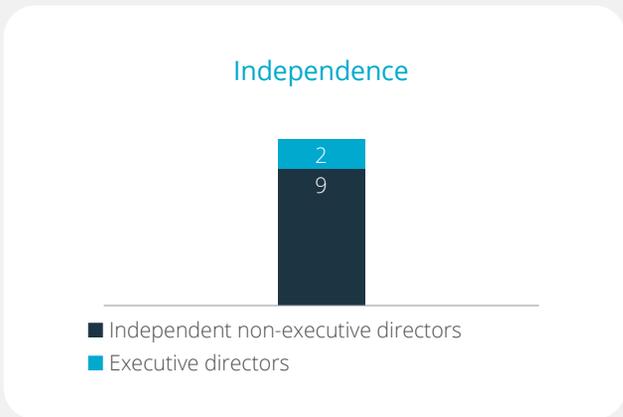


B (Bukelwa) Bulu | 45

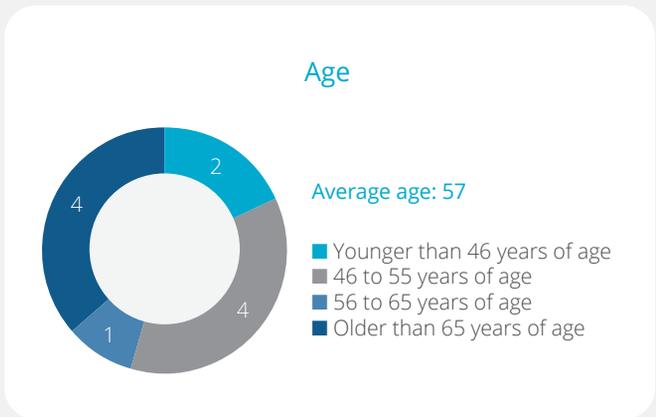
Independent non-executive director
 BBusSci Hons, PGDA, CA(SA)
Appointed: 23 November 2015
Tenure: 7 years
Board attendance: 4/4
New appointments: appointed chair of the Audit Committee effective 1 January 2023.
Skills: Governance, general business management, investment banking, financial services.

Board composition

(at 30 September 2022)



Independent non-executive directors are re-elected every three years. Our incoming Board chair, Mr Mark Bower, is independent and free from any conflicts of interest.



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

Non-executive directors continued



L (Lezanne)
Human | 53

Independent non-executive director
BSc Hons Operations Research (Cum Laude), MSc Applied Mathematics (Cum Laude), MBA (Cum Laude)
Appointed: 13 May 2019
Tenure: 3 years
Board attendance: 4/4
New appointments: appointed chair of the Consistency of Care Committee and as a member of the Remuneration Committee effective 1 January 2023.
Skills: Governance, digital/large scale technology implementation, general business management, global commerce, financial services.



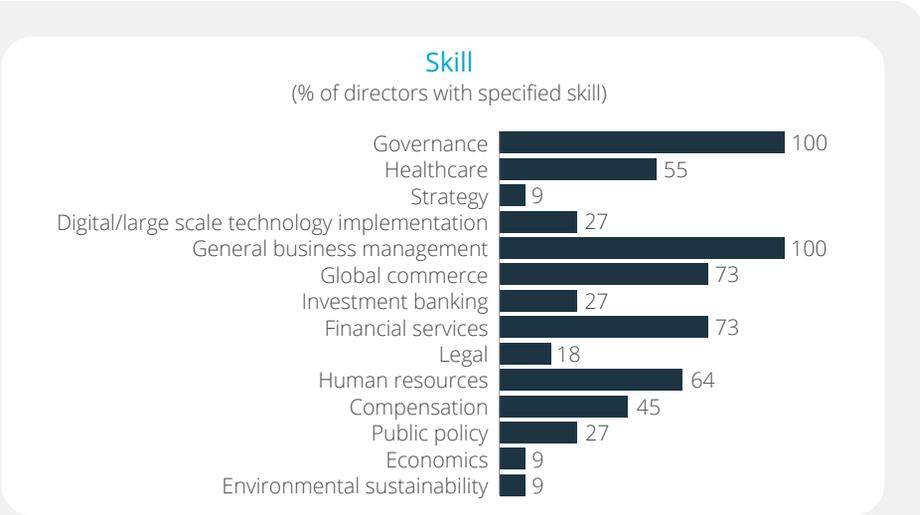
D (David)
Kneale | 68

Independent non-executive director
BA
Appointed: 1 January 2020
Tenure: 3 years
Board attendance: 3/4
Retired: effective 3 February 2023.
Skills: Governance, healthcare, general business management, global commerce, financial services, compensation.



MJ (Martin)
Kuscus | 67

Independent non-executive director
BA Cur, EDP
Appointed: 1 July 2008
Tenure: 14 years
Board attendance: 4/4
Retired: effective 31 December 2022.
Skills: Governance, healthcare, general business management, global commerce, human resources, public policy.



- Audit Committee
- Nominations Committee
- Risk Committee
- Remuneration Committee
- Social and Ethics Committee
- Consistency of Care Committee
- C Chair

The Board possesses a wide range of professional expertise, skills and experience with sufficient sector knowledge. Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for matters requiring specialised guidance.

In line with our digital transformation and our strategy to grow into new markets with innovatively funded healthcare products, the skills of the Board have been enhanced in the past three years, particularly to strengthen digital expertise. Appointments made in FY2022 have bolstered the Board's digital and financial services skills in line with these strategic priorities. ESG and legal skill are likely to inform future appointments.

Board of directors continued

Non-executive directors continued



Dr T (Thabi) Leoka | 43

Independent non-executive director
 BA (Hons) MA, MSc Economics and Economic History, PhD in Economics
Appointed: 1 January 2022
Tenure: 9 months
Board attendance: 3/3
New appointments: appointed chair of the Risk Committee effective 1 January 2023.
Skills: Governance, economics and emerging markets economics, general business management, global commerce.



Adv KD (Kgomotso) Moroka | 68

Independent non-executive director
 BProc, LLB
Appointed: 23 July 2006
Tenure: 16 years
Board attendance: 4/4
Retired: effective 31 December 2022.
Skills: Governance, healthcare, general business management, financial services, legal, human resources, public policy.



Dr R (Rozett) Phillips | 52

Independent non-executive director
 MBChB, MBA, Dip Future Studies (USB)
Appointed: 1 January 2022
Tenure: 9 months
Board attendance: 3/3
New appointments: appointed chair of the Social and Ethics Committee and as a member of the Nomination Committee effective 1 January 2023.
Skills: Governance, general business management, strategy consulting, digital/large scale technology implementation, human capital (transformation).

Board composition continued

(at 30 September 2022)

Diversity

55%

Black South African representation

FY2021: 44%
 FY2022 target: 55%

55%

Women representation

FY2021: 44%
 FY2022 target: 55%

45%

Black women representation

FY2021: 33%
 FY2022 target: 36%

The Board appointment policy ensures a formal and transparent appointment process with a focus on gender and attributes of culture, age, field of knowledge, skills and experience, and broader diversity aspects.

 Attendance at individual committee meetings
 Shareholder report

Executive directors



**Dr RH (Richard)
Friedland | 60**

Chief executive officer

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

Appointed: 15 May 1997

Tenure: 25 years

Board attendance: 4/4

Skills: Governance, healthcare, digital/large scale technology implementation, general business management, global commerce, financial services, human resources, compensation, environmental and sustainability management.



**KN (Keith)
Gibson | 52**

Chief financial officer

BAcc, CA(SA)

Appointed: 10 November 2011

Tenure: 11 years

Board attendance: 4/4

Skills: Governance, healthcare, general business management, global commerce, investment banking, financial services, human resources, compensation.

New appointments

Effective from 1 January 2023



**I (Ian)
Kirk | 64**

Independent non-executive director

CA (SA)

Appointed: 1 January 2023

Skills: Governance, general business management, financial services, global commerce, strategy consulting, compensation.



**L (Louisa)
Stephens | 46**

Independent non-executive director

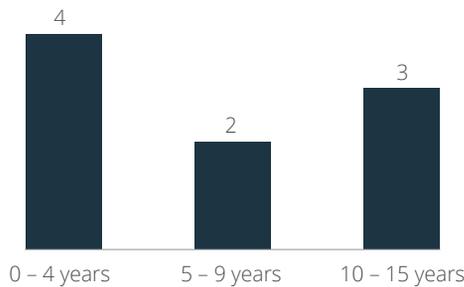
CA (SA) and Chartered Director

Appointed: 1 January 2023

Skills: Governance, general business management, global commerce, debt and equity financing, investment management, corporate finance, credit management.

Tenure of non-executive directors

Average years of tenure of independent non-executive directors: 7 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. The review is aligned to King IV's recommended practices. The average tenure of non-executive directors will shorten with the appointments made in FY2022.

- Audit Committee
- Nominations Committee
- Risk Committee
- Remuneration Committee
- Social and Ethics Committee
- Consistency of Care Committee
- C Chair

Chief executive officer's review

A tale of two halves

Netcare's 2022 financial year began in October 2021, as the devastating third wave of COVID-19 was subsiding. By early December, the fourth wave, caused by the highly contagious but milder Omicron variant, had gripped South Africa. But this wave was different, with the exponentially high rate of COVID-19 cases in the community decoupling from the number of hospital admissions.



Dr Richard Friedland

We saw a dramatic fall in COVID-19 admissions, and non-COVID-19 cases as people stayed away from hospitals and also took advantage of a relatively unrestricted holiday season. Of those cases admitted to hospital, most were 'incidental' COVID-19 cases. In other words, admitted for other reasons and then discovered to be COVID-19 positive. These factors had a significant adverse impact on the number of patients admitted to our hospitals in December 2021 and January 2022.

However, as the Omicron variant subsided, we saw a recovery in demand for non-COVID-19 medical and surgical procedures, and the steady normalisation of case mix and length of stay. The fifth wave was mild and did not impact normal trading. COVID-19 hospitalisations are currently at the lowest level since the onset of the pandemic and are largely incorporated into our daily activities.

Total patient days increased by 5.4% in FY2022, with acute hospital patient days improving by 4.8% year on year. Mental health patient days, specifically, improved by 11.5%. Non-COVID-19 medical admissions grew 41.1% on last year, while surgical admissions grew by approximately 22.2%. Total surgical cases comprised 59.5% of admissions in (FY2021: 58.3%).

The shift in the tenor of the pandemic allowed us to focus fully on recovery, and on the execution of our strategic projects. A strong improvement in operational and financial performance characterised the second half of the year. By year-end, normalised revenue had exceeded FY2019 and EBITDA had grown 9.5% year on year. Moreover, we had made up time on our strategic projects, with our flagship digitisation projects back on schedule and on budget.

Delivering digital benefits

Our confidence in our digital and data-driven strategy is being affirmed as our implementations gain traction and we see the benefits realise. The digitisation of our entire ecosystem, across all our facilities, is a transformational project of unprecedented scale and complexity across the African continent. EMRs are now operational at 21 hospitals, across 4 828 beds. Another 17 hospitals, or 3 817 beds, will be

connected by the end of FY2023, with the remaining hospitals, and 943 beds, done by April 2024.

The rollout of EMRs to all Netcare Mediacross medical and dental centres will be complete by December 2022, as will our Netcare Akeso mental health facilities, with Netcare Occupational Health largely done. In our cancer care division, our radiotherapy EMR is done and our chemotherapy module is under development. We have completed full implementation of EMRs across both Netcare 911 and National Renal Care.

In our Hospital Division alone, we have almost 14 000 active users of CareOn. Adoption among our nurses and doctors continues to be positive. The benefits to patient safety, clinical outcomes and patient engagement are evident and increasing. The rich data we now have access to enables us to develop artificial intelligence (AI) clinical prediction models. These inform focused interventions to improve safety and quality of care.

For example, we now have AI algorithms that predict the risk of mortality and re-admission of hospitalised patients. CareOn enables us to harness rich clinical data, collected at the patient's bedside, to minimise this risk. We can identify sites with exceptional outcomes, and those requiring attention and focused improvement initiatives. In addition, based on our clinical data, we have launched an AI solution that can predict the onset of sepsis or infection, at least 10 hours before it is clinically apparent and with over 80% accuracy – with obvious health benefits for our patients. There are also significant financial and efficiency benefits to be derived from digitisation as highlighted elsewhere in this report (see *digital transformation and data* on page 139).

Technology enabling compassion

Most healthcare professionals are compassionate by nature. Typically, it is this attribute that draws them to the profession. However, they have to be enabled to demonstrate compassion in high pressure, high risk and highly regulated operating environments. Our digitisation project does exactly that. It links medical equipment to the EMR, freeing our nurses from recording data and managing health records, to focus on caring for and engaging with our patients. Better outcomes for patients and more vocational meaning for nurses are the profound result.

Statistically, patients' perception of the compassion with which they are treated is the most important factor in whether they would recommend a specific hospital. For that reason, demonstrable improvements in the compassion with which we serve our patients across Netcare are a priority. As our balanced scorecard shows (see *remuneration overview* on page 86), we are making significant progress here. We also focus closely on compassion and other behaviours linked to our strategic objectives in our bespoke patient satisfaction survey, which has shown encouraging improvements (see *our patients* on page 101).

International studies have shown that a growing majority of patients prefer to interact digitally with their healthcare providers. For example, they expect to receive scripts and test results electronically. When they do, their perception of value increases and the likelihood of them changing provider shrinks. Our growing digital platform is a stepping stone to such digital engagement. Our digital portal already allows patients to identify a healthcare professional and book an appointment. Online pre-admissions cuts paperwork and queues. Soon, patients will be able to provide feedback online, and download a summary of their care in our facilities as well as prescriptions.

The rich data we glean from our digital operations, and the insights that our analytics techniques yield, will enable us – increasingly – to address operational challenges and improve efficiencies, to proactively detect and manage disease, and to provide even more personalised patient engagement. Our data assets are also the basis for our competitive edge in providing accurately and attractively priced products and services to more South Africans, specifically those without medical insurance.

The past year has seen increased demand for an expanding range of NetcarePlus products, which now includes dental, ear nose and throat care, and enhanced emergency care as well as gap cover. These products are being distributed in collaboration with Checkers, Mr Price and FNB. NetcarePlus was registered as a financial services provider in December 2021, and we intend to launch additional products and services in FY2023.

Strategic agency in tough times

During the two pandemic years, we were at the mercy of unpredictable waves of COVID-19 that demanded our full attention, adjustment, agility and grit. Our focus was immediate, and on survival. Netcare has however emerged stronger and leaner from the pressures and lessons of managing COVID-19. What we achieved during and despite the pandemic, and our progress since its retreat, demonstrates that our

organisation has learned how to grasp and do what is immediately necessary, without losing touch with what is needed to thrive in the long term.

Since 2018, Netcare's strategy has been aimed at responding decisively to the three global healthcare megatrends – customer centricity, digitisation, and data – leveraging off our unique ecosystem of assets and services to create a sustainable competitive advantage for the Group. We identify opportunities that drive our ambition of providing person centred care that is digitally enabled and data driven. But we only pursue those that meet one or more criteria of the Netcare 'litmus test' and result in above market growth; differentiated patient experience; and improved margins and returns. We are strict in allocating capital and insist that returns safely exceed the cost of the funds invested.

Netcare's financial position, having withstood four waves of COVID-19, is solid and cash generation remains strong with a cash conversion ratio of 113.0%. This has allowed the Board to declare a final dividend of 30.0 cents per share, which together with the interim dividend declared for the first half of FY2022 of 20.0 cents per share, represents 60.0% of adjusted HEPS for FY2022. These returns are in line with our policy to return 50% to 70% of adjusted headline earnings to shareholders.

Our commitment to generating ROIC – more specifically, ROIC that exceeds our weighted average cost of capital (WACC) – and preserving shareholder value mints every one of our investment decisions. The strength of our financial position is allowing us to return value to our shareholders as we continue to invest sufficiently in our strategic projects and world class facilities. We opened a new flagship Netcare Alberton Hospital and Netcare Akeso Richards Bay mental health facility. Both facilities are already achieving solid occupancy rates.

Although this strategic discipline is difficult to maintain, we are committed to do so notwithstanding our relentlessly challenging operating environment. Load shedding is a serious operational challenge and has added a costly diesel bill to our expenses. Our advanced energy efficiency programme offsets these costs to an extent. Water preservation has also become critical, due to the floods in KwaZulu-Natal and the threat of taps running dry in certain localities. And, like people and businesses worldwide, we have to contend with the ripple effects of war in the Ukraine, which include erratic global supply chains and the cost-of-living crisis.

The pool of medically insured individuals has been resilient and underscores sustainable demand for quality private healthcare, in the face of a growing burden of disease. However, as global and domestic inflation escalates, so does pressure on disposable income. This motivates more medical scheme members to buy down to more affordable restricted provider network plans. Netcare continues to participate in network arrangements associated with these plans, and to drive efficiencies to mitigate the impact of the lower tariffs we derive from them.

But our most pressing concern is the widening skills gap. Data and analytics professionals, for example, are in high demand. With international employers accommodating remote working, some of SA's brightest are now working from home for foreign

Chief executive officer's review continued

companies. The deepening shortage of nurses is obviously most critical for Netcare. Regulatory intransigence still prevents us from training enough new nurses to provide compassionate, evidence-based care to more South Africans.

I cannot overstate the urgent need for collaboration between government and the private health sector to remove the blockages to a strong pipeline of healthcare skills. The private healthcare sector continues to engage the Department of Health in this regard.

Architects of our future

Despite the headwinds, our strategy gives us agency over our future. While we face serious threats that demand skillful management, none are immediate existential crises to the extent COVID-19 has been. Our decisions can once again be fully intentional and focused on our longer-term strategic goals.

We expect ongoing improvements in operational and financial performance in FY2023 and beyond, as the Group emerges from the COVID-19 pandemic and the operating environment continues to normalise. In the absence of further severe COVID-19 waves in FY2023, we expect revenue growth of between 9.0% and 12.0%. We expect total patient days to grow by between 6.5% and 7.5%. The increased activity will drive further margin expansion, improved earnings and ROIC.

For our people, two years of living and working under extreme strain has taken a heavy toll and burnout has become an all-too-common reality. Our highly successful programme, Care4YOU, provides a powerful antidote, giving our people the skills to work through the trauma they endured for two years and rebuild their emotional and mental reserves and resilience. This programme has been rolled out across our network to more than 23 000 personnel, including all third-party service providers. The impact has been encouraging, with overall employee engagement at 79% against global benchmarks of 77%, and 8.5 out of 10 for our people's perception of care and compassion at Netcare.

Human capital development is a high priority for Netcare. We invested R51 million in skills development, prioritising nursing skills in FY2022. We pay competitive remuneration and continuously benchmark our reward philosophy. We introduced greater flexibility to our remuneration structures over the year. We have also increased allowances and now cover professional registration fees for nurses. A senior incentive programme was launched last year with the express purpose to attract and retain the best talent. This is a key component of our highly structured succession planning strategy. We are intentional in building and preserving our bench strength across the management team.

Our dedication to transformation is similarly intentional. In December, we were awarded a Level 3 B-BBEE rating and would have achieved a Level 1 rating, had we been allowed to train the number of nurses we ordinarily trained in previous years. Transformation has been a top strategic priority for Netcare since 2006. Our B-BBEE scorecard shows the significant socioeconomic value Netcare creates every year (see our *ESG report* on page 91).

Our strategy for environmental sustainability, evolved over a decade, is perhaps the best example of an intentional strategic commitment that has yielded meaningful outcomes over time. Today, our energy intensity per bed is down 35%. We have become a leader in environmentally conscious healthcare, in SA and internationally, with 29 national and international awards for our energy and sustainability projects.

Netcare is on track to reach 100% renewable energy and zero waste to landfill by FY2030. Of note, the savings and benefits generated have significantly outweighed the costs of our energy sustainability programme. Executive remuneration is linked to achieving environmental targets.

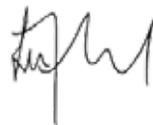
Appreciation

Netcare's strong recovery over the past year is testimony to the resilience and commitment of our people and management teams, in spite of what they have endured over the past two years. We remain deeply grateful and appreciative of their effort and contribution.

This year-end marks the departure of three Board members, including our chair, Thevendrie Brewer, Advocate Kgomotso Moroka and Martin Kuscus. David Kneale will also retire at our upcoming AGM. Their contributions have been invaluable. I am especially grateful to Thevendrie for her hands-on stewardship and unwavering support during the pandemic and her contribution to the development and implementation of our long-term strategy. Our best wishes accompany them.

We welcome our new chair, Mark Bower, with whom we have enjoyed close collaboration since his appointment to the Board in 2015. His deep involvement and knowledge of Netcare, and his broad business and commercial experience, will serve the Board and the Group extremely well. The appointment of Ian Kirk and Louisa Stephens as non-executive directors will strengthen the Netcare Board further, bringing valuable experience and commercial nous to Netcare.

I believe there is a compelling cause to feel confident about Netcare's future.



Dr Richard Friedland
Chief Executive Officer



Executive Committee

Netcare’s diverse and experienced Executive Committee, chaired by the CEO, is responsible for leading the implementation and execution of the Group’s strategy, policies and operational planning as well as shaping its philosophies and practices. Discussions between the Board and the executive team on governance, risk and operations are appropriately and constructively challenging, and hold executive management to account.

Attends as either a member or invitee

Board committee

- Audit Committee
- Nominations Committee
- Risk Committee
- Remuneration Committee
- Social and Ethics Committee
- Consistency of Care Committee

Operating committee

- Finance and Investment Committee
- Combined Assurance Committee
- Working Capital Committee
- Operational Transformation Committee
- Sustainability Committee
- IT Management Committee
- Tariff Committee
- Procurement Committee
- Health Partners for Life Trusts
- CareOn Digitisation Steering Committee
- C Chair



Dr Richard Friedland | 60

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



Keith Gibson¹ | 52

Chief financial officer
 BAcc, CA(SA)
 Joined in 2006



Teshlin Akaloo¹ | 39

Managing director – NetcarePLUS
 BSc Financial and Actuarial
 Mathematics, Fellow of the
 Institute of Actuaries
 Joined in 2020



Melanie Da Costa | 50

Director – Strategy and health policy and managing director – Netcare Akeso
 MCom, CFA
 Joined in 2006



Travis Dewing | 49

Chief information officer
 NDip IT
 Joined in 1997



Jacques du Plessis | 57

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



Craig Grindell | 51

Managing director – Netcare 911
 NDip EMC, NH Dip Business
 Management, Bachelor’s
 Degree EMC
 Joined in 2013



Boniswa Kama | 41

Chief data officer
 BCom; BCom (Hons)
 Joined in 2012



Dr Anchen Laubscher | 42

Group medical director
 MBChB, DCH, DipPEC, PGDipGM,
 MBA (Cum Laude)
 Joined in 2007



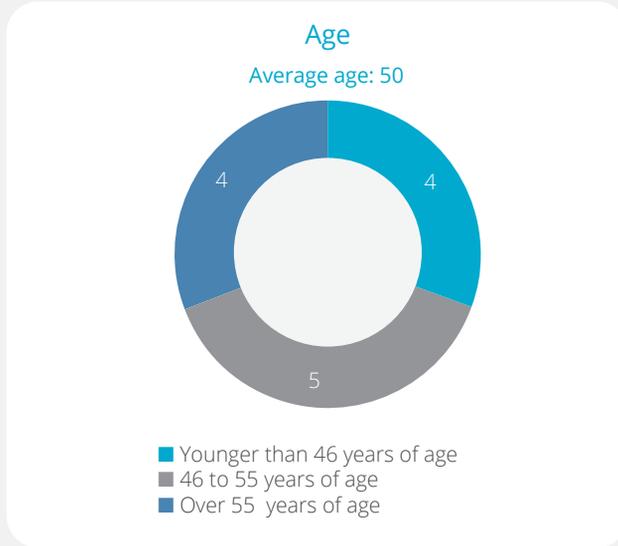
Dr Nceba Ndzwayiba | 44

Director – Human resources and transformation
 PhD, M Phil HRD, BTD Hons
 (Cum Laude), B Technology, NDip
 ODET
 Joined in 2008

¹ Netcare representative on the ICAS Board of directors.

Executive Committee composition

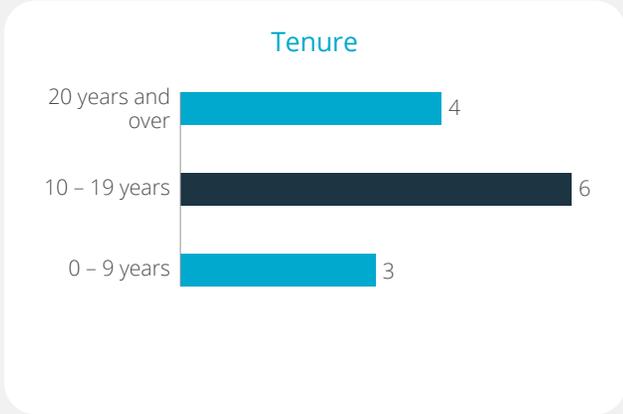
(at 30 September 2022)



Diversity

38%
Black South African representation
 FY2021: 38%

31%
Women representation
 FY2021: 31%



Dr Shannon Nell | 62

Group director – Nursing and nursing education
 PhD; MBA; B(Cur) Ed and CNS; Dipls. Midw., Paeds, Critical care; fANSA
 Joined in 1999

Dr Billy van der Merwe | 61

Managing director – Primary Care Division
 MBChB, MBA
 Joined in 2011

Charles Vikisi | 47

General counsel and Group Secretary
 BA, BA (Hons) (Clinical Psychology), LLB, BTh PDip in compliance management
 Joined in 2020

Our value story

Our value story

- 31 Governance overview
- 40 Our context
 - 40 Operating environment
 - 47 Stakeholder engagement
- 55 Our material matters
- 58 Our risks and opportunities
- 71 Overview of strategic progress
- 80 Outlook and key strategic trade-offs
- 84 ESG rating performance
- 86 Remuneration overview



Governance overview

Linking governance to purpose

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

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

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

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

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

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

King IV principals

Ethical culture

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

Good performance

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

Effective control

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

Legitimacy

- Principle 16: Stakeholder inclusion



Governance overview continued



King IV outcome: ethical culture

Principles 1, 2 and 3

Ethics management

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

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

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

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

Key Board activities for FY2022

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

Board opinion

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

Key objectives for FY2023

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

Key outcomes for the Group

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

Responsible corporate citizenship

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

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

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

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

Key Board activities for FY2022

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

Board opinion

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

Key objectives for FY2023

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

Key outcomes for the Group

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

Governance overview continued



King IV outcome: good performance

Principles 4 and 5

Strategy

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

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

Key Board activities for FY2022

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

Board opinion

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

Key objectives for FY2023

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

Key outcomes for the Group

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

Reporting and disclosure

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

Key Board activities for FY2022

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

Board opinion

The Board is satisfied that:

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

Key objective for FY2023

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

Key outcomes for the Group

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



King IV outcome: effective control

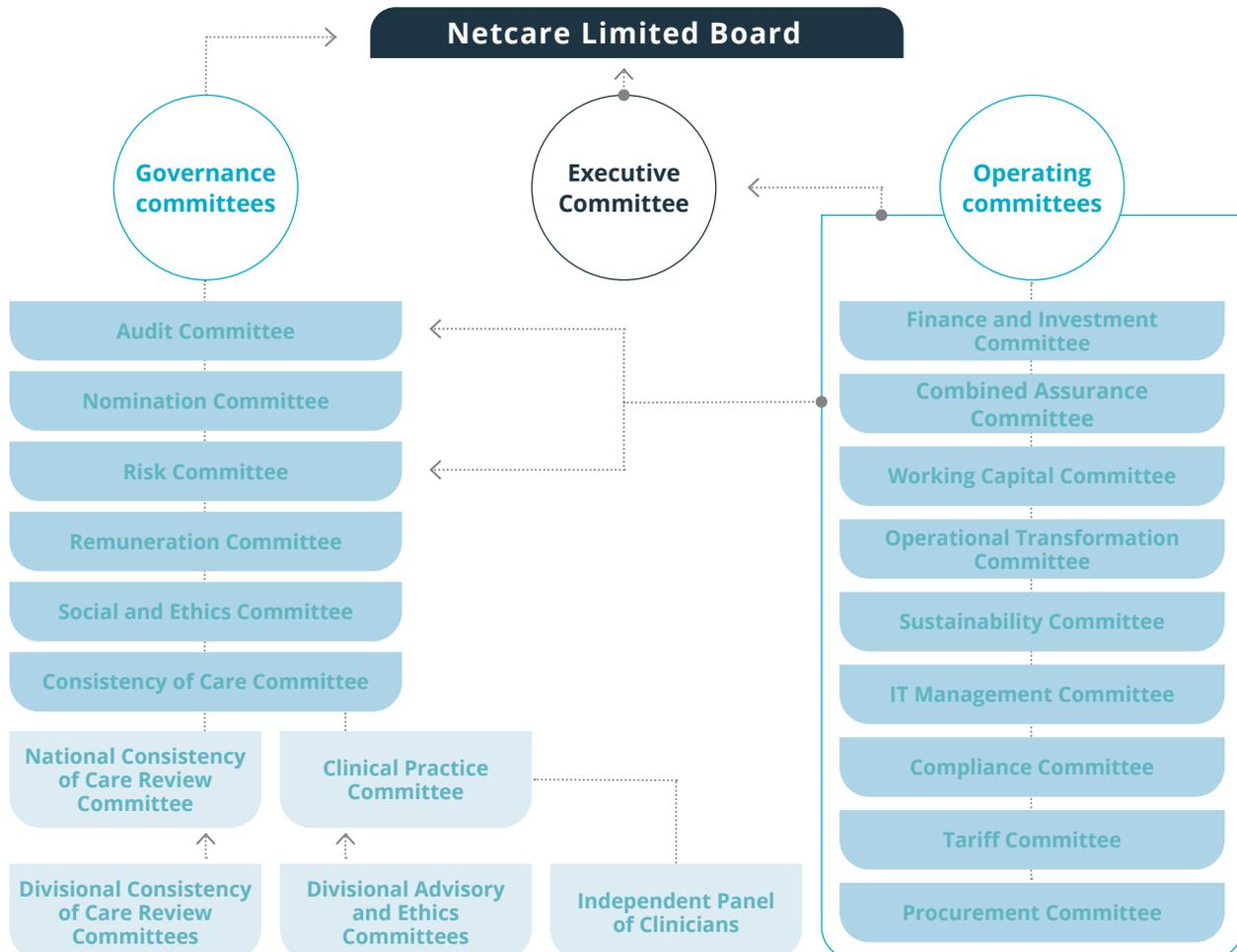
Principles 6 to 15

Board and committee performance

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

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

Delegation of authority framework



Note: the Procurement Committee was reconvened during FY2022.

Governance overview continued

Key Board activities for FY2022

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

Board opinion

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

Key objectives for FY2023

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

Key outcomes for the Group

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



Internal controls

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

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

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

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

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

Key Board activities for FY2022

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

Board opinion

The Board is satisfied that:

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

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

Key objectives for FY2023

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

Key outcomes for the Group

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

Governance overview continued

Remuneration

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

Key Board activities for FY2022

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

Board opinion

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

Key objectives for FY2023

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

Key outcomes for the Group

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





King IV outcome: legitimacy

Principle 17

Stakeholder inclusiveness

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

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

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

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

Key Board activities for FY2022

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

Board opinion

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

Key objective for FY2023

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

Key outcomes for the Group

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

Our context

Operating environment

A challenging economic environment and its impact on medical scheme membership

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

Key takeaways

Growth

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

Structural changes for the private healthcare sector

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

Regulation

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

1. IMF World Economic Outlook October 2022.
 2. IMF: Regional Economic Outlook Sub-Saharan Africa October 2022.
 3. SARB: Statement Of The Monetary Policy Committee September 2022.
 4. SARB: October 2022 Monetary Policy Review.
 5. Network options mean that using a hospital outside of the network requires a co-payment.

Key for this section

Our strategic pillars



Consistency of care



Disruptive innovation



Transformation of our society



Organic growth



Integration



Investment



Environmental sustainability

Top business risks and where to find our response

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

Strategic pillars that respond to this trend

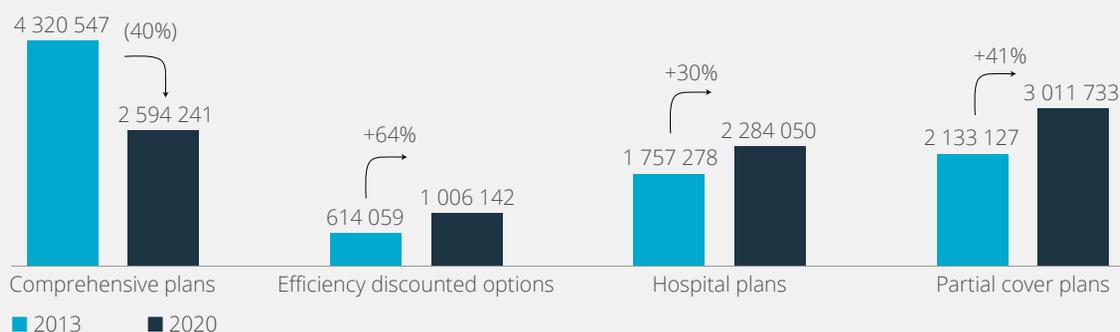


Number of scheme beneficiaries (thousands)



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

'Buying down' trends



Source: The Council for Medical Schemes Report.

Our material matters

- Deliver outstanding person centred health and care
- Attract, recognise and invest in employees and healthcare practitioners
- Collaborate with the public sector and civil society to extend access to quality health and care and accelerate transformation
- Recover and grow long-term profitability
- Continue to develop visionary and effective leadership

Our context continued

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

Our strategic pillars	Key legislation
 <p>Consistency of care Delivering consistently excellent clinical services, ensuring the best and safest person centred care.</p>	<ul style="list-style-type: none"> • National Health Act. • Mental Health Act. • Occupational Health and Safety Act. • Waste Management Act.
 <p>Disruptive innovation Implementing medical technologies, digitisation and data solutions for the benefit of our business and patients.</p>	<ul style="list-style-type: none"> • Protection of Personal Information Act. • Electronic Communications and Transactions Act. • General Data Protection Regulation.
 <p>Transformation of our society Continuing to invest in and develop our workforce and communities.</p>	<ul style="list-style-type: none"> • B-BBEE. • Companies Act and Regulations. • Universal Declaration of Human Rights. • International Labour Organization. • United Nations (UN) Global Compact.
 <p>Organic growth Driving strategic engagements with doctors and funders, investing to maintain the quality of our facilities and developing new products and services to promote inclusivity and access.</p>	<ul style="list-style-type: none"> • Competition Act. • Long-term Insurance Act. • Short-term Insurance Act. • Financial Advisory and Intermediary Services.
 <p>Integration Creating strategic and synergistic partnerships between all divisions and functions.</p>	<ul style="list-style-type: none"> • Competition Act.
 <p>Investment Creating economic value and optimising capacity utilisation.</p>	<ul style="list-style-type: none"> • Competition Act. • FTSE/JSE Responsible Investment Index. • Organization for Economic Co-operation and Development.
 <p>Environmental sustainability Ensuring minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment.</p>	<ul style="list-style-type: none"> • National Environmental Management Act. • FTSE/JSE Responsible Investment Index. • TCFD. • UN Global Compact.

Critical shortage of specialist and nursing skills

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

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

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

Key takeaways

Doctor to patient ratio

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

Emigration

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

Nurse shortage

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

Nursing students

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

Top business risks and where to find our response

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

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

Strategic pillars that respond to this trend



Our context continued

Burden of disease and its impact on healthcare affordability

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

Key takeaways

Ageing population

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

Disease

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

Access to healthcare

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

Mental health

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

Employee wellbeing

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

Top business risks and where to find our response

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

Strategic pillars that respond to this trend



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

Digitisation and its impact on healthcare delivery

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

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

Medical technologies are also supporting better patient care including:

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

Key takeaways

Patient centricity

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

Top business risks and where to find our response

3 Cybercrime and cybersecurity	 PG 62
6 Delivering consistently outstanding person centred health and care	 PG 65
7 Implementation of the digital and data strategies	 PG 66
11 Competitor activity	 PG 70

Strategic pillars that respond to this trend



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

Our context continued

A difficult social context, dysfunctional infrastructure and climate change

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

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

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

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

Key takeaways

Unemployment

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

Load shedding

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

Water scarcity

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

Climate change

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

Top business risks and where to find our response

- 5 Availability of electricity supply  PG 64

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

- 8 Water security  PG 67

Strategic pillars that respond to this trend



1. SA's national power utility.
 2. GreenCape 2022 Water Market Intelligence Report.
 3. United Nations Office for the Coordination of Humanitarian Affairs: <https://reliefweb.int/report/south-africa/south-africa-africa-kwazulu-natal-floods-and-landslides-operation-update-1-emergency-appeal-no-mdrza012>.
 4. Statistics South Africa: <https://www.statssa.gov.za/?p=15685#:~:text=The%20increase%20in%20both%20employment,5%25%20in%20Q2%3A2022>.
 5. Eskom se Push.
 6. Eskom Research, Testing and Development data (2022): <https://www.engineeringnews.co.za/article/besides-2021-more-power-was-cut-in-september-than-in-any-other-year-since-load-shedding-started-2022-10-06>.
 7. World Health Organisation, Deaths from Climate Change, 2009.

Stakeholder engagement

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

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



Stakeholder inclusivity: PG 37 of the shareholder report.

Our patients

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

Strategic pillars		
Material matters		
Why	<p>Establishing long-term relationships with our patients supports our financial sustainability and strategic priority to grow market share. Meaningful, caring and understanding engagement with patients and their loved ones empowers them to be participants in their journey to health. We are dedicated to ongoing improvement in this care dimension.</p>	
How	<ul style="list-style-type: none"> • Person centred care teams in each hospital. • Digital patient feedback surveys (quantitative scores and free-text responses). • EMRs will provide patients with access to their health and care data, which in time will cover the patient's interactions with Netcare across our ecosystem. • A bespoke complaint management system, CareNet. Each hospital's complaints dashboard is refreshed every 30 minutes. • The 'One Netcare' website and social media platforms that interface with CareNet. • Various digital initiatives that enhance patient experience and perception of care (Netcare appointmed[™], online pre-admissions and National Renal Care's mobile app). • Patient focus groups and listening forums. • The NetcarePlus service centre and outsourced call centres. 	
Topics ¹	<ul style="list-style-type: none"> • Seamless access to high-quality, safe healthcare free of utility and service disruptions. • An excellent patient experience delivered by competent and professional nurses and healthcare practitioners. • Access to world class doctors, equipment and services. • Fully funded and/or affordable healthcare services. • Data privacy and protection of patients' highly sensitive personal data. 	
Response	<p>This report</p> <p>Our patients: PG 101.</p> <p>Doctor partnerships: PG 113.</p> <p>Our people: PG 128.</p> <p>Cybersecurity and privacy: PG 145.</p> <p>New business development: PG 146.</p> <p>Environmental sustainability: PG 152.</p>	<p>Detailed disclosure online</p> <p>Quality report</p> <p>ESG report</p> <p>Privacy protection policy</p> <p>ESG report</p>

1. Topics¹ includes topics of discussion as well as stakeholder concerns and expectations.

Our context continued

Our people

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

Strategic pillars		
Material matters		
Why	<p>We place considerable importance on effective employee engagement to encourage innovation, critical thinking, proactiveness, continuous development and life-long learning to drive employee motivation and equip them to deliver on our strategic priorities and transition to a digitally and data enabled business.</p>	
How	<ul style="list-style-type: none"> • Employee engagement assessments. • Onsite Workplace Transformation Committees (managers, employees and shop stewards). • Employee wellbeing programme (counselling and advice, managerial support programme and a health and wellness service). • Strategy roadshows and Leadership in Touch Forums (two-way engagement between managers and employees). • Diversity and inclusion dialogues and focus groups. • Care4YOU programme to drive compassionate care and self-compassion. • Change management interventions (change readiness surveys and emotional impact assessments). • Contract and annual salary negotiations. • Quarterly national consultative forums with trade unions (Hospital and Primary Care Divisions). • Confidential SHOUT hotline (reporting of incidents of racism, sexism, discrimination, harassment and any human rights violation). 	
Topics	<ul style="list-style-type: none"> • A safe workplace and onsite health and safety procedures, including medical surveillance. • Assistance with high levels of stress, trauma and burnout as a result of COVID-19. • Appropriate remuneration, reward and recognition. • Engagement on career advancement. • Equal opportunities for growth and development. • An inclusive workplace free from racism, sexism and all forms of discrimination. • Organisational diversity and transformation. • Working for a well governed, ethical and socially responsible organisation. • Trusted and supportive leadership and management. • Labour unions: job preservation and fair labour practices. 	
Response	 <p>This report Occupational health and safety: PG 111. Our people: PG 128.</p>	 <p>Detailed disclosure online ESG report ESG report</p>

Doctors

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

Strategic pillars		
Material matters		
Why	<p>Doctors and specialists play a crucial role in attracting patients to our facilities and are therefore a key driver of revenue and our organic growth strategic priority. Doctor engagement strategies ensure that we effectively meet their needs, provide them with an attractive value proposition and build strong collaborative relationships with them.</p>	
How	<ul style="list-style-type: none"> • Various structures in the Hospital Division that support the sharing of information on quality of care (Physician Advisory Boards, morbidity and mortality meetings and the personalised clinical information (PCI) tool which provides year-on-year comparative data on doctor performance etc). • Multi-disciplinary meetings between doctors to plan care for patients (enhanced through CareOn, which provides one source of patient information to aid shared decision-making). • Dedicated managers in each primary care centre and a national manager at National Renal Care responsible for building relationships with primary healthcare providers, allied healthcare practitioners and nephrologists. • Continuous professional development forums across all Netcare divisions. • Digital boards or forums to elicit doctor input on the development of our EMRs. • Our online platforms, including the 'One Netcare' website, Netcare appointmed[™] and VirtualCare (telehealth platform). 	
Topics	<ul style="list-style-type: none"> • Netcare's inclusion in restricted provider networks. • Outmigration and Netcare's response to provide a competitive offering and retain day case work within our acute hospitals. • Access to cutting-edge medical equipment and advanced technology, well maintained medical equipment and facilities, and advanced treatment protocols. • Digital platforms such as MyNetcare Online. • Clinical quality leadership and the public reporting of quality data. • Cost efficiency. • External hospital ratings. • Inconsistent doctor communication across the Netcare ecosystem (addressed in FY2022). • Better management of doctors' personal data needed for strategic projects and internal governance processes (addressed in FY2022). • Continuous professional development. • Uninterrupted supply of electricity and water to ensure the best and safest care. 	
Response	 <p>This report</p> <p>Our patients: PG 101.</p> <p>Doctor partnerships: PG 113.</p> <p>Funders: PG 116.</p> <p>Estate and medical equipment: PG 149.</p> <p>Environmental sustainability: PG 152.</p>	 <p>Detailed disclosure online</p> <p>Quality report</p> <p>ESG report</p>

Our context continued

Private medical funders

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

Strategic pillars		
Material matters		
Why	<p>Our relationships and engagements with funders allow us to present competitive proposals to secure our participation in network opportunities, which in turn enables us to preserve and grow patient volumes and attract and retain doctors.</p>	
How	<ul style="list-style-type: none"> • Day-to-day interventions on patient coding and case management. • Dedicated relationship managers. • Quarterly quality of care reports as per contractual agreements. • Contract and tariff negotiations. 	
Topics	<ul style="list-style-type: none"> • Measurable quality of care and patient experience outcomes. • Utilisation trends. • Cost-effective care and our efficiency initiatives. • Participation in scheme options with restricted hospital networks. • Value-based care contracting. • A balanced service offering to satisfy member needs. 	
Response	 <p>This report Our patients: PG 101. Funders: PG 116.</p>	 <p>Detailed disclosure online Quality report</p>



Suppliers

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

Strategic pillars		
Material matters		
Why	<p>Our suppliers are a key underpin in four of our strategic priorities; consistency of care, our digital journey, the diversification of our supply chain and our environmental sustainability strategy. We engage on all of these areas with suppliers in addition to our focus on the procuring of products and services that most cost effectively meet our demand and quality requirements. Regular engagement also helps us keep abreast of potential supply chain risks that may impact quality of care.</p>	
How	<ul style="list-style-type: none"> • Review meetings with key suppliers (quarterly) and strategic commodity suppliers (monthly). • Tender processes and contract negotiations. • Service level agreements. • Supplier assessments against key performance indicators. • Medical conferences, exhibitions and webinars. • Online supplier surveys. 	
Topics	<ul style="list-style-type: none"> • Support for enterprise and supplier development. • Supply chain diversification, including preferential procurement with B-BBEE compliant and black-owned suppliers. • Local procurement. • Netcare's procurement policies. • Environmental impacts in the supply chain. 	
Response	 <p>This report Suppliers: PG 118.</p>	 <p>Detailed disclosure online ESG report</p>

Our context continued

Regulators and government

Authorities that regulate healthcare providers, funders and the sector.

Strategic pillars		
Material matters		
Why	<p>Engagement with regulators centres on compliance with healthcare regulations to ensure we maintain our operating licences and gain support for our expansion into new business markets. These relationships also afford us the opportunity to contribute to the development of upcoming healthcare regulations. We engage with government directly and through our memberships in associations, mostly on structural barriers to access to healthcare for SA's people and potential solutions.</p>	
How	<ul style="list-style-type: none"> • Bilateral engagements. • Submissions to draft policy and regulations. • Certification audits. • Office of Health Standards Compliance inspections. • Sector and business association memberships. • Our participation in national initiatives. 	
Topics	<ul style="list-style-type: none"> • The shortage of nurses and doctors. • The increasing pressure on the public healthcare system. • The cost of and access to quality healthcare. • The private healthcare sector's role in the provision of universal healthcare. • Our employment equity performance and skills development. • Socioeconomic reconstruction and youth employment. • New healthcare-related regulations and their potential impact. • Compliance with protecting personal information legislation. • Disruption caused by the failing electricity infrastructure. 	
Response	 <p>This report</p> <p>Operating environment: PG 40.</p> <p>Society: PG 123.</p> <p>Our people: PG 128.</p> <p>Cybersecurity and privacy: PG 145.</p> <p>New business development: PG 146.</p>	 <p>Detailed disclosure online</p> <p>ESG report</p> <p>ESG report</p> <p>Privacy protection policy</p>

Investors

Shareholders and the investment community.

Strategic pillars		
Material matters		
Why	<p>Transparent engagement with investors earns their trust and gains their support for our strategy while understanding their expectations for value creation. Balancing our objectives with their expectations, strengthens our access to capital.</p>	
How	<ul style="list-style-type: none"> • Investor roadshows, including an ESG presentation at an investor healthcare conference. • Annual reporting suite and interim reporting. • SENS announcements. • Various investor healthcare conferences. 	
Topics	<ul style="list-style-type: none"> • Unemployment, disposable income and impact on medical scheme membership. • Netcare's inclusion in restricted provider networks. • Trading activity. • Inflation and margin trajectory. • Recovery to pre-pandemic volumes. • The timing of financial recovery to pre-pandemic levels. • The percentage of fixed debt given rising interest rates. • Value-based care contracting. • The digitisation journey. • The performance of NetcarePlus and Netcare Diagnostics. • Reporting against the TCFD. • The environmental sustainability strategy. • Appreciation for the inclusion of ESG-related metrics in the balanced scorecard. 	
Response	 <p>This report Board chair's review: PG 17. Chief executive officer's review: PG 24. Operating environment: PG 40. Remuneration overview: PG 86. Private medical funders: PG 116. Digital transformation and data: PG 139. New business development: PG 146. Environmental sustainability: PG 152. Financial capital, including chief financial officer's review: PG 162.</p>	 <p>Detailed disclosure online</p> <p>Shareholder report</p> <p>ESG report</p> <p>Shareholder report</p>

Our context continued

Society

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

Strategic pillars		
Material matters		
Why	<p>To meaningfully address critical societal concerns and ensure that our social and environmental programmes provide positive outcomes for society, we must find touchpoints with communities and key members of society to understand how we impact communities and how we can contribute to their upliftment. These relationships and our transformation and environmental initiatives protect our legitimacy and social licence to operate.</p>	
How	<ul style="list-style-type: none"> • Sector and business association memberships. • Our participation in national initiatives. • The Netcare Foundation. 	
Topics	<ul style="list-style-type: none"> • The cost of and access to quality healthcare. • Healthcare support for communities. • The impact of specialised skills shortage in SA on healthcare quality. • Upliftment of communities, particularly skills development and job creation. • Support for survivors of sexual assault. • Minimising negative environmental impacts. 	
Response	<p>This report</p> <p>Society: PG 123.</p> <p>Our people: PG 128.</p> <p>New business development: PG 146.</p> <p>Environmental sustainability: PG 152.</p>	<p>Detailed disclosure online</p> <p>ESG report</p> <p>ESG report</p> <p>ESG report</p>

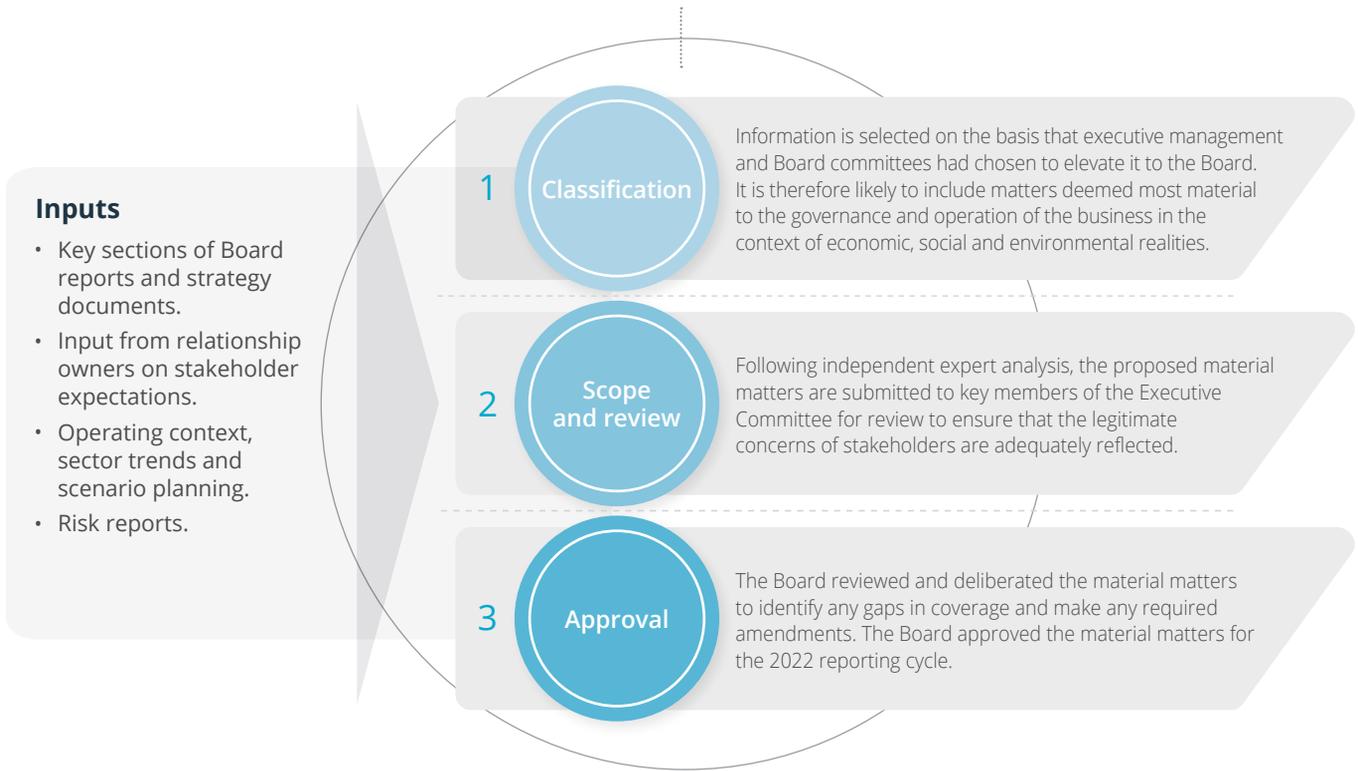
Stakeholder inclusivity: PG 37 of the *shareholder report*.



Our material matters

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

Determination process



Our value story

Key for this section

Our strategic pillars



Our material matters continued

Material matters

1 Deliver outstanding person centred health and care

Strategic pillars



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

2 Attract, recognise and invest in employees and healthcare practitioners

Strategic pillars



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

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

Strategic pillars



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

4 Recover and grow long-term profitability

Strategic pillars



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

5 Continue to develop visionary and effective leadership

Strategic pillars



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

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

Our risks and opportunities

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

Identifying our top business risks

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

Board opinion

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

The Board is confident that:

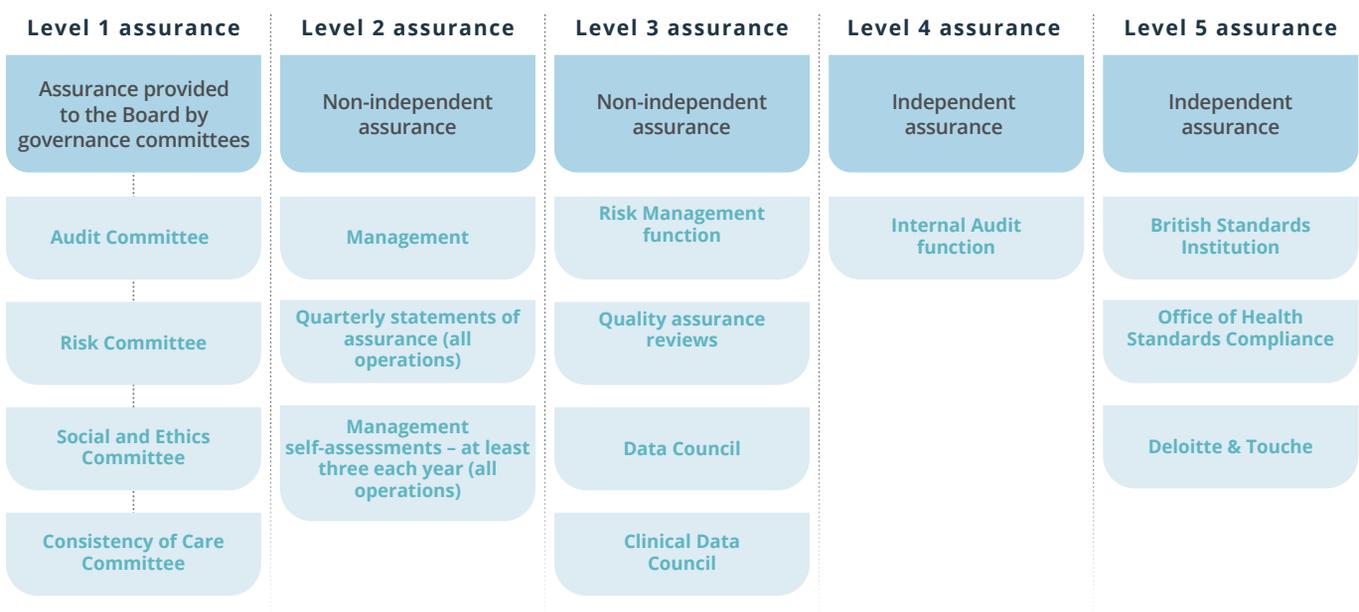
Our risk management systems and processes support our strategy and business model.

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

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

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

Five levels of assurance



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



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

Overview of our top business risks

Top business risk

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

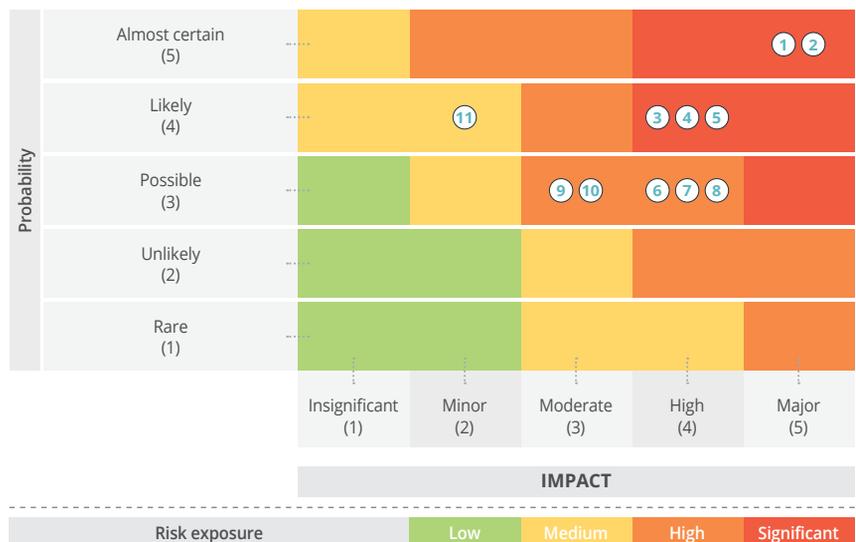
Change compared to FY2021 reporting

- Risk exposure remained constant.
- ↑ Risk exposure increased.
- ↓ Risk exposure decreased.

Overall risk exposure

- Not fully mitigated as mitigation measures are not entirely within our control.
- ▲ Risk mitigation is being explored or implemented to minimise the risk exposure that is largely within our control.

Risk exposure heat map



Key for this section

Our strategic pillars

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

Our material matters

- Deliver outstanding person centred health and care
- Attract, recognise and invest in employees and healthcare practitioners
- Collaborate with the public sector and civil society to extend access to quality health and care and accelerate transformation
- Recover and grow long-term profitability
- Continue to develop visionary and effective leadership

Our risks and opportunities continued

1 Economic environment and demand for private healthcare

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

Opportunities and mitigation

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

Capitals at risk	SRC HIC MC	Strategic pillars	   
Material matters	   	Time horizon	Medium to long term
Link to operating environment	<p>A challenging economic environment and its impact on medical scheme membership: PG 40.</p> <p>Burden of disease and its impact on healthcare affordability: PG 44.</p> <p>A difficult social context, dysfunctional infrastructure and climate change: PG 46.</p>		
Related information	<ul style="list-style-type: none"> • Our strategy: PG 10. • Doctor partnerships: PG 113. • Digital transformation and data: PG 139. • New business development: PG 146. • Estate and medical equipment: PG 149. 		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.
- Financial Sector Conduct Authority.

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

2 Funder regime

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

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

Opportunities and mitigation

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

Capitals at risk		Strategic pillars	
Material matters		Time horizon	Medium to long term
Link to operating environment	<p>A challenging economic environment and its impact on medical scheme membership: PG 40.</p> <p>Burden of disease and its impact on healthcare affordability: PG 44.</p> <p>Digitisation and its impact on healthcare delivery: PG 45.</p>		
Related information	<ul style="list-style-type: none"> • Stakeholder engagement: PG 47. • Private medical funders: PG 116. • Digital transformation and data: PG 139. • New business development: PG 146. 		

Governance and assurance

Board oversight

- Audit, Risk and Consistency of Care Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.

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

Our risks and opportunities continued

3 Cybercrime and cybersecurity

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

Mitigation

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

Capitals at risk	SRC HIC FC	Strategic pillars	  
Material matters		Time horizon	Short term
Link to operating environment	Digitisation and its impact on healthcare delivery: PG 45.		
Related information	 <ul style="list-style-type: none"> • Digital transformation and data: PG 139. 		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.
- External auditors.

4 Availability and quality of skills

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

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

Opportunities and mitigation

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

Capitals at risk		Strategic pillars	
Material matters		Time horizon	Medium to long term
Link to operating environment	<p>A challenging economic environment and its impact on medical scheme membership: PG 40.</p> <p>Critical shortage of specialist and nursing skills: PG 43.</p> <p>Digitisation and its impact on healthcare delivery: PG 45.</p>		
Related information	<ul style="list-style-type: none"> • Stakeholder engagement: PG 47. • Remuneration overview: PG 86. • Doctor partnerships: PG 113. • Society: PG 123. • Our people: PG 128. • Digital transformation and data: PG 139. 		

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

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

Independent assurance

- South African Nursing Council.

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

Our risks and opportunities continued

5 Availability of electricity supply

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

Opportunities and mitigation

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

Capitals at risk	SRC NC FC	Strategic pillars	  
Material matters	 	Time horizon	Medium to long term
Link to operating environment	A difficult social context, dysfunctional infrastructure and climate change: PG 46.		
Related information	 <ul style="list-style-type: none"> • Environmental sustainability: PG 152. 		

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

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

Independent assurance

- No independent assurance required.



6 Delivering consistently outstanding person centred health and care

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

Opportunities and mitigation

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

Capitals at risk		Strategic pillars	
Material matters		Time horizon	Short to medium term
Link to operating environment	<p>A challenging economic environment and its impact on medical scheme membership: PG 40.</p> <p>Critical shortage of specialist and nursing skills: PG 43.</p> <p>Digitisation and its impact on healthcare delivery: PG 45.</p> <p>A difficult social context, dysfunctional infrastructure and climate change: PG 46.</p>		
Related information	<ul style="list-style-type: none"> • Stakeholder engagement: PG 47. • Our patients: PG 101. • Our people: PG 128. • Digital transformation and data: PG 139. 		

Governance and assurance

Board oversight

- Risk and Consistency of Care Committees.

Non-independent assurance

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

Independent assurance

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

Our risks and opportunities continued

7 Implementation of the digital and data strategies

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

Opportunities and mitigation

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

Capitals at risk	SRC HIC FC	Strategic pillars	
Material matters		Time horizon	Short to medium term
Link to operating environment	Digitisation and its impact on healthcare delivery: PG 45.		
Related information	<ul style="list-style-type: none"> • Digital transformation and data: PG 139. 		

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- Internal Audit team.

8 Water security

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

Opportunities and mitigation

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

Capitals at risk	  	Strategic pillars	  
Material matters	 	Time horizon	Medium to long term
Link to operating environment	A difficult social context, dysfunctional infrastructure and climate change: PG 46.		
Related information	 <ul style="list-style-type: none"> • Environmental sustainability: PG 152. 		

Governance and assurance

Board oversight

- Risk and Social and Ethics Committees.

Non-independent assurance

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

Independent assurance

- No independent assurance required.

Our risks and opportunities continued

9 COVID-19 pandemic

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

Opportunities and mitigation

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

Capitals at risk	SRC HIC FC	Strategic pillars	  
Material matters	    	Time horizon	Short term
Related information	 <ul style="list-style-type: none"> • Chief executive officer's review: PG 24. 		

Governance and assurance

Board oversight

- Risk and Consistency of Care Committees.

Non-independent assurance

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

Independent assurance

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

10 Sector regulations

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

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

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

Opportunities and mitigation

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

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

Governance and assurance

Board oversight

- Audit and Risk Committees.

Non-independent assurance

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

Independent assurance

- No independent assurance required.

Our risks and opportunities continued

11 Competitor activity

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

Opportunities and mitigation

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

Capitals at risk		Strategic pillars	
Material matters		Time horizon	Medium to long term
Link to operating environment	<p>A challenging economic environment and its impact on medical scheme membership: PG 40.</p> <p>Critical shortage of specialist and nursing skills: PG 43.</p> <p>Digitisation and its impact on healthcare delivery: PG 45.</p>		
Related information	<ul style="list-style-type: none"> • Stakeholder engagement: PG 47. • Doctor partnerships: PG 113. • Private medical funders: PG 116. • Our people: PG 128. • Digital transformation and data: PG 139. • New business development: PG 146. • Estate and medical equipment: PG 149. 		

Governance and assurance

Board oversight

- Risk Committee.

Non-independent assurance

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

Independent assurance

- No independent assurance required.

Overview of strategic progress

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

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

Key for this section

Material matters



Deliver outstanding person centred health and care



Attract, recognise and invest in employees and healthcare practitioners



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



Recover and grow long-term profitability



Continue to develop visionary and effective leadership

Quality of care performance

Strategic pillars	 Consistency of care	 Disruptive innovation
Material matters	Weighting of quality performance KPIs¹ in Group balanced scorecard:	Capitals impacted
   	10%	SRC HIC MC FC

FY2022 performance overview

Perception of care

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

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

Quality of care

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

Strategic project Infection management tool	Completed	The infection management tool went live in August 2022. Feedback from operations is positive.	✓	 PG 107
<ul style="list-style-type: none"> Externally published 81 quality of care measures as part of the integrated reporting suite. 			✓	Note 1
<ul style="list-style-type: none"> Publicly reported the scores from the new PFS by hospital on the Netcare website. 			✓	Note 2
<ul style="list-style-type: none"> Automated the quarterly medical scheme reports. 			✓	 PG 117

Clinical commercial

Objective: manage the cost of delivering care and commercialise clinical quality.

<ul style="list-style-type: none"> Continued to use our clinical data and digital systems and solutions to inform focused improvement initiatives and strategically engage with funders on the technical elements of value-based care. 			✓	 PG 116
---	--	--	---	--

Note 1: published in the online quality report.

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

1. Key performance indicators.

Overview of strategic progress continued

Clinical governance

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

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

#WeCare

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

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

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

Forward looking

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

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

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

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

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

Quality report

Digitisation and data performance

Strategic pillars	 Disruptive innovation  Integration
Material matters	Weighting of digitisation and data performance KPIs in Group balanced scorecard: <div style="font-size: 2em; font-weight: bold; color: #00A0C0;">10%</div>
   	Capitals impacted <div style="display: flex; gap: 10px;"> <div style="border: 1px solid #00A0C0; padding: 5px; border-radius: 5px;">SRC</div> <div style="border: 1px solid #00A0C0; padding: 5px; border-radius: 5px;">HIC</div> <div style="border: 1px solid #00A0C0; padding: 5px; border-radius: 5px;">FC</div> </div>

FY2022 performance overview

Information technology

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

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

Data management and analytics

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

<ul style="list-style-type: none"> Used data analytics to support a number of projects, including CareOn, Care4YOU, Medicross HEAL, One Netcare website, the CEM platform, NetcarePlus and Netcare Diagnostics. 		✓	
<ul style="list-style-type: none"> 33 quality of care measures were added to the quality of care index: 10 patient feedback, 10 patient safety and 12 quality measures and one efficiency measure. 		✓	 PG 107
<ul style="list-style-type: none"> Developed a reporting suite for the Hospital Division's new PFS to extract key insights from the survey data. 		✓	 PG 143

Overview of strategic progress continued

Forward looking

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

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

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

 Quality report

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



Social performance

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

FY2022 performance overview

Employer of choice

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

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

Nursing skills

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

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

Broader transformation

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

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

Forward looking

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

Overview of strategic progress continued

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

1. dtic targets.

2. Calculated as a percentage of measurable procurement spend.

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

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

Note: excludes National Renal Care.

1. Black covers African, Coloured and Indian employees.

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

Remuneration overview: PG 86.
Suppliers: PG 118.
Society: PG 123.
Our people: PG 128.

ESG report
Shareholder report

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

Environmental performance

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

FY2022 performance overview

2030 environmental sustainability strategy

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

<ul style="list-style-type: none"> Achieved cumulative operational savings of R1 086 million since 2013 through our 2023 environmental sustainability strategy (savings and cost avoidance). 	✓	 PG 154
<ul style="list-style-type: none"> Phase 1 of our objective to reach 100% renewable energy by 2030 is underway and aims to grid wheel renewable energy to six facilities. Three solar photovoltaic systems were also installed. 	✓	 PG 155
<ul style="list-style-type: none"> Rolled out a number of zero waste to landfill strategies, including initiatives for polyvinyl chloride (PVC), clinical glass and food waste, among others. 	✓	 PG 158
<ul style="list-style-type: none"> National Renal Care installed 38 water efficient reverse osmosis plants. 	✓	 PG 160
<ul style="list-style-type: none"> We are waiting for council approval to install a greywater treatment plant at Netcare Alberton Hospital. 	✓	

Forward looking

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

Key performance indicators (projects)

	FY2022 target	2022		
Carbon emissions reduction from energy efficiency projects implemented	1 400 tCO ₂ e ¹ ▼	1 479 tCO₂e▼	✓	■
Reduction in water use from water efficiency and recycling projects implemented	21 900kl ² ▼	28 096kl	✓	■
Reduction in general waste to landfill in pilot projects	75%▼	79%	✓	■
	of general waste			

1. Tonnes of carbon dioxide equivalent (tCO₂e).

2. Kilolitres (kl).

Key performance indicators (2030 environmental strategy)

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

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

1. Kilowatt hours per bed.

2. Litres per bed per day.

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

 Environmental sustainability: PG 152.

 ESG report

Overview of strategic progress continued

Financial performance and other strategic progress

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

FY2022 performance overview

Market share

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

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

One Netcare

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

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

Capital management

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

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

Forward looking

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

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

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

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

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

Investment in key strategic projects (Rm)

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

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

 Shareholder report
 Full annual financial statements

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

Outlook and key strategic trade-offs

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

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

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

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

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

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

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

Impact on capitals

 Positive impact

 Neutral impact

 Negative impact

Protecting our human capital

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

FC

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

▼

FY2022 outcomes

SRC

Despite challenges in maintaining adequate staffing levels:

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

▲

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

▲

- Nurse turnover remained constant.

▶

HIC

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

▼

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

▲

Outlook

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

Mitigating against interruptions in water and electricity supply

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

FC

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



FY2022 outcomes

SRC

Despite challenges in maintaining dependable electricity and potable water supply:

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



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



NC

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



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



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



FC

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



Outlook

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

Outlook and key strategic trade-offs continued

Maximising the benefits of our business strategy

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

Healthcare providers cannot cut costs if doing so affects the safety and efficacy of treatment. Instead, we focus on:

FC

- Investment in systems and processes that enhance both cost and care efficiency, leveraging our digital and data implementations.
- Cost containment measures without affecting our ability to deliver outstanding care.
- Our commitment to the principles of value-based care and evidence-based medicine.
- Developing an integrated system that in the future will support an improved and streamlined patient experience.



FY2022 outcomes

SRC

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



HIC

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



FC

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



Outlook

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



ESG rating performance

CDP
(global rating)

Assesses climate change disclosure.

Last rating date:
December 2022
(valid to December 2023)

FTSE Russell
(SA rating)

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

Last rating date:
June 2022

S & P Global Corporate Sustainability Assessment
(global rating)

An investment index of emerging markets sustainability leaders.

Last rating date:
July 2021





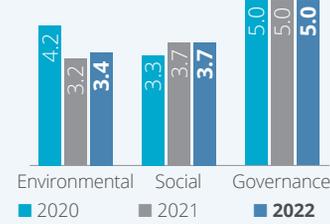
Climate change
Scored B
(2021: B)



Water
Scored B
(2021: B)

Included in the FTSE/JSE Top 30 Responsible Investment Index

4.0 out of 5
(2021: 3.9)



Category	2020	2021	2022
Environmental	4.2	3.2	3.4
Social	3.3	3.7	3.7
Governance	5.0	5.0	5.0

Note: in the overall Top 5 subsector Netcare was the second best performer.

Included in the Dow Jones Emerging Markets Index for the

eighth consecutive year

Scored 78%
(FY2020: 83%)

Note: the S&P Global Corporate Sustainability Assessment results for 2022 were not available at the time of reporting

United Nations

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

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



Global Green and Healthy Hospitals (GGHH)

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

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



MSCI ESG Research Inc.
(global rating)
Provides ESG data, reports and ratings based on published methodologies.
Last report date: July 2022

Institutional Shareholder Services
(global rating)
Provides investors with in-depth insight to incorporate sustainability in their investment decisions.
Last rating date: February 2022



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



Achieved 'AA' rating
the second highest awarded in a six-point scale
(2021: AA)
Netcare has maintained AA rating for six years.

Achieved B- rating
with a performance score of 66.44 and a very high transparency level.
(2021: B- rating)



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



UN Sustainable Development Goals

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



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

Remuneration overview

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

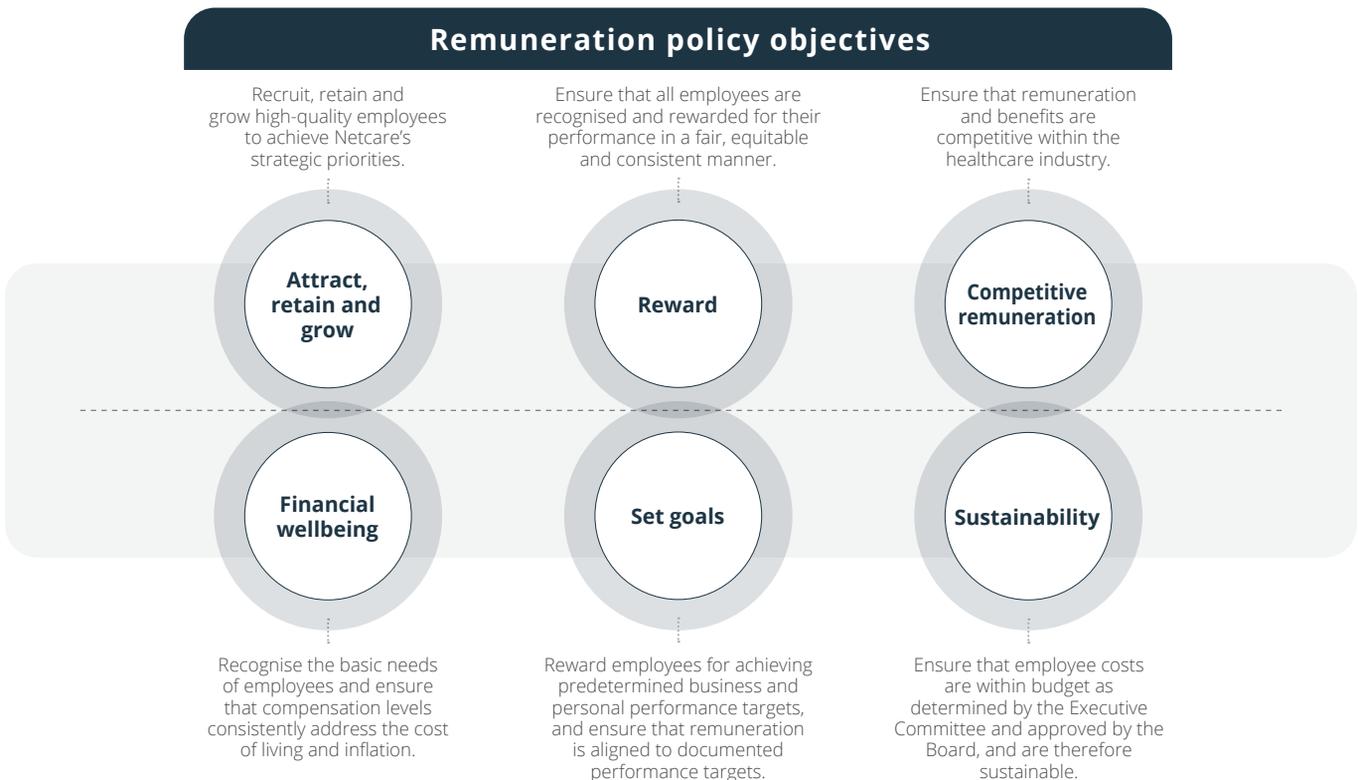
Remuneration philosophy

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

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

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

Remuneration policy summary



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

Key decisions of the Remuneration Committee in FY2022

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

Key decisions	
<p>2022 salary adjustments</p> <p><i>Above CPI-linked salary adjustments for our employees in non-managerial roles and below CPI-linked salary increases for executives and senior managers</i></p>	<p>Endorsed the award of higher salary increases to our employees in non-managerial roles. Our nursing staff received higher salary adjustments including a skills allowance, compared to non-nursing employees. The Executive Committee and senior managers received lower salary increases. This decision aligns with our objective of progressively narrowing the income gap between highest and lowest income earners.</p>
<p>Wage negotiations</p> <p><i>Reached wage agreement with all four trade unions within mandate</i></p>	<p>Considered the outcome of wage negotiations for FY2022/23. Pleasingly, these were concluded successfully and agreement was reached on terms and conditions of employment with all four recognised trade unions.</p>
<p>Special allowances for critical skills</p> <p><i>Additional allowances awarded to nurses with clinical specialisation with a portion earmarked for SANC professional registration fees</i></p>	<p>Approved additional special allowances to attract and retain nurses with specialised clinical skills. A portion of this was set aside to pay the annual professional registration fees of the SANC. From October 2022, Netcare will pay these annual fees for all practising nurses in our employ.</p>
<p>Non-executive directors' remuneration</p>	<p>Considered the results of an independent benchmarking exercise of non-executive directors' fees. The outcome informed the proposed adjustments to non-executive directors' remuneration for FY2023, which will be presented for approval at the AGM on 3 February 2023.</p> <p style="text-align: right;"> PG 98</p>
<p>Short-term incentives and long-term incentives</p>	<p>Reviewed and approved the Group balanced scorecard (BSC) performance for FY2022, and the BSC performance of each Executive Committee member. Based on achieved targets, the committee approved the award of incentives in line with the rules of the SIP.</p> <p style="text-align: right;"> PG 88</p>
<p>Wrapping up of Forfeitable Share Plan (FSP3)</p>	<p>Reviewed the performance conditions for the third performance tranche of FSP3, which were due to vest on 1 December 2022; this being the last tranche of the old FSP scheme.</p> <ul style="list-style-type: none"> • Performance condition 1: average compound annual growth rate over the performance period of HEPS of at least CPI plus 4%; and • Performance condition 2: average return on capital employed (ROCE) of at least the weighted average cost of capital (WACC) plus 6% calculated over the performance period. <p>The third tranche of FSP3 was forfeited as the three-year rolling financial targets of the measured periods (FY2020, FY2021 and FY2022) were adversely affected by COVID-19 disruptions to our operations. There were no adjustments to the formulaic vesting based on the previously disclosed performance conditions.</p> <p style="text-align: right;"> PG 88</p>

Remuneration overview continued

Shareholder engagement

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

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

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

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

Executive remuneration structure

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

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

Single Incentive Plan

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

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

Single Incentive Plan (variable pay)

Objectives

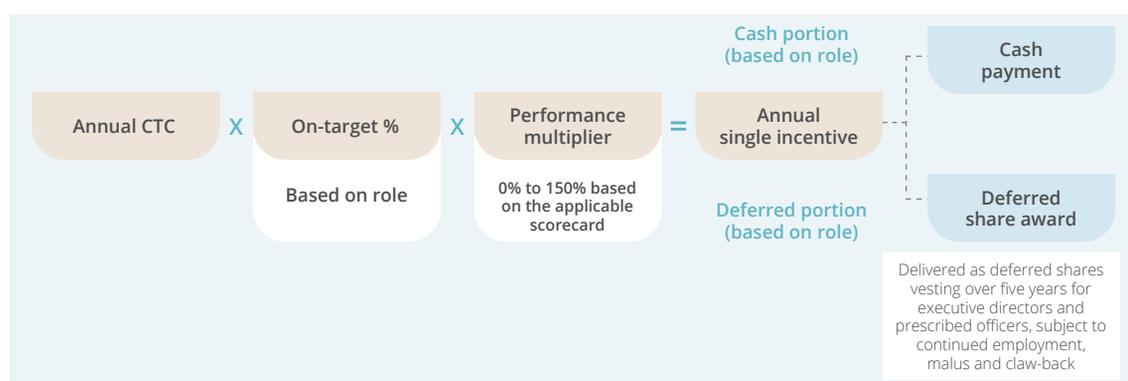
- To reward in cash and deferred shares Group performance and individual contribution in the short term and long term.
- Align with shareholder interests and other important stakeholder objectives.
- Provide a competitive value proposition for loyal high-performing employees and building wealth for them over the longer term.
- Achieve simplification and consistency across the organisation to enhance understanding and administration.
- Develop performance criteria, which are flexible and customised, to drive the required business outcomes and performance on an annually reviewed basis, balanced across financial and non-financial performance.

Eligibility

Executive directors, prescribed officers, senior executives and managers.

Basis of determination

The SIP is calculated by multiplying the individual's annual cost to company (CTC) by an on-target percentage (this being the total incentive for which the individual qualifies when meeting objectives) and the performance multiplier based on BSC achievement for the measured period as illustrated below.



The on-target percentage for FY2022 is illustrated in the table below for the various participants.

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

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

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

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

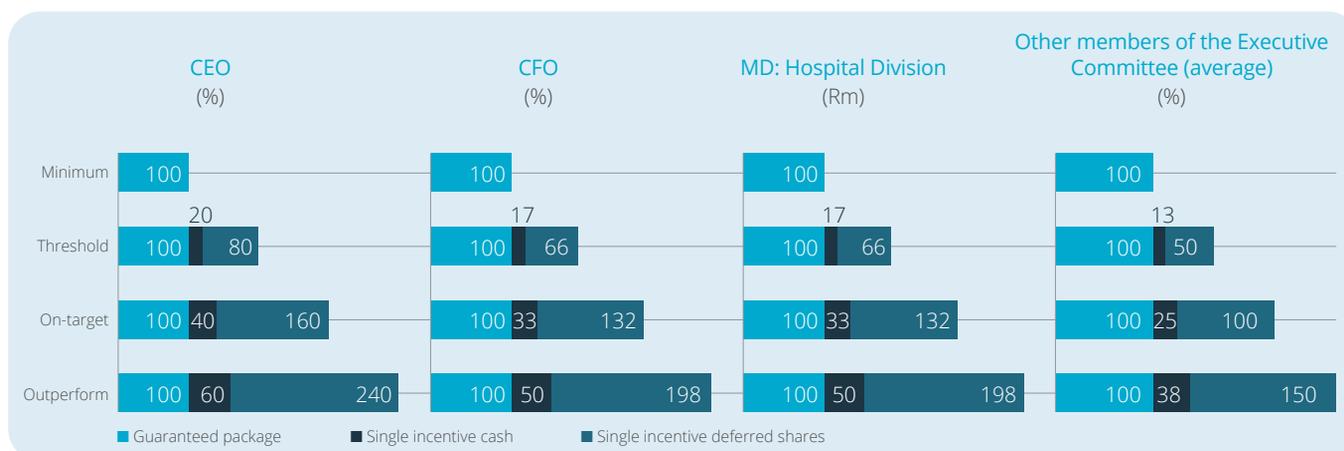
The annual value of the performance multiplier is determined based on Group and functional scorecards. This ensures that the scorecards for different roles drive the performance of the relevant entity/division/function while retaining a minimum level of exposure to Group outcomes for all participants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

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

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

Remuneration overview continued

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



Single Incentive Plan (variable pay) continued

Delivery	<p>The SIP is settled in cash and shares for executive directors and prescribed officers.</p> <p>The cash portion is settled annually in December each year.</p> <p>The balance, in deferred share awards, vest at 20% per annum over five years for the members of the Executive Committee and prescribed officers.</p> <p>While this formulaic determination provides the quantum of eligibility each year, the Remuneration Committee has discretion to determine the final award.</p> <p>The deferred awards are governed by a set of plan rules in line with the salient features described below and are issued in December each year.</p>
Salient features of the deferred shares	<ul style="list-style-type: none"> The deferred shares are forfeitable shares that are procured as soon as possible after the award date and held in escrow for the benefit of the participants. The shares qualify for ordinary dividends and voting rights, but special dividends must be used to acquire further shares that are subject to the same terms as the underlying awards. In the case of fault termination of employment, including resignation, retirement before normal retirement date and dismissal for disciplinary reasons, all unvested awards will be forfeited or cancelled. If the committee decides that the circumstances surrounding the termination warrant that the executive concerned is entitled to retain their deferred shares in terms of the Deferred Share Plan (DSP), then the committee may indicate in writing to such participant that they may retain their award, in full or in part, notwithstanding that they are no longer employed. In the case of no-fault terminations of employment, including death, disability, retirement at normal retirement age and termination of employment due to operational reasons, the awards will vest on the original vesting dates, without acceleration, except in the case of death, where the awards will vest as soon as practically possible. In the case of change of control, a portion of the awards will vest, on a time pro-rated basis to reflect the portion of the applicable vesting period served, with the balance based on the original terms or replaced by awards of similar value if this is not possible. In the event of a change of capital structure, the committee may make changes to the awards so that they have materially the same value before and after the transaction. The aggregate costs of the SIP were benchmarked against the costs of continuing the LTI (FSP) and STI scheme. The costs for on-target performance under the proposed SIP are broadly similar over a five-year period.
Other deferred share awards	<p>The SIP permits the granting of awards of deferred shares that are not part of the annual SIP, including:</p> <ul style="list-style-type: none"> Sign-on awards included in the employment agreement for new employees, generally to compensate them for awards from a previous employer forfeited on resignation; and Specific retention or counter-offer awards, which are not generally made to executive directors and prescribed officers. <p>Such awards are motivated by the CEO and approved by the Remuneration Committee.</p>
Discretion and safeguards	<p>The annual single incentive is subject to the discretion of the Remuneration Committee, which is applied to reduce the overall quantum of the single incentive, unless there are exceptional circumstances:</p> <ul style="list-style-type: none"> If the aggregate value of the SIP for the year (including the cash and deferred portion but excluding the additional transition/catch-up awards) is more than 8.0% of EBIT; and If the total number of deferred share awards for the year is more than 1.0% of shares in issue.
Procurement of deferred shares	<p>The shares required to settle deferred share awards are purchased in the market as soon as possible after their award and no new shares or treasury shares are used for this purpose.</p>

Group balanced scorecard FY2023

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

1. Tonnes of carbon dioxide emissions.
2. Exempted micro enterprises (EMEs).
3. Qualifying small enterprises (QSEs).

Remuneration overview continued

Financial targets

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

Non-financial targets

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

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

Minimum shareholding requirements

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

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

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

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

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

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

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

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

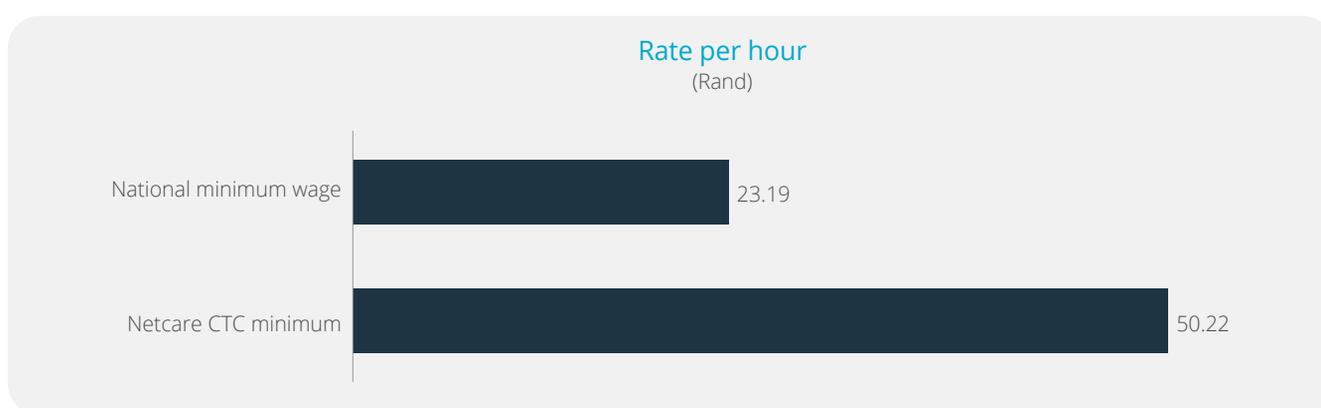
Fair and responsible employee remuneration

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

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

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

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



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

Remuneration overview continued

Remuneration policy implementation

Group balanced scorecard FY2022

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

BSC performance for FY2022

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

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

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

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

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

Total incentive awards paid to executives and prescribed officers

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

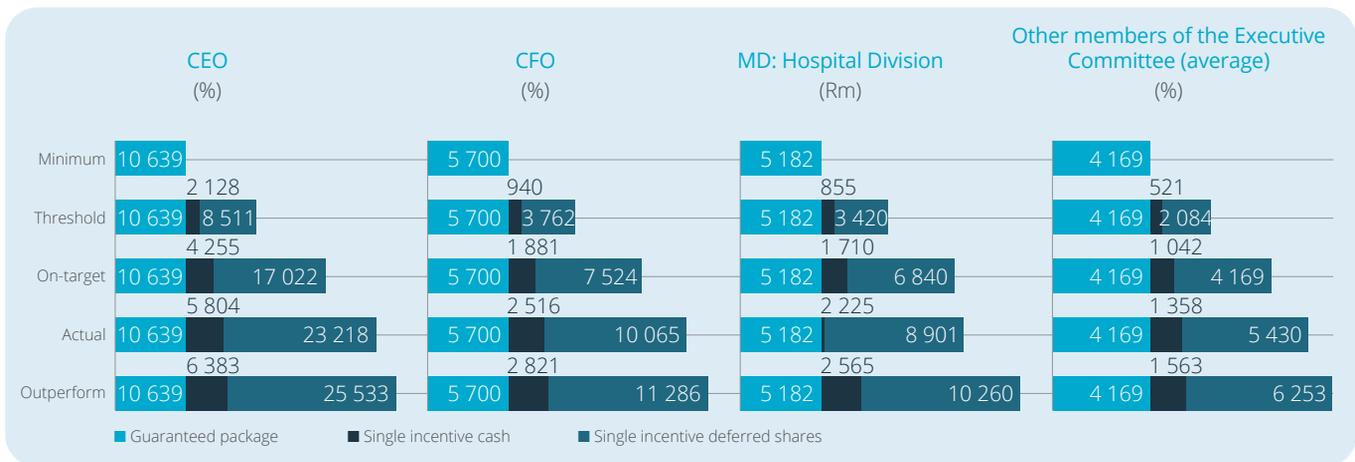


The table below outlines the approved total SIP for executive directors and prescribed officers.

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

Remuneration overview continued

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



FSP3 performance vesting

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

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

Remuneration of executive directors and prescribed officers

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

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

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

Forfeitable shares

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

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

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

Health Partners for Life

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

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

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

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

Remuneration overview continued

Non-executive director remuneration

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

Fees paid to non-executive directors

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

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



Proposed non-executive directors' fees

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

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

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

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

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

Proposed non-executive director fees

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

Note: values exclude VAT.

How we performed

How we performed

- 101 Social and relationship capital
- 128 Human and intellectual capital
- 149 Manufactured capital
- 152 Natural capital
- 162 Financial capital



Social and relationship capital

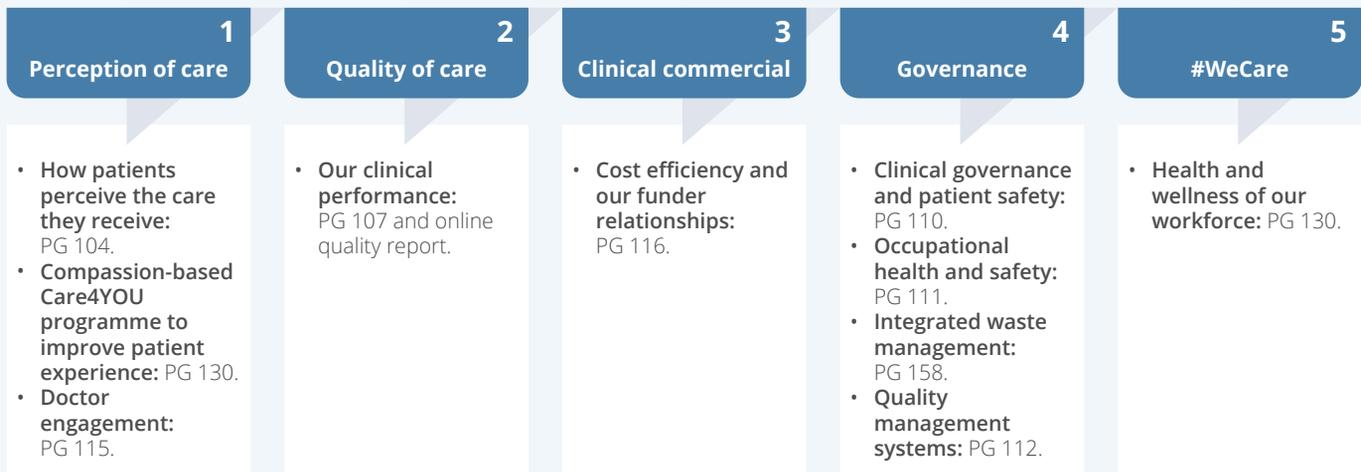
Our patients

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

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

Our consistency of care strategy

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



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

Social and relationship capital

Our patients continued

Key focus areas for FY2022

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

Associated risks and opportunities

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

Key takeaways for FY2022

Patient feedback survey

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

Nurse compassion score

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



Care4YOU: PG 130

Quality of care public reporting

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

Patient engagement

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

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

Value delivered in FY2022

The value we create for our patients

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

Value created, preserved or eroded

88 FY2021: 10	Net gain of specialists in acute hospital and mental health facilities.	✓
12 Out of 24 FY2021: 14	Patient reported experience measures (PREMs) improved, five were maintained and no measures deteriorated. Seven of the 24 measures are new (derived from the Hospital Division's new PFS).	✓
Care4YOU	The first module of our compassion-based programme has been rolled out to employees in the Hospital Division (including leadership), Netcare Education and Netcare 911's Emergency Operations Centre.	✓ ●
8.31	The highest score achieved for nurse compassion (June and July 2022) against a FY2022 baseline score of 7.92.	✓
4 088	Employees received training on <i>Caring the Netcare Way</i> .	✓
81 FY2021: 85	Quality of care measures published across six divisions – eight new measures, six measures updated and 12 measures retired.	✓
ISO 9001:2015	Achieved ISO 9001:2015 certification for the fifth consecutive year, including Netcare Akeso for the first time.	✓
73 174 FY2021: 60 777	Calls to Netcare appointmed ™ facilitating approximately 15 800 appointments (FY2021: 13 202).	✓
38%	Of non-emergency admissions are online pre-admissions.	✓
R156 million FY2021: R120 million	Invested in digitising the Netcare ecosystem (capital and operating expenditure).	✓ ●
NetcarePlus	Provides certainty that the cost of private healthcare is affordable and secured in advance.	✓
15.6GWh¹ FY2021: 15.6GWh	Renewable energy generated and we purchased an additional 15.0GWh of renewable energy.	✓ ●
Floods in KwaZulu-Natal	Disruptions to power, water and oxygen supply at Netcare's various facilities were well managed during the April floods.	✓

1. Gigawatt hours (GWh).

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

Quality report.

- ✓ Value created
- Additional value will be created once strategic initiatives are embedded
- Value preserved
- ✗ Value eroded

Social and relationship capital

Our patients continued

Perception of care

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

FY2022 performance

Strategic project

New patient feedback survey for the Hospital Division

- The new independently validated PFS showed encouraging improvements its first year. The PFS aligns to our core values and the behaviours we seek to encourage in our people and see reflected in the patient experience. The survey delivers quantitative data as well as rich qualitative data from a sentiment analysis tool that analyses free-text responses across six domains. Data derived from the survey is used to drive targeted improvement initiatives.
- Developments made on the PFS include:
 - A new question added on why patients chose Netcare.
 - A new question added on doctor time spent with patients.
 - A management dashboard to track each hospital's performance so that we can quickly identify and assist hospitals that are performing below our desired scores.
- From the PFS we have identified the following improvement areas:
 - Advising patients on the possible side effects of their medication. Initiatives to improve in this area will require the involvement of hospital employees and doctors.
 - The discharge process, particularly in terms of the problems or complications to be aware of. The roll out of the summary of care project in FY2023 will provide patients with more detailed information upon discharge, positively impacting their experience of the discharge process.

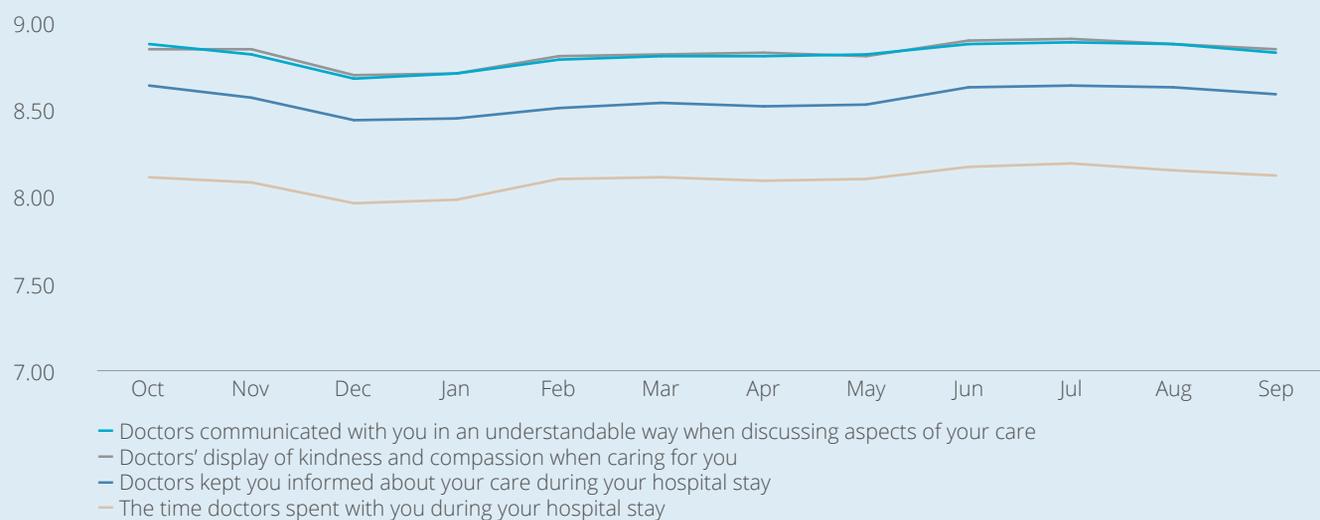
Patient experience

Hospital Division	<ul style="list-style-type: none"> • Two initiatives were launched in FY2022, targeting improvement in the nurse compassion score; the Care4YOU compassion journey, explained in detail on page 130 of <i>our people</i>, and the development of a nurse resilience programme that identifies their needs and the challenges that directly impact the way they treat patients. Pleasingly, the nurse compassion score has steadily increased from a baseline score of 7.92 to 8.11 at September 2022 against a target of 8.11. 66% of hospitals achieved the target score. • Doctor results have remained stable over the first year of using the new PFS, scoring above 8.5 for all three measures (kindness and compassion, communicating in an understandable way and keeping patients informed about their care).
Netcare Cancer Care	<p>Chemotherapy nurses and radiation therapists once again provided excellent person centred care. The chemotherapy nurse score for treating patients with courtesy and respect increased from 92.6% in FY2021 to 99.4% and for radiation therapists from 94.7% in FY2021 to 97.9%.</p>
Netcare Akeso	<p>At a time when the number of admissions to Netcare Akeso are increasing, we are pleased with the average 4.9% improvement in the nursing PREM results for the division. We achieved 83.8% for nurses always treating patients with courtesy and respect (FY2021: 79.9%), 81.5% for nurses always listening carefully (FY2021: 77.5%) and 83.0% for nurses always explaining things in a way patients understand (FY2021: 79.2%). Our doctors continue to perform well in their patient feedback, scoring over 92% across all three measures, and the therapist measure relating to treating patients with courtesy and respect improved by 1.9% to 89.3%.</p>
Primary Care Division	<p>A digital customer satisfaction survey was launched with six Netcare Occupational Health clients, and we achieved an average customer satisfaction score of 95%, with the key area of improvement being waiting times.</p>
National Renal Care	<p>We introduced applied compassion training for all healthcare providers in the division, which is reflected in the improved scores across all three of National Renal Care's PREM measures. National Renal Care scored 72.5% for dialysis unit staff showing respect for what patients had to say (FY2021: 65.9%), 69.3% for staff listening carefully to patients (FY2021: 61.7%) and 68.9% for staff always explaining things in ways patients can understand (FY2021: 60.6%).</p>

Hospital division: nurse care



Hospital division: doctor care



Looking forward

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

Social and relationship capital

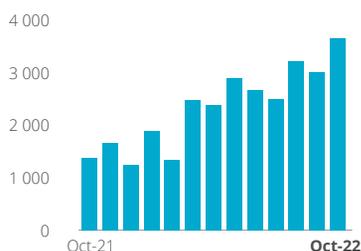
Our patients continued

Digitising the person centred health and care journey

MyNetcare Online

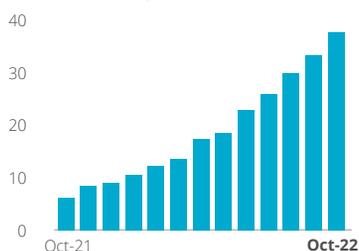
Our patient portal tailored to the user and their specific healthcare needs.

Netcare appointmed™ bookings



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

Online pre-admissions (%) Hospital Division



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

Hospital patient feedback survey



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

Summary of care



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

Other digital platforms

Netcare 911 Locate Me



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

Netcare VirtualCare (telehealth)

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



National Renal Care app

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



Quality of care

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

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

FY2022 performance

Quality of care

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

Social and relationship capital

Our patients continued

Quality of care measures relating to specific conditions

Caring for people with pain

72.3%

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

FY2021: 69.2%

68.6%

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

FY2021: 70.0%

34.8^{1&2}

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

8.72¹

our score out of 10³ for how well patients perceived our management of their pain. This score has remained stable since the implementation of the new PFS in the Hospital Division.

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

2. Results are reported for the subset of Netcare hospitals in which CareOn has been implemented and are reported from the time of implementation during FY2022.

3. The scale uses zero to represent 'much worse than expected' and 10 for 'much better than expected'.

Caring for newborn babies

83.4%

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

FY2021: 80.1% and 15.3% referred

47.8%

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

CY2020: 47.3%

International VON benchmark CY2021: 21.5%

2.2%

of newborn babies admitted to a neonate ICU developed necrotising enterocolitis¹ (NEC).

CY2020²: 2.4%

International VON benchmark CY2021: 1.0%

59.6%

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

CY2020: 58.0%

International VON benchmark CY2021: 73.3%

1. A serious disease mostly impacting very sick or preterm babies.

2. Calendar year (CY)

Caring for people with severe physical trauma

17.6

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

FY2021: 17.8¹

57.3%²

of Priority 1³ patients were transported to an accredited Level I trauma centre, increasing their prospects of survival.

FY2021: 51.1%

39.0%

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

FY2021: 53.2%

55.0%

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

FY2021: 51.3%

1. Restated following improved measurement and calculation methodology.

2. This measure is impacted by trauma facility availability and medical insurance network limitations.

3. Patients with severe life-threatening physical injuries.

Caring for people on long-term haemodialysis

71.5%

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

FY2021: 69.8%

91.1%

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

FY2021: 90.3%

91.4%¹

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

FY2021: 76.1%

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

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

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

Quality of care measures relating to medication

Antibiotic stewardship programme

80.6%

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

FY2021: 82.6%

98.9%

of patients received the right antibiotic for their infection.

FY2021: 99.5%

82.8¹

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

FY2021: 98.7

98.9%

of patients received the right antibiotic dose for their infection.

FY2021: 99.2%

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

98.0%

of patients received the right antibiotic duration for their infection.

FY2021: 98.8%

1. A lower score is better.

Social and relationship capital

Our patients continued

Quality of care measures relating to medication continued

Medicine safety		
<p>0.02</p> <p>medicine-related events that result in any harm to a patient per 100 admissions in the Hospital Division. This result is in line with our FY2020 performance.</p> <p>FY2021: 0.01</p>	<p>0.04</p> <p>medicine-related events that result in any harm to a patient per 100 admissions for Netcare Akeso.</p> <p>FY2021: 0.02¹</p>	<p>0.02</p> <p>medicine-related events that result in any harm to a patient per 10 000 visits to a doctor or dentist in a Netcare Medicross centre.</p> <p>FY2021: 0.01</p>
<p>The number of medication incidents increased across all three divisions and is largely attributed to the normalisation of activities and bringing medication safety back into focus as we recover from the impact of COVID-19, as well as increased focus on educating our employees on the importance of incident reporting to support improvement.</p>		

1. Restated following a data review.

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

Clinical governance

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

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

FY2022 performance	
<p>Clinical governance</p>	<ul style="list-style-type: none"> The new clinical governance framework was implemented in the Hospital Division. We reviewed the terms of reference of our clinical governance structures to improve their effectiveness, including those of the PABs to ensure standardisation in the composition and the functioning of PABs across our hospital network. The Netcare Clinical Practice Committee reviewed 48 cases (FY2021: 37). One practitioner's privileges were revoked where conduct was not in keeping with Netcare's values. A number of improvements were made to the doctor credentialing process (see page 115 of <i>doctor partnerships</i>).

Looking forward

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

Safety, health, environment and quality

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

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



FY2022 performance

Occupational health and safety

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

Absenteeism

1 101 865

hours of absenteeism.

FY2021: 1 118 679 hours

Medical surveillance and incident reporting

6 111

medicals conducted as part of our medical surveillance programme.

Target: 4 700

OHS incidents

2 940

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

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

OHS training

4 823

employees received OHS training.

FY2021: 1 500

Social and relationship capital

Our patients continued

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

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

Quality management system

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

Internal quality reviews (compliance scores)

	2022	2021
Hospital Division	90%	89%
Netcare 911 ¹	94%	93%
Netcare Cancer Care ¹	94%	92%
Netcare Akeso (first baseline)	80%	–
Netcare Medicross	89%	90%
National Renal Care	95%	96%

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

Looking forward

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

Doctor partnerships

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

Key focus areas for FY2022

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

Associated risks and opportunities

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

Key takeaways for FY2022

Doctors onboarded

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

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

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

Splitting practices

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

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

Doctor engagement

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

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

Social and relationship capital

Doctor partnerships continued

Value delivered in FY2022

The value we create for doctors and specialists

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

Value created, preserved or eroded

516 FY2021: 431	Initiatives held to support CPD – 166 PAB meetings, 38 CareOn awareness sessions, 152 emergency and trauma morbidity and mortality meetings and 160 emergency and trauma medical education meetings. These platforms serve as operational and clinical advisory and communication platforms between doctors and hospital management. ✓
21 FY2021: one	Digitised hospitals providing: <ul style="list-style-type: none"> • Remote access to patients. ✓ • In time, reducing medicolegal risk and savings on medical malpractice insurance premiums based on availability and application of data. ● • In time, a longitudinal view of a patient's medical history across the Netcare ecosystem. ●
R702 million FY2021: R408 million	Invested in new medical equipment. ✓
R501 million FY2021: R469 million	Spent on maintenance and repairs. ✓
R369 million FY2021: R460 million	Invested in expansionary projects. ⊙


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


 Quality report.

- ✓ Value created
- Additional value will be created once strategic initiatives are embedded
- ⊙ Value preserved
- ✗ Value eroded

FY2022 performance

Engagement

- We rolled out a survey in June 2022 to identify potential pain points for doctors and where we are doing well, and to gain insight on why they chose to practise at Netcare and how they feel we can improve the patient experience. Key findings from the survey were:
 - The convenience of our sites, our standards of clinical excellence and the career opportunities associated with practising at Netcare were highly rated as the reason for choosing Netcare. Our standards of clinical excellence, patient-centricity and some of our facilities were highlighted as areas where we are doing well. Nursing turnover and retention were noted for improvement, which aligns with the broader nursing shortage faced in SA.
 - Relating to doctor loyalty and commitment, 58% of respondents want to grow their practice, 62% prefer to stay in their current facility rather than expand to other facilities, 47% are unlikely to move their practice from Netcare and 45% would recommend Netcare to a colleague.
- **Strategic project** Based on the findings of our critical review of our doctor engagement framework and the doctor survey, we are:
 - Enhancing the personalised clinical information (PCI) tool to improve our individual conversations with doctors on their clinical outcomes, patient experience and total cost per event data, and to encourage improvements where they exist.
 - Driving targeted strategic initiatives to improve doctor engagement, address pain points and support and develop our doctors and specialists. We are also developing measures to track the impact of these initiatives on the quality of doctor engagement over time.
 - Streamlining our communication with doctors, ensuring that we are transparent and aligning doctor-related messaging across our internal functions.
 - Driving increased partnership with doctors in line with our strategic priorities.
- In total we improved in 13 out of 18 constructs of the doctor engagement survey.

Governance

- We launched a digital credentialing¹ platform for specialists and other healthcare professionals practising in the Hospital Division in January 2022, achieving a 91% participation rate.
- We leveraged the FY2022 doctor credentialing process to collect all doctor data into a central database. Once the data is verified, it is made accessible to the internal stakeholders and Group programmes and projects, such as CareOn, which need the data, avoiding multiple requests for the same information. The quality of this data is monitored monthly to ensure compliance with clinical governance standards and HPCSA requirements. This data collection process will also be used to develop enhanced webpages from which doctors can market their services.
- The admitting and practising terms and conditions for specialists and other healthcare professionals in the Hospital Division were revised, informed by feedback from PABs and professional associations. For example, we partnered with the South African Society of Anaesthesiologists to develop terms and conditions for our anaesthetist partners.

Doctor support

- Netcare Akeso worked with doctors to co-create the doctor module of its EMR platform.
- Netcare Medicross launched a pilot nurse-driven disease management programme at three medical centres to assist doctors with the care of their diabetic patients. The programme includes the patient's family and patient education on diabetes and how to manage their self-care.
- Webinars on various topics, including cost efficiency, were rolled out to our doctors and specialists.

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

Looking forward

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

Social and relationship capital

Private medical funders

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

Key focus areas for FY2022

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

Associated risks and opportunities

- | | | |
|---|--|-------|
| 1 | Economic environment and demand for private healthcare | PG 60 |
| 2 | Funder regime | PG 61 |
| 6 | Delivering consistently outstanding person centred health and care | PG 65 |
| 7 | Implementation of the digital and data strategies | PG 66 |

Key takeaways for FY2022

Margin pressure

Arbitrage between inflation benchmarked annual tariff increases and higher than CPI¹ operating costs (payroll, electricity and consumables) remains a reality in an environment where there is a mismatch between the supply of facilities and beds and demand, coupled with limited growth in the number of privately insured South Africans.

1. Consumer price index.

Medical scheme networks

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



Value delivered in FY2022

The value we create for private medical funders

- **HIC** Our focused clinical improvement projects.
- **SRC/HIC** Access to our quality of care data.
- **SRC/HIC** Collaboration on common objectives to achieve quality healthcare outcomes and world class healthcare for their members and their members' families.
- **HIC** Appropriate utilisation and cost containment achieved through consistency of care and data application.

Value created, preserved or eroded

16	Quality of care measures and data definitions that are used in our quarterly medical scheme reports ¹ were reviewed and updated.	✓
>1.1 million	Electronic scripts processed. Digitisation will help to eliminate up to 60% of potential medication errors across >1.8 million hospital scripts a year for Netcare.	●
154	Hospitals, mental health facilities, medical and dental centres and renal care units digitised, which in time will address the fragmentation of care. Digitisation will minimise duplication of tests or diagnostic procedures, especially in the referral from primary care to tertiary care, and improve our delivery of high-quality cost-effective care based on completeness of data and big data analytics.	●

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

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

Quality report.

- ✓ Value created
- Additional value will be created once strategic initiatives are embedded
- Value preserved
- ✗ Value eroded

How we performed

FY2022 performance

Private medical funders

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

Looking forward

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

Social and relationship capital

Suppliers

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

Key focus areas for FY2022

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

Associated risks and opportunities

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

Key takeaways for FY2022

Supply chain disruption

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

Risk management

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

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

Value delivered in FY2022

The value we create for suppliers

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

Value created, preserved or eroded

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



✓ Value created
 ◉ Value preserved
 ✗ Value eroded

Supply chain management

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

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

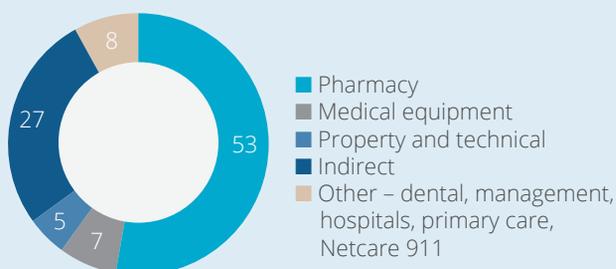
Strict measures ensure that our suppliers with whom we share our information or who have access to our systems have the necessary processes and procedures in place to protect this data (see page 145 of *digital transformation and data*).

FY2022 performance

Supply chain management

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

Measurable procurement spend (%)



Social and relationship capital

Suppliers continued

Diversifying our supply chain

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

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

FY2022 performance

Preferential procurement

- We are engaging with the dtic on its black industrialist programme, and with various local and international suppliers on the local manufacture of specialised products and medical equipment.
- We awarded tenders for laparoscopic devices, surgical stapling, arthroscopy, linear stapling and respiratory devices to various QSEs and EMEs.

Enterprise and supplier development

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

Procurement spend with >51% black-owned businesses

51.4% (R5.9 billion)

FY2021: 48.6%; R5.6 billion
dtic target: 50%
Internal target: 40%

Procurement spend with 30% black women-owned businesses

32.6% (R3.7 billion)

FY2021: 28.2%; R3.2 billion
dtic target: 12%
Internal target: 26%

Procurement spend with small businesses

9.1% (R1 billion)

of measurable spend was with QSEs.

FY2021: 8.0%; R914 million
dtic target: 15%
Internal target: 8%

4.7% (R543 million)

of measurable spend was with EMEs.

FY2021: 3.1%; R355 million
dtic target: 15%
Internal target: 7%

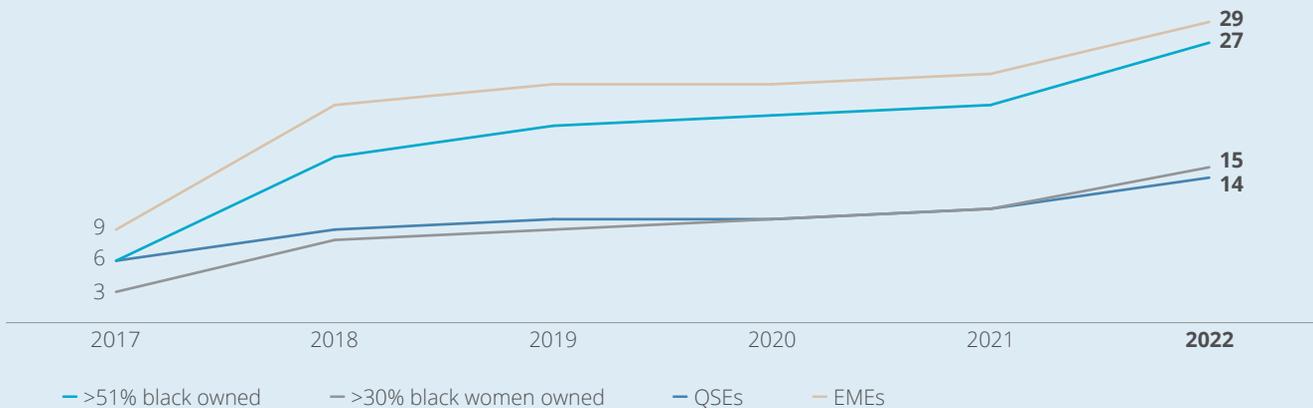
7.8% (R916 million)

of measurable spend was with QSEs and EMEs that are black owned.

FY2021: 6%; R715 million
Internal target: 10%

Preferential procurement

(as a percentage of total suppliers)



Netcare Ulusha Hub

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



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

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

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

Social and relationship capital

Suppliers continued

ESD spend	ESD beneficiaries	My Walk initiative
<p>R36 million</p> <p>invested in supplier development, of which 61% (R23 million) was measurable under the dtic Codes, equating to 2.2% of net profit after tax (NPAT).</p> <p>FY2021: R45 million dtic Code target: 2% of NPAT</p>	<p>15</p> <p>ESD beneficiaries supporting 220 jobs. 23 of these jobs were created during the year.</p> <p>FY2021: 15 supporting 204 jobs.</p>	<p>>115 000</p> <p>pairs of school shoes made from our high-quality PVC waste with 77 570 pairs donated since 2020 to underprivileged children. 19 hospitals participate in the initiative in which we partner with one of our ESD beneficiaries. For each tonne that is repurposed into 100% recyclable shoes, 1.5 tonnes of GHG¹ emissions are abated. During the year, the project gained SABS approval.</p> <p>Target: manufacture 1 million pairs of shoes</p>
<p>R26 million</p> <p>invested in enterprise development, of which 69% (R18 million) was measurable under the dtic Codes, equating to 1.7% of NPAT.</p> <p>FY2021: R17 million dtic Code target: 1% of NPAT</p>	<p>9</p> <p>of the above ESD beneficiaries are enrolled on a structured ESD programme that monitors their performance and provides assistance where needed.</p> <p>FY2021: 8</p>	
	<p>89%</p> <p>of the nine beneficiaries on the structured ESD programme are black women owned.</p> <p>FY2021: 75%</p>	

1. Greenhouse gas (GHG).

Other ESD initiatives	
<p>94</p> <p>ESD beneficiaries receive early payment terms.</p> <p>FY2021: 92</p>	<p>28</p> <p>doctors receive enterprise development support.</p> <p>FY2021: 37</p>

Looking forward

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



Society

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

Our transformation plan

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

Ownership ¹	Leadership and workforce diversity ²	Skills development ³	Enterprise and supplier development ⁴	Socioeconomic development ⁵
FY2022 internal ownership target ✓	FY2022 internal management control target ✗	FY2022 internal skills development target ✓	FY2022 internal ESD target ✓	FY2022 dtic socioeconomic development target ✓
<ul style="list-style-type: none"> Maintain black and women ownership. Generate value for the beneficiaries of our B-BBEE share schemes¹. 	<ul style="list-style-type: none"> Ensure racial and gender diversity in our workforce and leadership structures: PG 133. Promote social cohesion by tackling discrimination in the workplace: PG 133. 	<ul style="list-style-type: none"> Develop black people: PG 133. Provide bursaries and development programmes for high-performing employees: PG 136. Continue offering vocational learning opportunities for unemployed youth and people with disabilities: PG 134. 	<ul style="list-style-type: none"> Support SMMEs by diversifying our supply chain: PG 120. 	<ul style="list-style-type: none"> Increase access to quality health and care for indigent South Africans: PG 126.

✓ Internal target met or exceeded
✗ Internal target not met

¹ The Health Partners for Life (HPFL) Trust comprises the Passionate People Trust (employee share scheme), the Mother and Child Trust, the Physician Partnership Trust and the Healthy Lifestyle Trust. The Trusts were established to empower our people, designated groups and communities. They are linked to our share price performance, ensuring that beneficiaries benefit when we perform well.

Key focus areas for FY2022

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

Associated risks and opportunities

- 1 Economic environment and demand for private healthcare**  PG 60
- 4 Availability and quality of skills**  PG 63

Key takeaways for FY2022

National Health Insurance (NHI) Bill

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

Broad-based black economic empowerment

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

Netcare Foundation

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

Social and relationship capital

Society continued

Value delivered in FY2022

The value we create for society

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

Value created, preserved or eroded

18 245¹ FY2021: 18 346	People employed who contribute to the economies where they live and work and pay personal tax.	⊙
R439 million FY2021: R618 million	Taxes paid to government.	⊙
R8 million FY2021: R1 million	Distributed to beneficiaries through the HPFL Trusts. Wealth created since inception of the Trusts in 2005 is R1.1 billion (net of debt).	✓
NetcarePlus	Provides under-served healthcare markets with access to a network of around 2 200 trusted healthcare practitioners, promoting inclusive quality private healthcare services.	✓
R35 million FY2021: R31 million	Invested in corporate social investment (CSI) initiatives with 91% of beneficiaries being black people (FY2021: 94%).	✓
R18 million FY2021: R5 million	Of our CSI spend was invested in entities that train and develop doctors.	✓
>15 000	Sexual assault survivors treated free of charge at our 37 Sexual Assault Crisis Centres since 2002.	✓
77 570	Learners across SA have received school shoes made from our recycled PVC waste since 2020.	✓
283 102 tCO₂e² FY2021: 306 304 tCO ₂ e	Scopes 1, 2 and 3 emissions. Scope 2 emissions decreased 10.3% year on year and the first phase of our journey towards being 100% renewable by 2030 is underway.	✗ ●
8 110 tonnes FY2021: 9 277 tonnes	Waste sent to landfill. Initiatives are underway to drive our zero waste to landfill target by 2030.	✗ ●
2.0 million kl³ FY2021: 1.9 million kl	Water consumed. Our water initiatives recycled 27 043kl of water, containing our water usage to an increase of 3.1% despite and the increase in patient days post-COVID.	✗ ●

1. Excludes National Renal Care.
2. Tonnes of carbon dioxide equivalent (tCO₂e).
3. Kilolitres (kl).

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

ESG report.

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

Reforming SA's healthcare system

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

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

The NHI Bill, introduced to Parliament in August 2019, paves the way for an NHI Fund which will purchase services from accredited public and private healthcare providers. The Bill is explicit on contracting in the first phase with both private and public primary healthcare and emergency services, but only

public hospitals with an option for contracting other providers. As the Bill currently stands, medical schemes will only be allowed to offer cover for services not reimbursable by the Fund once the NHI is fully implemented.

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

FY2022 performance

Reforming SA's healthcare system

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



Social and relationship capital

Society continued

Force for social good

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

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

FY2022 performance

Community assistance

- Netcare 911 provided significant support and collaborated with multiple agencies in the search, rescue and retrieval operations during the devastating floods in KwaZulu-Natal in April 2022.
- Through our discretionary programme, we treated 150 indigent patients (FY2021: 130) at a cost of R5 million (FY2021: R8 million), seven of whom were young boys from Pholoso in a partnership with the Department of Health in Polokwane to provide hernia repairs. Seven were sexual assault cases that required extra care.
- The Netcare Foundation's programme with the largest reach is the Gift of Sight programme, which alleviates some of the large demand for cataract procedures that the public sector is unable to meet. 155 patients underwent cataract surgery with 31 being bilateral procedures.
- In their blood collection drives, our trauma units collected 4 501 units of donor blood for the year.
- Equipment from the closed Netcare Union and Netcare Clinton hospitals was donated to five hospices, one orphanage, an old age home and the Onderstepoort animal hospital.
- We also donated 70 used personal computers to a community-based outreach programme that distributed them among several schools. We ensured that each computer had a keyboard and mouse.

HPFL Trusts

- The Mother and Child Trust and Healthy Lifestyle Trust provided total funding of R1 million spread across the sexual assault programme, cataract operations, cochlear implants and the treatment of elephantiasis, among others.
- Since 2007, the Physician Partnerships Trust has granted 24 doctoral scholarships at local and international universities, of which three are new scholars selected in FY2022 by a panel of professors from various medical schools in SA. Twelve fellows have completed their doctoral theses, two are due to complete their studies at the end of 2022 and seven are at various stages of their PhDs. In FY2022, the Trust invested R8.2 million, bringing our cumulative spend since inception of the initiative to R63.4 million. A further R4 million is set aside for the doctors who are still completing their doctorates.

Ncelisa Human Milk Banks

3 079

babies have been fed through the milk bank programme since its inception in 2016. 937 donors have provided a total of 2 883 litres of breastmilk.

181

mothers sourced from within our hospitals donated their breastmilk to the milk banks in FY2022.

FY2021: 185

242

babies from the public sector were fed through the programme, equating to 37% of all babies fed with donated breastmilk.

FY2021: 151

Target: 33% of donated breastmilk distributed to public sector

Sexual assault programme

757

sexual assault survivors treated.

FY2021: 484

94%

were women.

FY2021: 93%

37%

were under 18 years old.

FY2021: 36%

88%

were uninsured.

FY2021: 81%

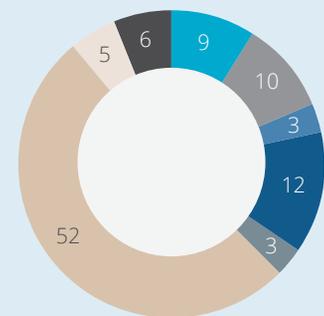
CSI spend current year

33%

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

dtic target: 1% of NPAT

CSI spend (%)



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

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



How we performed

Human and intellectual capital

Our people

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

Key focus areas for FY2022

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

Associated risks and opportunities

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

Key takeaways for FY2022

Turnover

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

Competition and scarcity of skills are driving up salary demands.

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

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

Living and working with compassion programme

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

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

Nurse training

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

IRAS Award

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



 Patient experience-related scores: PG 104.

Value delivered in FY2022

The value we create for our people

Value created, preserved or eroded

<ul style="list-style-type: none"> • SRC/HIC A caring and values-based culture that meaningfully encourages, recognises and rewards outstanding contributions to the business. • HIC Career advancement and other opportunities to improve professional development. • HIC Improved nursing models in intensive care and high care units, theatres and wards. • HIC Upskilling of employees to digitally enabled ways of working. • HIC A safe clinical environment supported by comprehensive employee wellness programmes. • SRC/HIC Our transparent and proactive relationships with employee representatives. 	>14 400	Permanent employees and around 8 860 contractors and service providers in the Hospital Division have worked through module 1 of our compassion training ¹ .	✓
	2 243 FY2021: 2 810	Employees and their immediate family members were provided with counselling interventions.	✓
	R8 015 million FY2021: R7 570 million	Salaries paid to our employees.	✓
	Successful wage negotiations for 2022/23	With all recognised trade unions (four for Hospital Division and two for Netcare Medicross). The 2021/22 wage dispute with one trade union remains unresolved with the matter under review in Labour Court.	✓
	52%² FY2021: 50%	Of doctors with admission privileges are black.	✓
	R51 million³ SDP2021: R49 million	Invested in training and development, equating to 0.9% of our payroll, below the 1% prescribed by the Skills Development Act ⁴ . Training includes preparing employees and doctors for EMR implementation and programmes to embed a caring, values-driven culture – <i>the Netcare Way</i> .	✓
	15 968³ SDP2021: 12 731	Employees, including 256 current and future leaders (SDP2021: 93), participated in a training and/or development programme.	✓
	86%³ SDP2021: 91%	Percentage of training spend on black employees with 75% (SDP2021: 82%) invested in developing black women.	⊙
	81.3% FY2021: 79.7% EAP: 91%	Representation of black people within the workforce with 50.0% (FY2021: 43.3%) of senior managers being black.	✓
	80.8% FY2021: 81.2%	Representation of women within the workforce with 65.4% of the workforce being black women (FY2021: 64.4%).	⊙
17 FY2021: 8	Employee grievances reported relating to labour practices, of which 16 had been resolved at the time of reporting.	✗	

1. Training is based on the learnings from Stanford University's Applied Compassion Training programme.

2. Data for doctors with billed revenue in excess of R300 000.

3. Calculated for the skills development period (SDP) 1 April 2021 to 31 March 2022 as legislated by the Skills Development Act.

4. As a result of regulated restrictions on nurse training numbers.

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

ESG report.

✓ Value created
⊙ Value preserved
✗ Value eroded

Human and intellectual capital

Our people continued

Employee wellbeing

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

Care4YOU

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



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

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

Impact and feedback

The self-compassion work is providing a safe and compassionate means to process COVID-19 related trauma and any other unprocessed personal matters. We are working closely with ICAS, Netcare Akeso and our enterprise and supplier development partner¹ to provide appropriate support and counselling guidance for employees and to help unburden our compassion ambassadors.

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

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

Advances made in FY2022

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

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

FY2022 performance

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

Looking forward

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

Human and intellectual capital

Our people continued

Employer of choice

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

FY2022 performance

Employee engagement	<ul style="list-style-type: none"> In June 2022, we rolled out the Group-wide Voice of OUR Employees engagement survey – co-created with our leadership teams – for all permanent employees. The overall response rate was 70% with an average score of 7.9 out of 10 achieved across nine measured categories. We scored above eight for the following three categories: compassion at work, teamwork and collaboration, and personal boundaries. 79% (FY2021: 70%) of respondents felt fully engaged or that they are key contributors, while 8% of respondents said they were fully disengaged; this is likely due to high levels of stress, trauma and burnout experienced as a result of COVID-19, economic instability and pervasive socioeconomic inequality in SA. Our areas for improvement include more frequent engagement from leaders to build greater trust, recognition for work well done and the consistent application of human resources policies. We developed and tested a mobile app that will allow employees to access human resources-related transactions, and streamlined the onboarding of new employees, enabling them to log onto all systems relating to their roles on their first day at work. 																
Nursing campaign and retention	<ul style="list-style-type: none"> We offered higher salary increases for nursing staff with additional increases on skills allowance. Employees were given the choice to restructure their remuneration packages to suit their lifestyle needs. We externally benchmarked our remuneration, and where required, the Remuneration Committee approved retention allowances. As a further retention strategy, we took the decision to pay the professional practising fees for specialised nurses. 																
Talent management	<ul style="list-style-type: none"> A Group-wide talent identification exercise was launched to build bench strength for senior management and key roles in various divisions. We are reviewing the outcomes to ascertain successor readiness and where personal development plans are required. A new chief executive officer for National Renal Care was appointed from within the Group. 																
Change management	<ul style="list-style-type: none"> We continued to deliver change management interventions to prepare doctors and employees for EMR implementations in the Hospital Division, the Primary Care Division, Netcare Akeso and National Renal Care. 																
Employee relations	<ul style="list-style-type: none"> The Group's headcount dropped 0.6% to 18 245 permanent employees, mostly due to natural attrition and replacing only critical and clinical positions. Discussions were held with trade unions on concluding the minimum service level agreement following determination of private healthcare as an essential service (which limits industrial action for designated job roles) under the Labour Relations Act, the improvement and standardisation of the recognition agreements between Netcare and employee representatives, and the shortage of nursing skills. 																
	<table border="1"> <thead> <tr> <th></th> <th style="background-color: #e0f2f1;">2022</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Number of permanent employees</td> <td style="background-color: #e0f2f1;">18 245</td> <td>18 346</td> <td>19 214</td> </tr> <tr> <td>New employees</td> <td style="background-color: #e0f2f1;">2 969</td> <td>2 058</td> <td>1 687</td> </tr> <tr> <td>Union membership</td> <td style="background-color: #e0f2f1;">48.6%</td> <td>50.9%</td> <td>52.8%</td> </tr> </tbody> </table>		2022	2021	2020	Number of permanent employees	18 245	18 346	19 214	New employees	2 969	2 058	1 687	Union membership	48.6%	50.9%	52.8%
	2022	2021	2020														
Number of permanent employees	18 245	18 346	19 214														
New employees	2 969	2 058	1 687														
Union membership	48.6%	50.9%	52.8%														
	Note: permanent employees only. Excludes National Renal Care.																

Looking forward

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

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

Diversity and inclusion

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

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

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

FY2022 performance

Diversity and inclusion

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



Human and intellectual capital

Our people continued

Recruitment and promotion

87.4%

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

FY2021: 84.5% overall and 68.1% black women

10.4%

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

People with disabilities

4.4%

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

FY2021: 4.2%

1% (R345 245)

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

SDP2021: 1%

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

SDP2021: impacted by COVID-19

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

YES4Youth¹ programme

1 148

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

668

YES learners have successfully completed their vocational programmes at Netcare.

596 (89%)

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

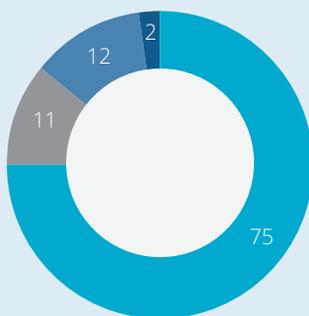
Target: 90% gainfully employed

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

 Employment equity scorecard: PG 76.

Training spend by race and gender

(March 2022)
(%)

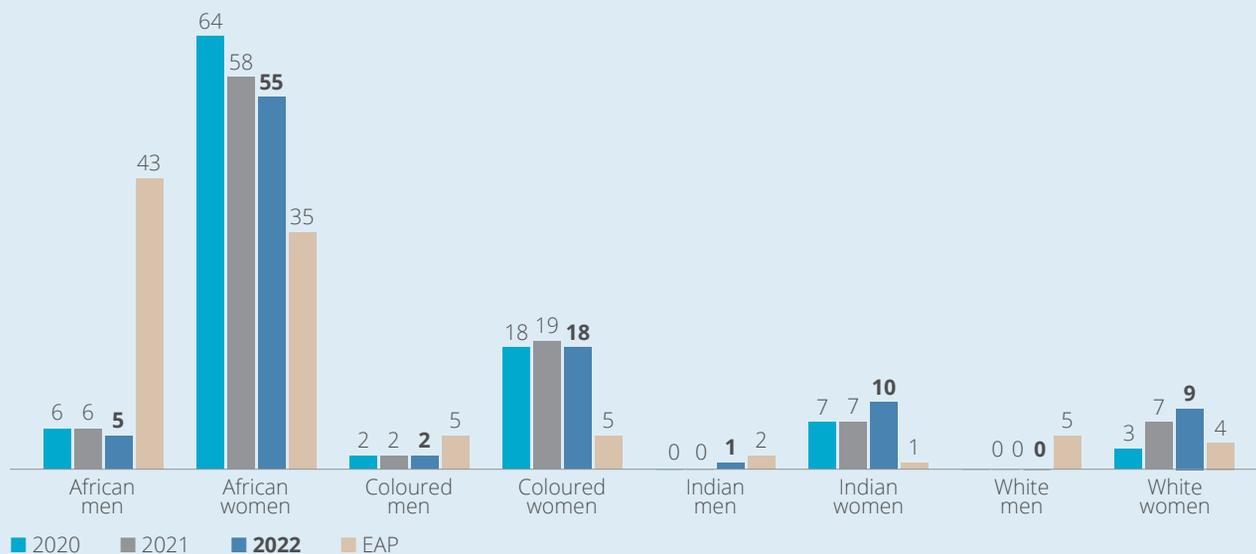


- Black women
- Black men
- White women
- White men



Training against Economically Active Population

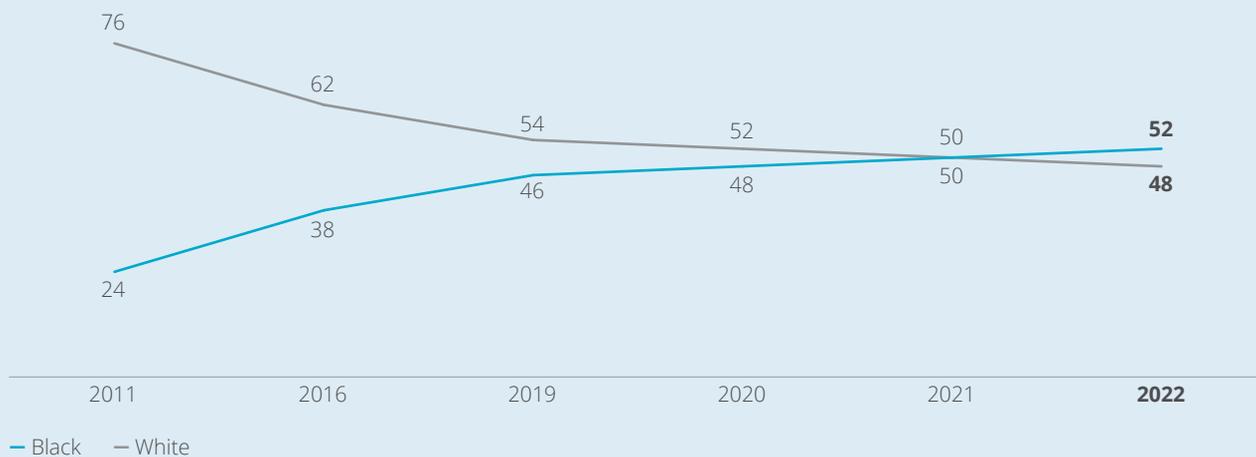
(%)



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

Doctor profile

(%)



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

Human and intellectual capital

Our people continued

Learning and development

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

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

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

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

FY2022 performance

Nursing and emergency care

- We submitted applications to SANC to accredit our undergraduate training campuses in Gauteng and the Western Cape for primary and mental healthcare programmes. We also successfully applied for increased student numbers on Netcare Education's formal nursing programmes – this is in addition to the SANC appeal lodged in March 2021, which is yet to be finalised.
- We secured a letter of support from the KwaZulu-Natal Department of Health to train 100 students on formal nursing programmes. SANC will accredit the programme to commence training in 2023.
- 20 nursing students successfully completed the academic development bridging course, preparing them for enrolment as registered nurses at Netcare Education (SDP2021: 120).
- Pleasingly, the number of women participating in our emergency medical care programmes has increased as we attempt to redress the stereotypes associated in this male-dominated sector.

Management and leadership development

- 77 talented individuals who have the potential to progress to executive level are enrolled in the Netcare leadership development journey. Participants are receiving greater exposure to the Executive Committee and the Board. 16 executives and senior leaders have started an executive coaching initiative. Four **Leading the Netcare Way** programmes for executives, unit managers and nursing managers commenced early in SDP2022.
- The assessments of the management development programme participants in the SDP2020 and SDP2021 cohorts were completed, with a 100% pass rate across all programmes. The throughput rate for the 2020 programme was 58% improving to 78% for 2021; still below pre-COVID levels with the higher turnover of nurses being a factor.
- Ten senior managers from across the Group embarked on Stanford University's Applied Compassion Training programme.
- Bursaries were provided to 41 employees and students of medical physics, radiotherapy and radiography; aligned with scarce and critical skills needed within the Group (funded by the HWSETA¹).

Internships and other courses

- A 12-month clinical engineering capacity building project is being piloted in Gauteng.
- 7 005 employees attended CPD courses (SDP2021: 5 985).

1. Health and Welfare SETA (HWSETA).

Training interventions

56 067

training interventions delivered.

SDP2021: 25 335

77%

of training invested in formal career-oriented NQF programmes.

SDP2021: 89%

Paramedic training

Four

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

FY2021: one

Nurse training

595

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

SDP2021: 1 025

439

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

SDP2021: 354

Women trained

87%

of employees trained were women.

SDP2021: 86%

Management and leadership development

25

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

13

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

81

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

SDP2021: 93

57

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

SDP2021: 53

Netcare Akeso

79

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

SDP2021: 131

National Renal Care

14

clinic technology students trained.

SDP2021: 11

Two

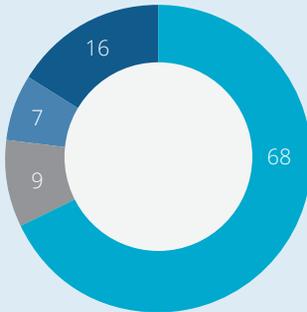
postgraduate clinical technologists trained.

SDP2021: four

Human and intellectual capital

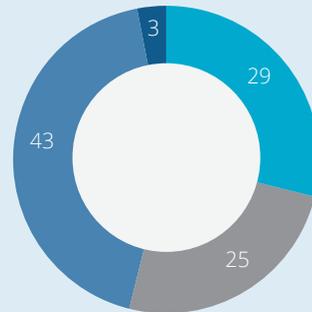
Our people continued

Training spend by category¹
(March 2022)
(%)



- Formal nursing training (SDP2021: 89%)
- Emergency and critical care training (SDP2021: 2%)
- Management and leadership development (SDP2021: 6%)
- In-service² and CPD programmes (SDP2021: 3%)

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



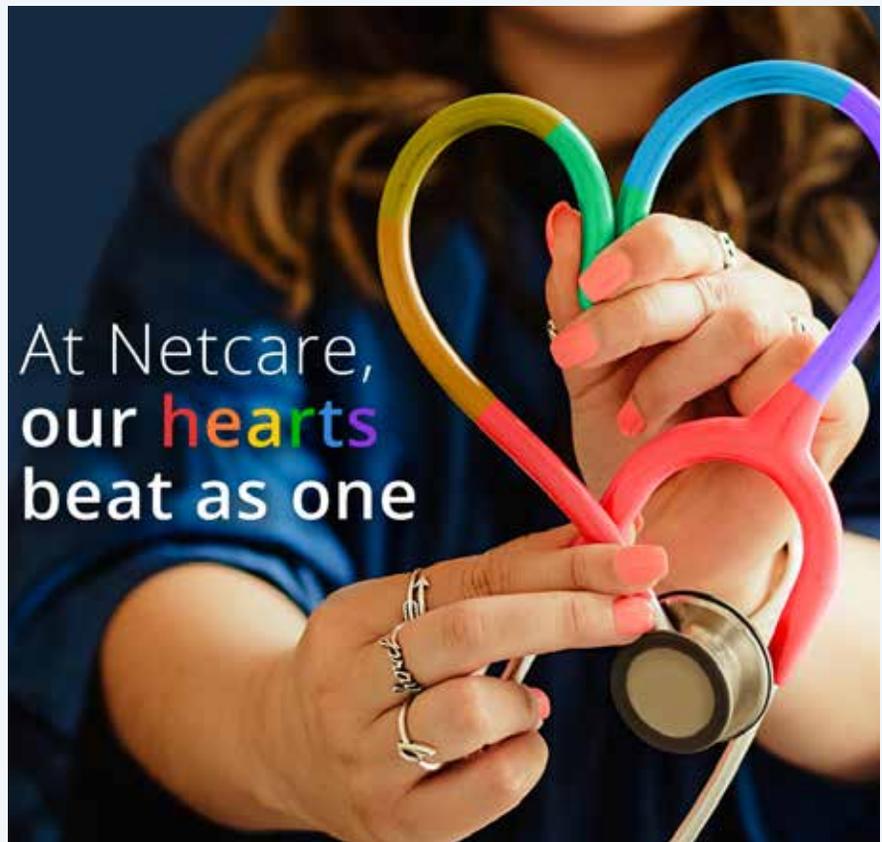
- Unskilled workers (SDP2021: 37%)
- Semi-skilled workers (SDP2021: 47%)
- Skilled technical and qualified workers, junior managers, supervisors, foremen and superintendents (SDP2021: 13%)
- Professionally qualified and experienced specialists and middle managers (SDP2021 2%)

1. In FY2021, a category for 'other' training totalled 1%.

2. Includes computer skills, system-related, Care4YOU, legislated training (including OHS and fire safety), diversity and inclusion and CPD training, among others.

Looking forward

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



At Netcare,
our hearts
beat as one

Digital transformation and data

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

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

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

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

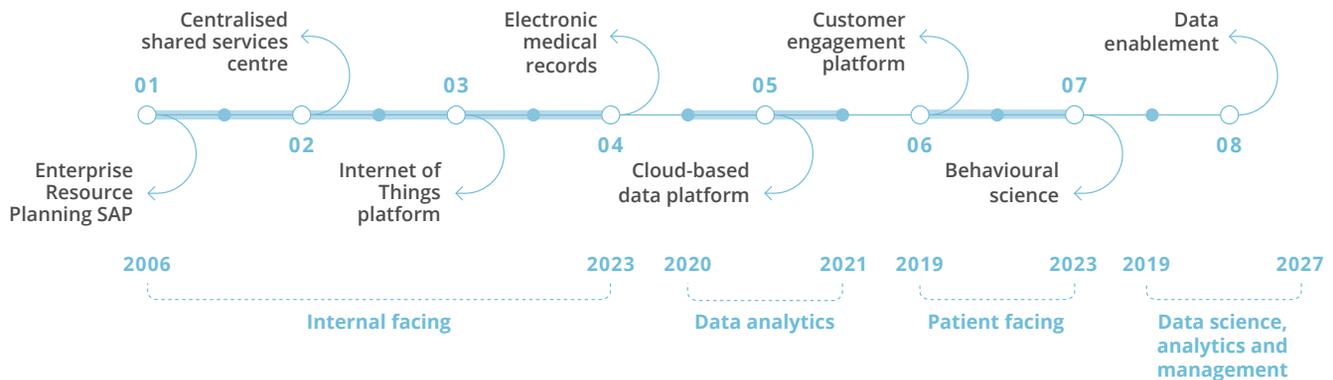
Key focus areas for FY2022

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

Associated risks and opportunities

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

Developing our IT, digital and data architecture

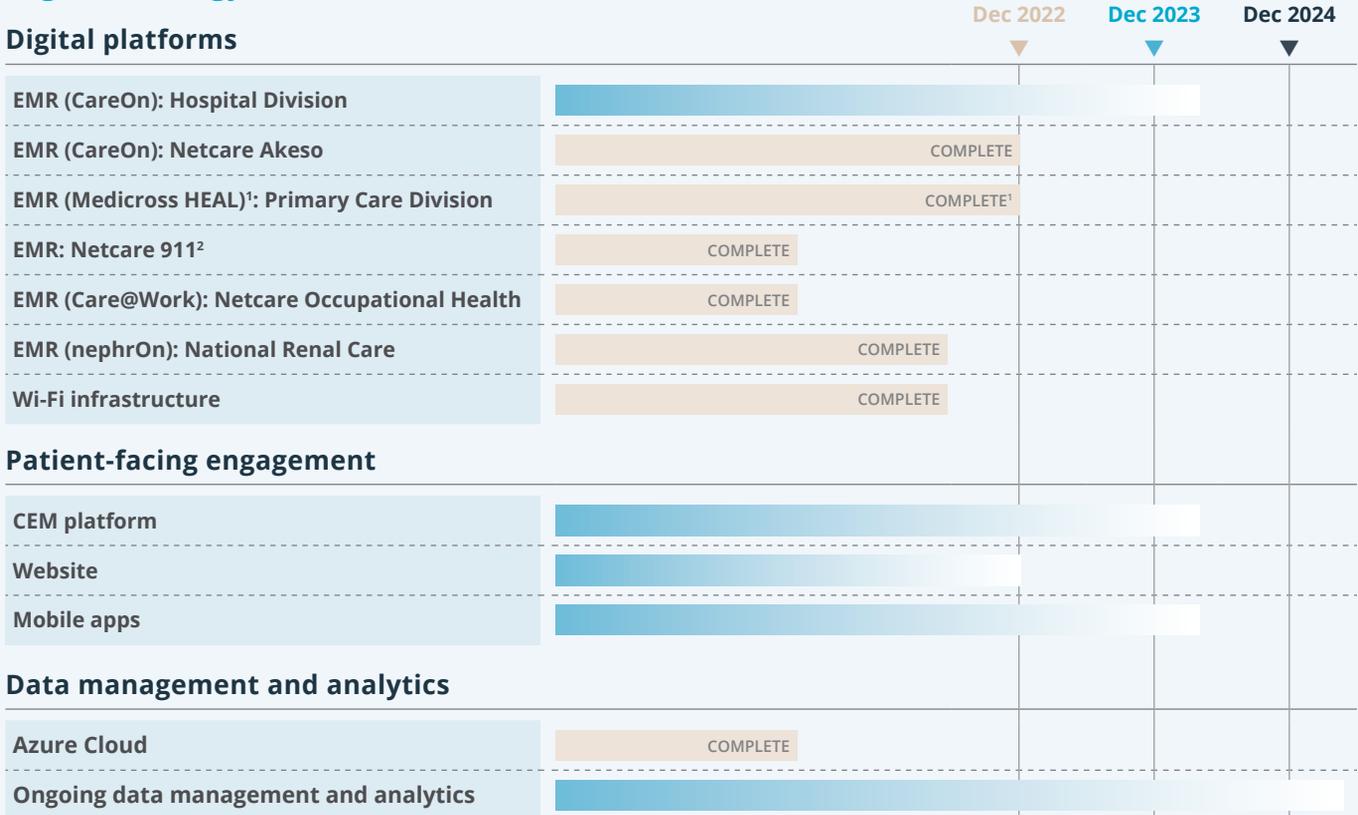


Source: J.P. Morgan Healthcare Seminar

Human and intellectual capital

Digital transformation and data continued

Digital strategy and timeframes



1. Medicross HEAL has been implemented in all targeted medical and dental centres.

2. Netcare 911 operates a highly advanced Emergency Operations Centre capable of locating people in distress, tracking vehicles and providing paramedics with real-time support using video streaming.

Key takeaways for FY2022

Status of CareOn

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

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

Cost savings of CareOn

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

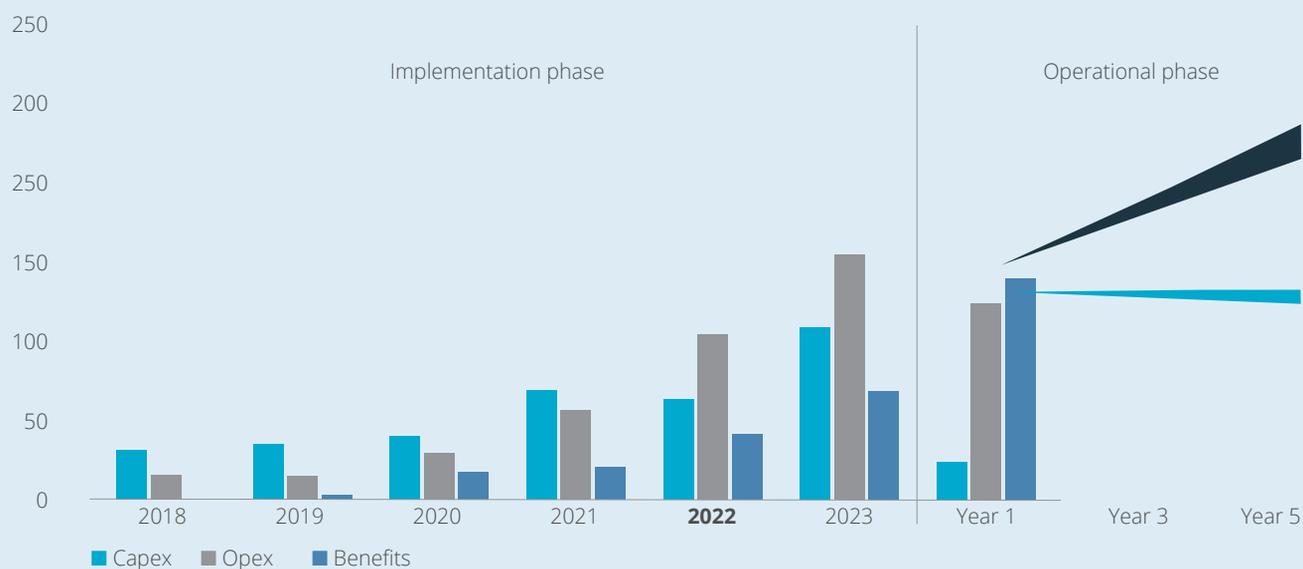
Doctor adoption of CareOn

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

Investment in key digital and data projects (Rm)

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

CareOn trajectory of planned benefits (Rm)



Human and intellectual capital

Digital transformation and data continued

Digital platforms and data enablement

Customer engagement model	Electronic medical records	Translating data into actionable knowledge
<p>Strategic project The central CEM platform maintains consistent and accurate personal information and, once complete, will act as the authoritative source for all person-related data. For patients, the CEM platform will generate a single, full view of their interaction within the Netcare ecosystem – a unified EMR – which they can access on a user-friendly app or website. The broader public will be able to engage with our full ecosystem of services.</p>  <p><i>MyNetcare Online: PG 106.</i></p>	<p>Strategic project</p> <p>Doctors and nurses: EMRs provide access to real-time, accurate information anytime and anywhere. Access to the same clinical data for a patient, enables healthcare practitioners to collaborate and coordinate care to achieve better healthcare outcomes. Doctors are able to electronically request nursing interventions and order and receive results of diagnostic tests. For nurses, the EMR automatically records clinical data from monitors in ICU and high care, replacing manual, paper-based recordkeeping and removing fragmented clinical records. This allows for more time to be spent caring for patients.</p> <p>Patients: seamless access to their EMR will assist patients to make informed decisions and take co-responsibility for their health.</p> <p>Netcare: EMRs will provide the Group with rich clinical data to inform more efficient treatment pathways, enhance clinical outcomes and, most importantly, improve the safety of care. The EMR will become a valuable operational management tool.</p>	<p>The availability of rich data gained from our digital implementations, together with various analytics techniques, will help us address operational challenges and improve efficiencies, develop solutions that proactively detect and manage disease and, in the future, develop personalised patient engagement models.</p> <p>Effective data management is the backbone to successfully delivering our business strategy.</p>

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

FY2022 performance

CEM platform	<ul style="list-style-type: none"> The Medicross Elixir Live system and National Renal Care's nephroOn system are being onboarded on the CEM platform with three other digital systems (Hospital Division SAP, Netcare 911 case data and MyNetcare Online) already enabled.
Hospital Division	<ul style="list-style-type: none"> Strategic project CareOn has been fully implemented in 21 hospitals, covering 227 wards, 188 theatres and over 4 800 beds. A further 17 hospital implementations are planned for the end of 2023 and the remaining hospitals will implement CareOn by April 2024. Strategic project Completed the Hospital Division's Wi-Fi infrastructure and firewall project in June 2022. We are starting to measure user competency of CareOn and helping doctors and nurses to master the platform. CareOn realised savings of R37 million, which are expected to increase significantly in FY2023. The platform will be value accretive from the second half of FY2024 (net of expenses). Robotic processes have eliminated manual processing in the central payments division.
Cancer Care	<ul style="list-style-type: none"> The project to automate the billing of radiotherapy treatments was completed. A digital platform for chemotherapy units is under development.
Netcare Akeso	<ul style="list-style-type: none"> Strategic project The implementation of three Akeso CareOn modules was completed across all 13 facilities, including the newly opened Netcare Akeso Richards Bay. Additional modules, including the doctors module co-created with psychiatrists, will be rolled out by December 2022.
Netcare 911	<ul style="list-style-type: none"> We installed telemetry enabled monitors across the Netcare 911 fleet, so that a patient's vital statistics can be electronically sent from an ambulance to the receiving facility, preparing emergency department teams in advance of a patient's arrival.
Primary Care Division	<ul style="list-style-type: none"> The implementation of the integrated practice management system, Elixir Live, has been successfully completed. Strategic project The roll out of Netcare Medicross' EMR, Medicross HEAL, was completed for all targeted GP and dental centres by September 2022. Feedback suggests that the platforms are viewed positively by doctors, dentists and employees. Netcare Occupational Health's EMR platform – Care@Work – offers person centred health and care services in the corporate environment. Clients can customise Care@Work to meet their specific needs and it is job specific, providing a personal occupational risk profile for each employee. Phase 1 (booking solution, clinical solution and customer surveys) is complete and Phase 2 (occupational risk exposure, work-related and chronic disease management, among others) is scheduled for completion in December 2022.
National Renal Care	<ul style="list-style-type: none"> Strategic project National Renal Care's EMR project, nephroOn, was completed in March 2022, implemented in all units and functioning on over 950 dialysis machines. An update of National Renal Care's mobile app, linking it to nephroOn, was released at the same time (see page 144). The app is the forerunner of our strategy to streamline the patient experience and provide patients with their health and care data. Wi-Fi infrastructure was rolled out to all National Renal Care units.
One Netcare website	<ul style="list-style-type: none"> Strategic project Five key projects were prioritised for development on the One Netcare website: improving the quality of care webpages, the re-design and consolidation of existing divisional websites into one single platform (Netcare.co.za), a re-design of our services pages and home page, and the implementation of smart search functionality across the Netcare ecosystem. Netcare appointmed[™], NetcarePlus and online pre-admissions are driving website visits. We shifted our social media strategy from prioritising reach and awareness to driving engagement and building a base of followers.
Data management and analytics	<ul style="list-style-type: none"> Data profiling, data quality monitoring and remediation actions were implemented for the Group's critical data, resulting in a combined data quality score of 81.3% against a FY2022 target of over 80.0% across our data domains. Initiatives were implemented to support the effective management of data through its lifecycle. A number of data and analytics solutions were developed using data from various digital and EMR platforms. We also implemented tools to enhance the reporting of our clinical measures, and extract key insights from our patient feedback survey (see page 104 of <i>our patients</i>) and other digital platforms.
IT skills	<ul style="list-style-type: none"> An external benchmark was conducted for IT and data skills which indicated that our value proposition for IT professionals compares well to the market.

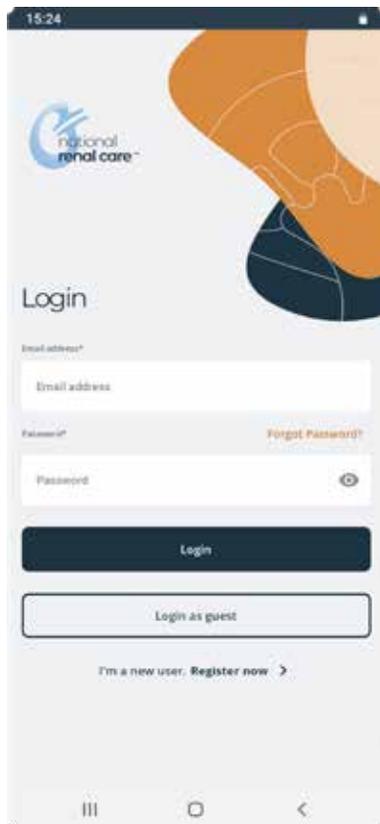
Human and intellectual capital

Digital transformation and data continued

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

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

National Renal Care



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

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



Cybersecurity and privacy

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

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

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

FY2022 performance

Cybersecurity and privacy

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

Governance of personal information

33

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

56

POPIA working group members.

POPIA training

>15 300

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

POPIA assessments

10

internal POPIA assessments undertaken across divisions.

Six

assessments against the European Union General Data Protection Regulations.

213

third-party assessments.

Human and intellectual capital

New business development

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

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

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

Key focus areas for FY2022

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

Associated risks and opportunities

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

Key takeaways for FY2022

NetcarePlus cost base

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

Building NetcarePlus

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

Netcare Diagnostics

The benefits of our new pathology offering include a high level of accuracy, point-of-care testing and reduced cost of pathology. During FY2022, the business gained traction and made a positive contribution to EBITDA¹.

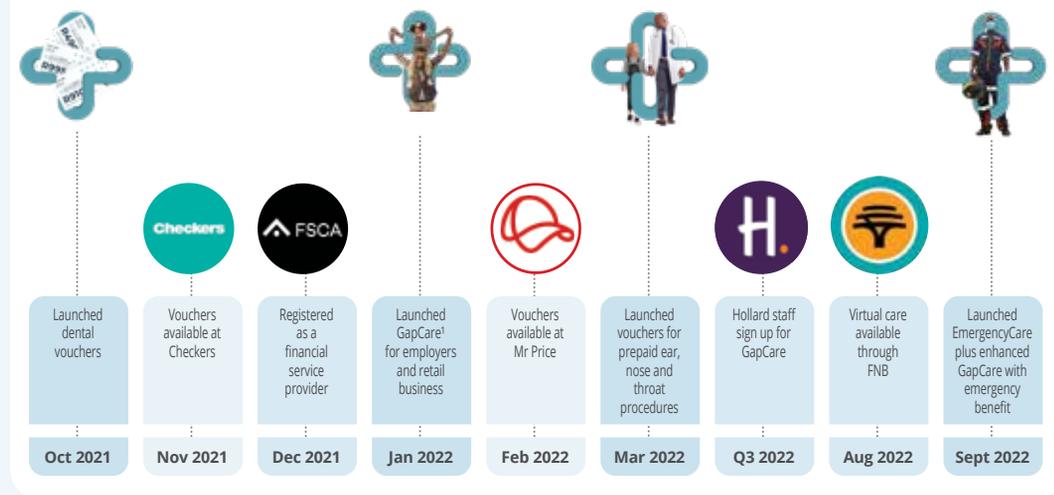
1. Earnings before interest, taxes, depreciation and amortisation (EBITDA).

FY2022 performance

NetcarePlus

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

NetcarePlus progress in FY2022



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

NetcarePlus voucher sales



NetcarePlus insurance sales



Human and intellectual capital

New business development continued

Netcare Diagnostics

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

Looking forward

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



Manufactured capital

Estate and medical equipment

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

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

Key focus areas for FY2022

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

Associated risks and opportunities

- 6 **Delivering consistently outstanding person centred health and care**  PG 65
- 11 **Competitor activity**  PG 70

Key takeaways for FY2022

Capital expenditure in FY2022

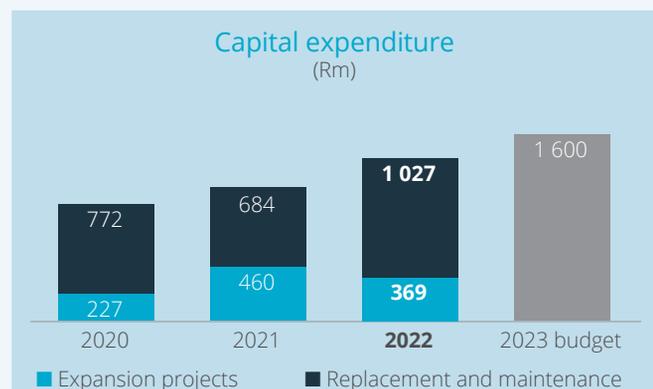
Capital expenditure in FY2022 totalled R1.4 billion, meeting budget. Key projects were the Netcare Alberton Hospital, the Hospital Division's Wi-Fi and firewall project, and an IT clinical system project (FY2021: R1.1 billion).



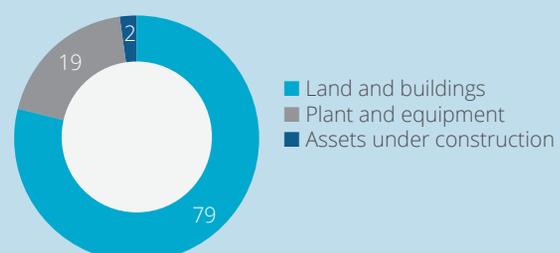
Chief financial officer's review: PG 162

Capital expenditure guidance

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



Carrying value of property, plant and equipment (%)



Manufactured capital

Estate and medical equipment continued

FY2022 performance

Hospital Division

- No new beds were commissioned.
- We upgraded Netcare Garden City (ICU), Netcare Parklands (emergency department), Netcare Pretoria East (theatre HVAC¹ system), Netcare St Augustine's (foyer), Netcare Umhlanga (catheterisation laboratory) and Netcare Unitas (neonatal ICU) hospitals. We are also upgrading the emergency department of Netcare Ferncrest Hospital, which will take two years to complete.
- A new chemotherapy unit was opened at Netcare St Anne's Hospital in April 2022.
- The Netcare Ceres (28 beds), Netcare Bougainville (60 beds) and Netcare Optiklin (14 beds) hospitals were closed as they were not meeting our return on invested capital (ROIC) expectations. They are in the process of being sold.
- Major hospital projects planned for FY2023 will focus on medical equipment and monitors, and various upgrades of wards, theatres, emergency departments and infrastructure. Key projects include:
 - Expanding Netcare Milpark Hospital's oncology unit and upgrading the Gamma Knife unit.
 - A major theatre upgrade at Netcare St Augustine's Hospital.
 - Preparation for six major ward upgrades for Netcare Unitas Hospital (two upgrades a year) starting in FY2024.
 - A five-year upgrade project for Netcare Sunninghill Hospital.
 - A 35-bed medical ward upgrade at Netcare Parklane Hospital.
 - A cancer care unit at Netcare Alberton Hospital.

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

Netcare Alberton Hospital



Netcare Alberton Hospital opened in April 2022¹ with occupancies in excess of 80% to date.

427 beds including 135 ICU and high care beds.

Level I² accredited accident and emergency department.

Two emergency helicopter pads.

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

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

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

Netcare Akeso

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

National Renal Care

- National Renal Care opened a home therapy centre in Richards Bay and a paediatric centre in Sandton in October 2022 with five stations.

Looking forward

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

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

How we performed

Natural capital

Environmental sustainability

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

2030 environmental sustainability strategy

2030 environmental development goals

1 Best practice	2 Global leader	3 Sustainable resource management
<ul style="list-style-type: none"> Comply with 2030 global best practices including science-based targets and carbon budget goals. 	<ul style="list-style-type: none"> Be a global leader in healthcare sustainability solutions. 	<ul style="list-style-type: none"> Drive long-term security, efficiencies and cost savings for the business through sustainable resource management.

OUR 2030 TARGETS

Achieve zero Scope 2 emissions	Reduce Scope 1 and Scope 3 emissions	
 Energy	 Waste	 Water
Achieve 100% renewable energy	Achieve zero waste to landfill	Achieve a further 20% reduction in water consumption
Achieve further energy reduction of 5% (off the FY2023 30% reduction target)		Significantly reduce our impact on the limited freshwater sources in SA

 Detailed review of our environmental sustainability strategy: ESG report.

KEY INITIATIVES TO ACHIEVE THESE GOALS

 <p>Pillar 1 Energy</p> <ul style="list-style-type: none"> • Energy wheeling project – 100% renewable energy. • Further energy efficiency projects. 	 <p>Pillar 2 Waste</p> <ul style="list-style-type: none"> • Zero waste to landfill strategies. • Healthcare risk waste (HCRW) innovative treatment solutions. • Zero cost recycling initiatives. 	 <p>Pillar 3 Water</p> <ul style="list-style-type: none"> • Harvesting greywater and blackwater and treating these to potable standards. 	 <p>Pillar 4 Plant maintenance</p> <ul style="list-style-type: none"> • Real-time plant monitoring and operation capability. • Increased operational efficiencies. • Preventative maintenance centred on predictive failure identification and predictive energy, waste and water performance anomalies.
 <p>Pillar 5 Green procurement</p> <ul style="list-style-type: none"> • Netcare's Green Procurement Policy. 	 <p>Pillar 6 Carbon offsets</p> <ul style="list-style-type: none"> • Scope 1 offset projects. • Scope 3 offset projects. 	 <p>Pillar 7 Awareness</p> <ul style="list-style-type: none"> • Stakeholder awareness initiatives and marketing campaigns. 	

Key focus areas for FY2022

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

Associated risks and opportunities

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

Key takeaways for FY2022

Environmental sustainability projects

204 environmental sustainability projects¹ have been initiated across the Group since FY2013. 98% of our investment has been in energy efficiency projects.

Investment in key strategic projects

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

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

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

Net present value

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

How we manage our environmental impact

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

1. A total of 30 projects are still active.

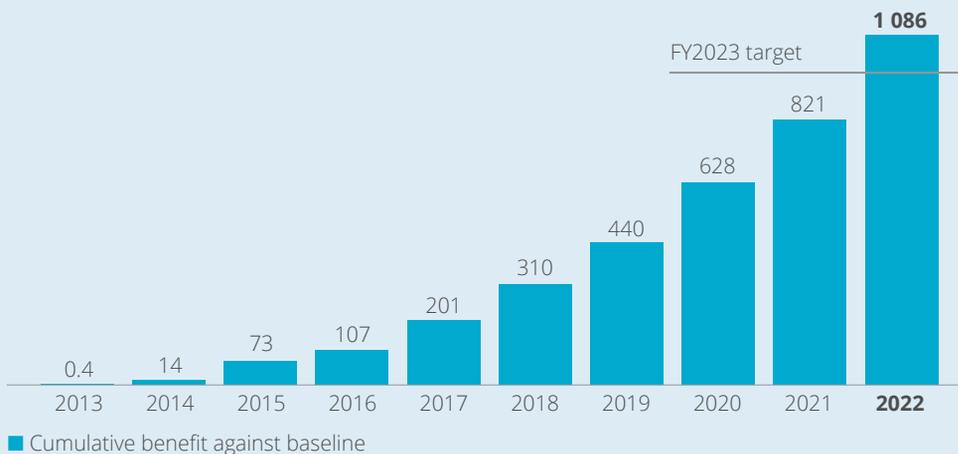
Natural capital

Environmental sustainability continued

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

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

Operational savings achieved since FY2013 (Rm)



R265 million

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

Performance against sustainability-linked bond targets

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

	Description	Baseline (2020)	Target (March 2023)	Status	Performance
Energy efficiency	Reduction in electricity consumption by source	210.9GWh	205.8GWh (2.4% reduction)	Target exceeded	192.0GWh (9.0% reduction)
Renewable energy	Renewable energy procured	0GWh	10GWh a year	Target exceeded	Purchased 15GWh , redeemed February 2022.
GHG emissions	Absolute reduction in Scope 2 emissions	203 514 tCO ₂ e	189 014 tCO ₂ e (7.1% reduction)	Target exceeded	187 592 tCO₂e (7.8% reduction)
Water efficiency	Amount of greywater recycled	0	10 000kl a year	Target exceeded	27 043kl



Energy and emissions

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

FY2022 performance

Energy and emissions

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

Renewable energy

15.6GWh

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

FY2021: 15.6GWh saving R26 million

Electricity

35%

reduction in electricity usage per bed since FY2013.

FY2013: 28 442kWh¹

FY2023 stretch target: 30% reduction

R6 million

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

Carbon footprint

38%

decrease in Scope 1 and Scope 2 emissions from 33.6 tCO₂e per bed per year in FY2013 to 20.8 tCO₂e.

FY2021: 21.8 tCO₂e per bed per year

1. Kilowatt hour (kWh).

How we reduced our energy intensity (%)

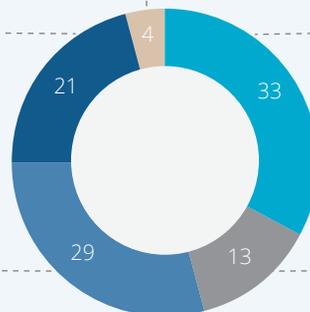
Renewable energy

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

Energy efficient lighting systems

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

Other projects



Heating, ventilation and air-conditioning (HVAC)

the main driver of electricity consumption in our facilities.

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

Water heating systems

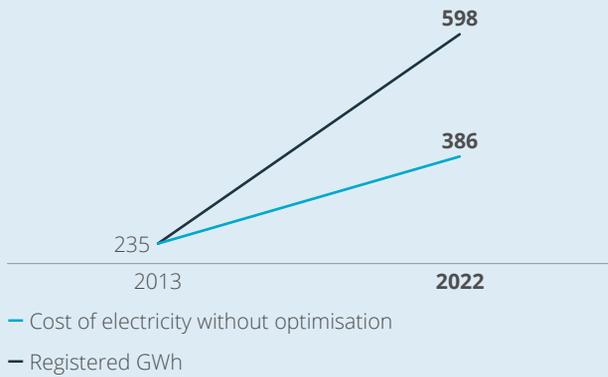
make up approximately 9% of our energy consumption.

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

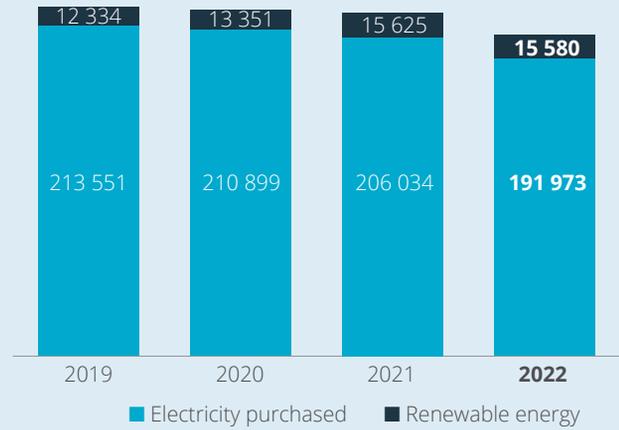
Natural capital

Environmental sustainability continued

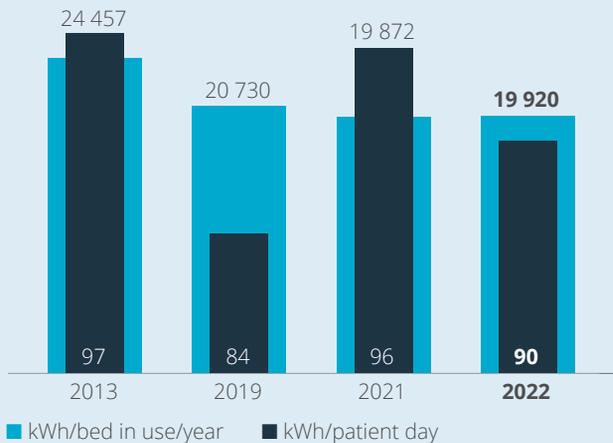
Optimisation impact from energy saving initiatives (Rm)



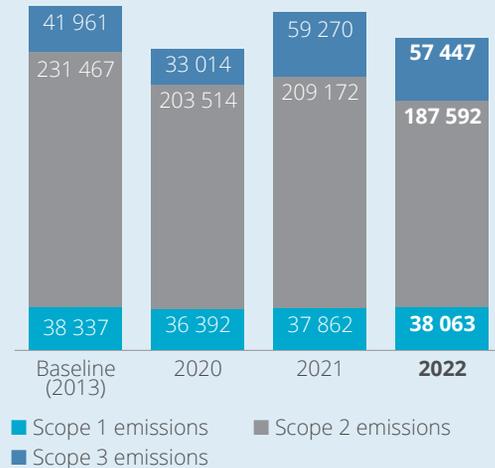
Energy consumption (kWh)



Electricity intensity on monitored facilities



Carbon emissions (tCO₂e)



Energy and carbon footprint

	Unit	2022	% change	2021	2020	Baseline (2013)
Energy use¹						
Total energy consumed	gigajoules	925 719	(3.0%)	954 692	956 560	1 038 540
CO₂ emissions						
Total Scope 1, 2 and 3 emissions	tCO ₂ e	283 102	(7.6%)	306 304	272 920	311 765
CO₂ intensity ratios						
Ratio of Scope 1 and 2 to:						
– Revenue	tCO ₂ e/Rm	10.43	(10.5%)	11.65	12.73	20.09
– Registered beds	tCO ₂ e/bed	20.82	(4.6%)	21.82	21.23	33.56

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

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

Looking forward

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

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

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

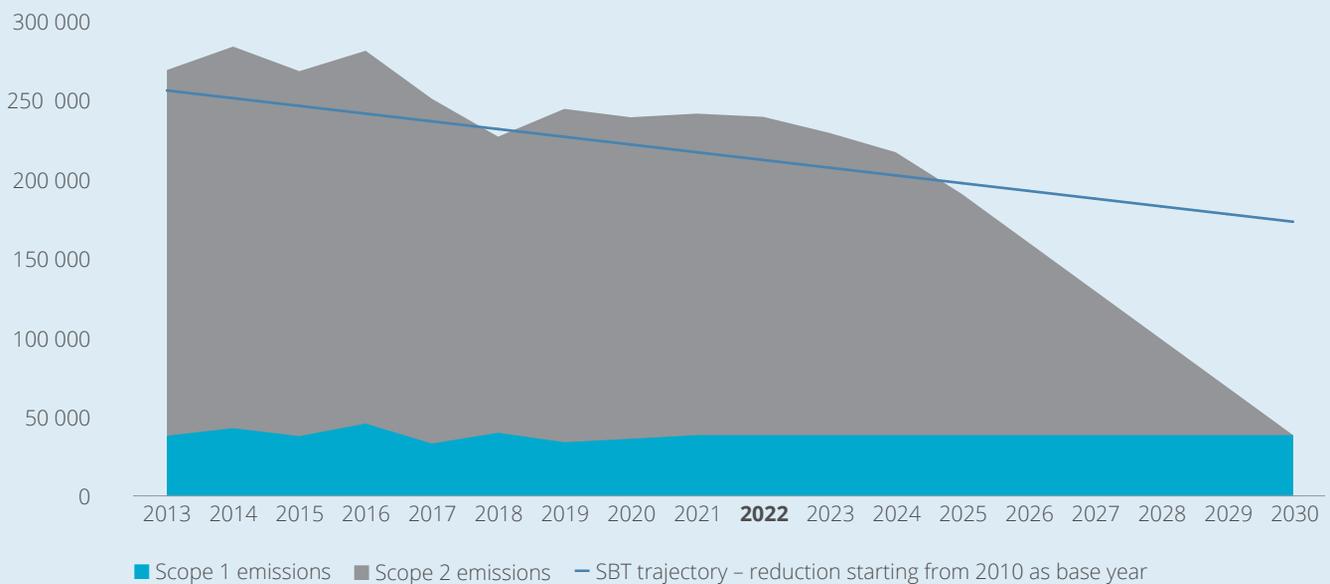
Battery energy storage solutions (BESS) provide cost advantages by storing energy in the off-peak periods and discharging in the peak periods as well as powering hospitals during load shedding. We will pilot a BESS system to understand the potential savings and benefits.



How we performed

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

(tCO₂e)



Natural capital

Environmental sustainability continued



Waste

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

FY2022 performance

Waste

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

All waste

13%

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

FY2021: 9 406 tonnes

HCRW

6% (285 tonnes)

of HCRW treated and recycled¹.

FY2022 target: 6%

FY2022 stretch target: 6.5%

16.5 tonnes

of PVC² waste recycled.

FY2022 target: 10.9 tonnes

See the *My Walk* project: PG 122.

Waste projects

Eight

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

1. Reported for the first time in FY2022.

2. PVC waste includes uncontaminated IV drip bags, oxygen masks and tubing.

Key data: waste management

	Unit	2022	% change	2021	2020	Baseline (2017) ¹
HCRW						
– Incinerated	tonnes	75	(41.9%)	129	140	72
– Treated and landfilled	tonnes	5 150	(19.4%)	6 391	4 992	4 630
General waste (landfilled)	tonnes	2 960	2.6%	2 886	5 106	4 692
Total waste²	tonnes	8 185	(13.0%)	9 406	10 238	9 394
Recycled waste	tonnes	1 093	17.1%	933	1 830	1 791
Ratio of total waste generated to:						
– Revenue	kg/Rm	378	(14.9%)	444	543	491
– Registered beds	kg/bed ³	755	(9.1%)	831	906	886

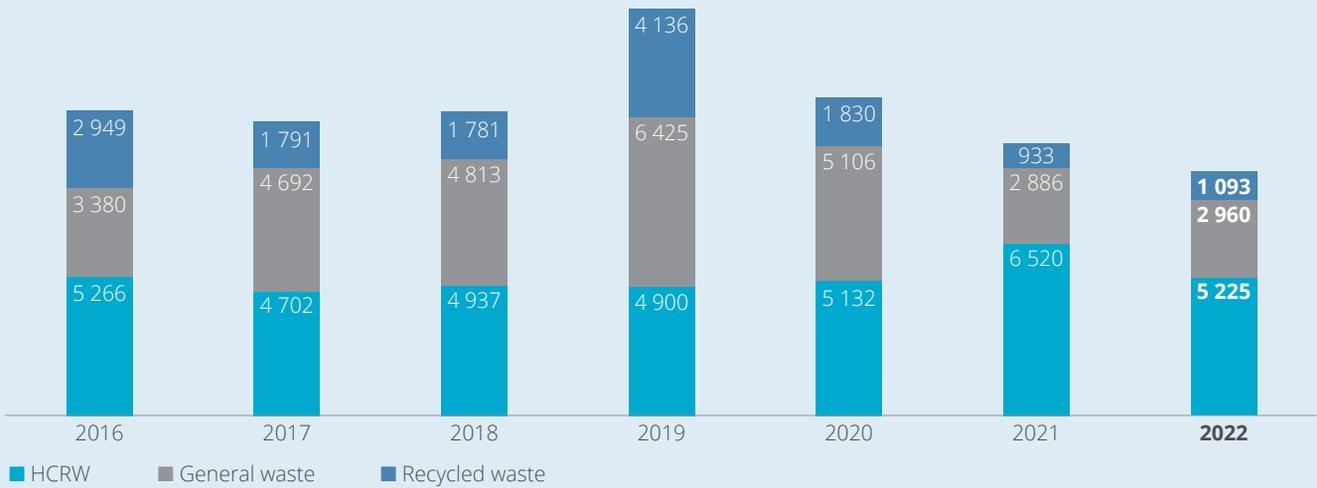
Note: data covers SA and Lesotho for FY2020 and FY2021 and only SA for FY2017 and FY2022.

1. Now reporting against official baseline indicating when initiatives were implemented rather than FY2013 values.

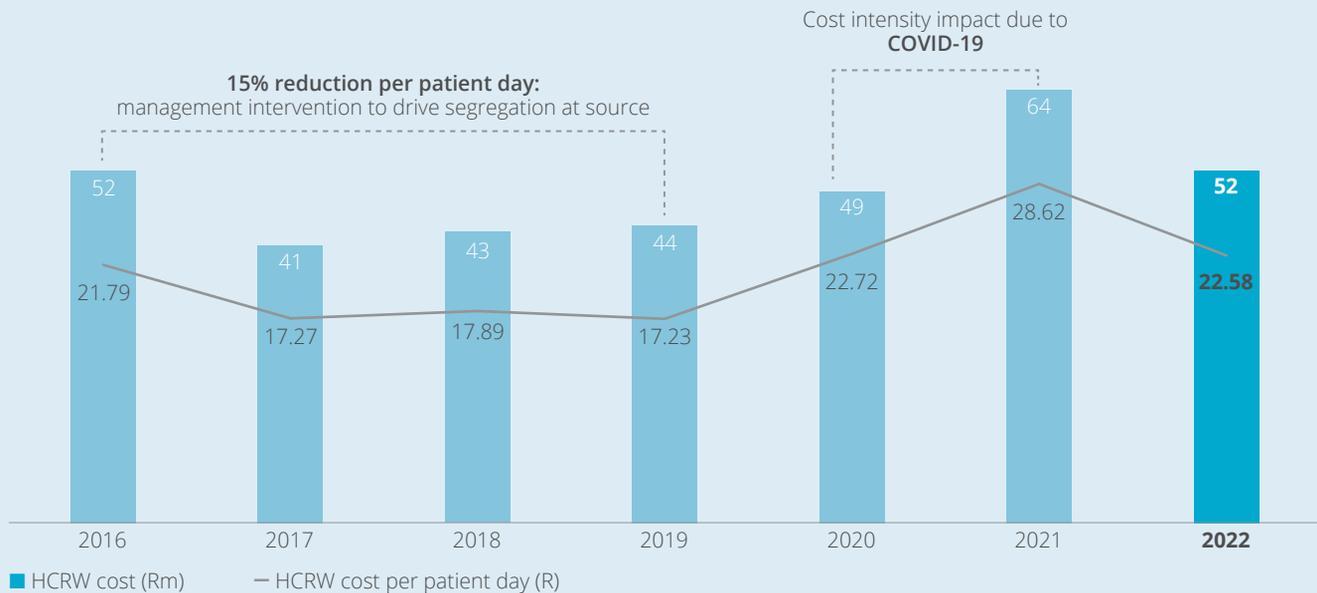
2. Total waste excludes recycled waste.

3. Registered bed for the Hospital Division and Netcare Akeso.

Volumes of waste (tonnes)



HCRW cost and HCRW cost per patient day



Looking forward

Some of our initiatives to reduce our waste to landfill include:

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

Natural capital

Environmental sustainability continued



Water

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

FY2022 performance

Water

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

Water consumption

17%

reduction in water usage per bed per year from 216kl in FY2014 to 180kl per bed in FY2022¹.

FY2021: 167kl

Water recycled

27 043kl

water recycled.

FY2021 target: 21 931kl

FY2022 stretch target: 22 345kl

Netcare Alberton Hospital

50 000kl

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

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

2. Reported for the first time in FY2022.

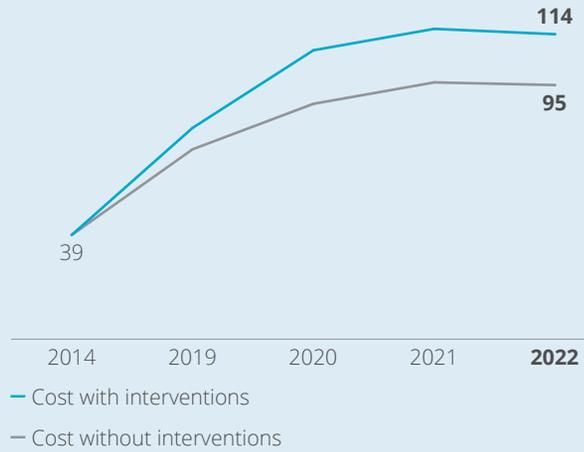
Water	Unit	2022	% change	2021	2020	Baseline (2014 ³)
Municipal water consumption	kl	1 953 678	3.1%	1 895 020	1 878 400	2 035 101
Ratio of total water to:						
– Revenue	kl/Rm	90	1.1%	89	100	125
– Registered beds	kl/bed	180	7.8%	167	166	216

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

Water reduction (litres per bed per day)



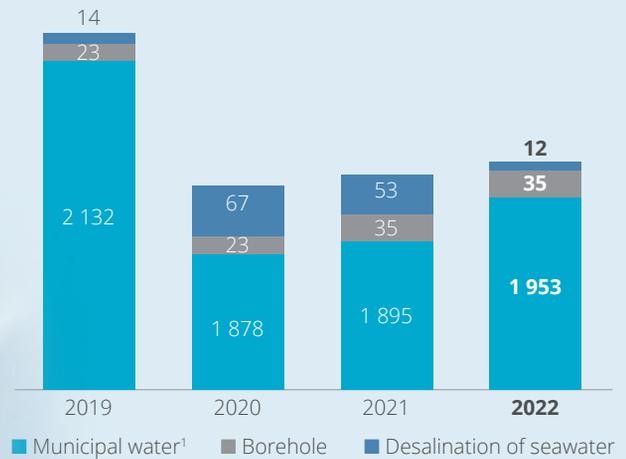
Optimisation impact from water saving initiatives (Rm)



Looking ahead

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

Water consumption (megalitres)



1. Includes Lesotho up to FY2021.



How we performed

Financial capital

Chief financial officer's review

Value delivered in FY2022

The value we create for our investors

- **FC** A defined framework for optimal capital structure, disciplined capital allocation and granular measurement of returns.
- **SRC/HIC** Access to an experienced Board and leadership team.
- **SRC/HIC** Solid track record of operational excellence over time.
- **FC** A strong balance sheet to support business continuity and growth.
- **SRC/HIC** A digitisation strategy that will deliver a sustainable competitive advantage.

Value created, preserved or eroded

<ul style="list-style-type: none"> • Ongoing recovery in financial performance as operating environment normalises • Robust operating leverage driven by improved occupancy and cost efficiencies • Stronger statement of financial position allows for continued investment in facilities and key strategic projects 	Revenue R21 636 million ▲ 3.0% ✓
	EBITDA¹ R3 496 million ▲ 9.5% ✓
	EBITDA margin 16.2% ▲ 100 basis points ✓
	Cash conversion ratio 113.0% ✓
R728 million FY2021: Rnil	Distributed to ordinary shareholders <ul style="list-style-type: none"> • Interim dividend – 20.0 cents ✓ • Final dividend – 30.0 cents ✓ • Total dividend – 50.0 cents ✓
23.4% increase	In adjusted headline earnings per share (HEPS) to 83.2 cents (FY2021: 64.7 cents). ✓
R19 743 million FY2021: R23 312 million	Market capitalisation. ✗
8.8% FY2021: 7.9%	Return on invested capital (ROIC). ✓
R4 875 million FY2021: R5 331 million	Net debt with a net debt to EBITDA ratio of 1.4 times (FY2021: 1.7 times). ✓
AA- FY2021: AA-	Credit rating long term and A1+ short term by Global Credit Ratings Co. ○

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

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

✓ Value created
○ Value preserved
✗ Value eroded

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



Keith Gibson

Introduction

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

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

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

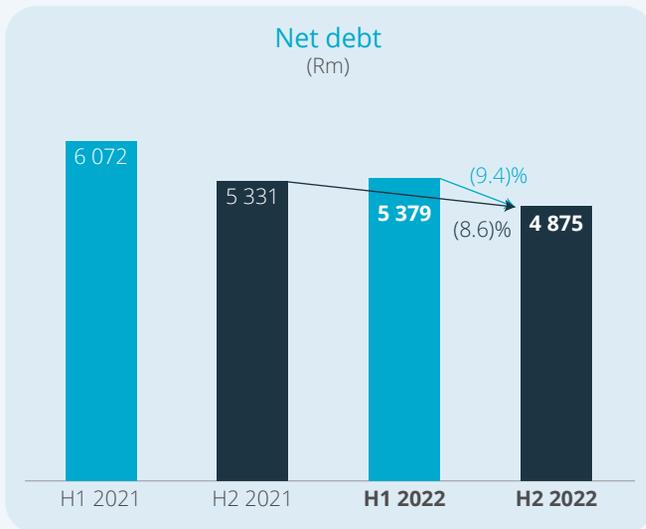
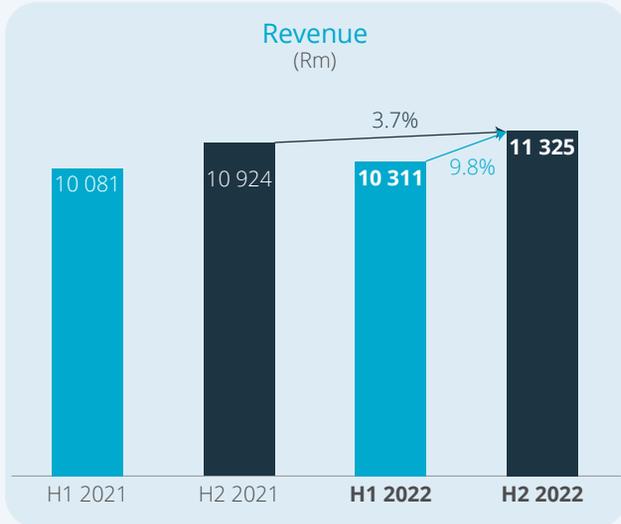
Strong cash generated allowed further debt reduction, with net debt down to R4.9 billion. At 30 September 2022, the Group had cash resources and committed undrawn facilities of R3.5 billion available for any future funding and liquidity requirements.

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

Financial capital

Chief financial officer's review continued

H1 and H2 comparison for FY2022 and FY2021



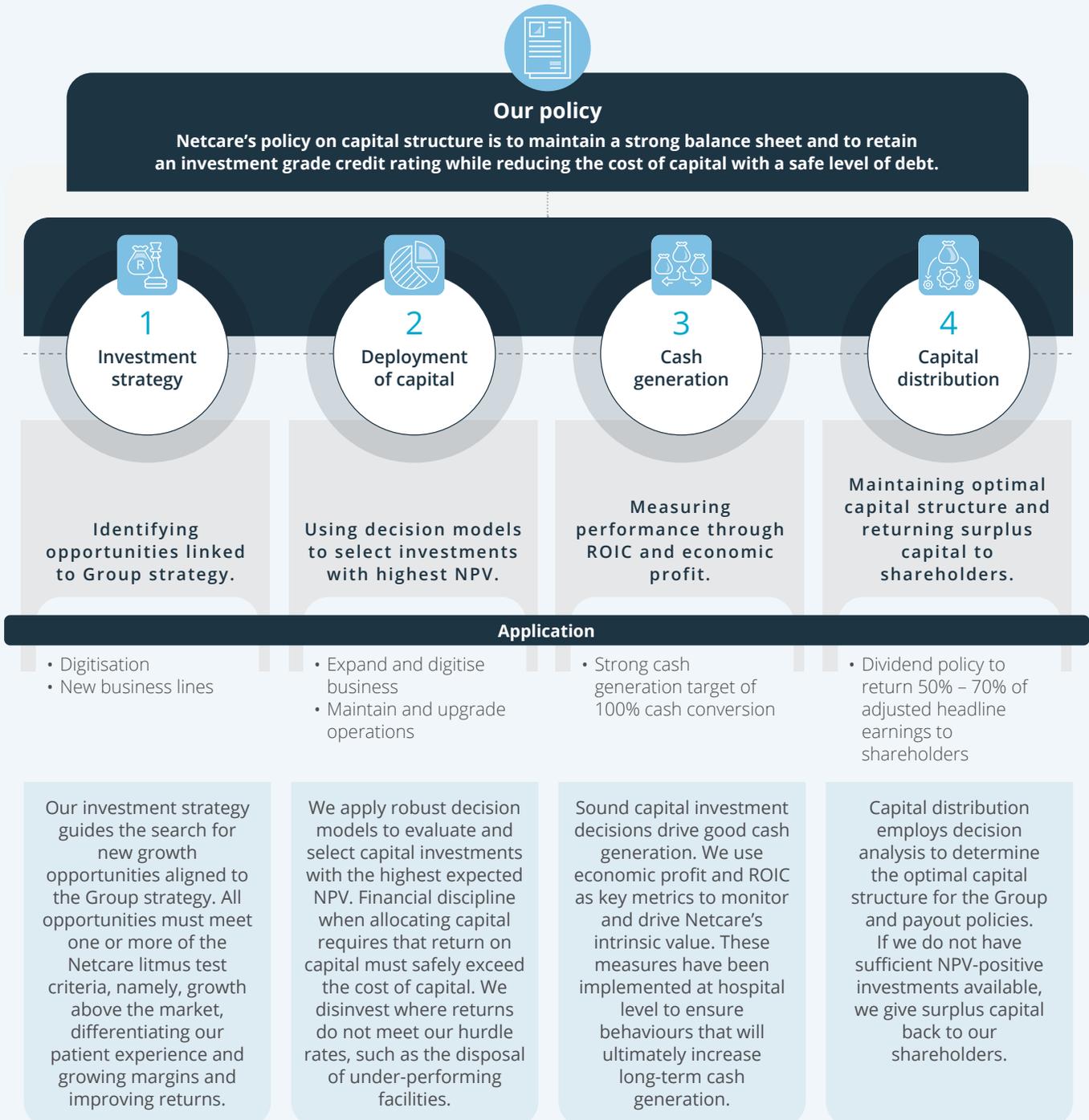
Shareholder returns

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

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

Disciplined capital management approach

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



Financial capital

Chief financial officer's review continued

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

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

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

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

Analysis of financial performance

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

Rm	30 September 2022	30 September 2021	% change
Normalised revenue ¹	21 636	21 005	3.0
Normalised EBITDA ¹	3 496	3 193	9.5
Normalised operating profit ¹	2 293	2 025	13.2
Normalised profit before taxation¹	1 545	1 284	20.3
Normalised taxation ¹	(460)	(380)	(21.1)
Normalised profit after taxation ¹	1 085	904	20.0
Exceptional items:			
Lesotho PPP termination		(35)	
Impairment of properties	(11)	(73)	
Change in corporate tax rate	(24)		
Taxation on exceptional items		(36)	
Profit for the year	1 050	760	38.2
Adjusted HEPS (cents)	83.2	67.4	23.4
ROIC (%)	8.8	7.9	

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

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

Operational performance

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

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

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

Financial capital

Chief financial officer's review continued

Hospital and emergency services

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

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

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

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

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

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

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

Primary Care

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

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

Statement of financial position

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

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

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

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

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

Net debt

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

1. Normalised to exclude impact of exceptional items.

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

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

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



1. Promissory notes, commercial paper and bank loans.

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

Financial capital

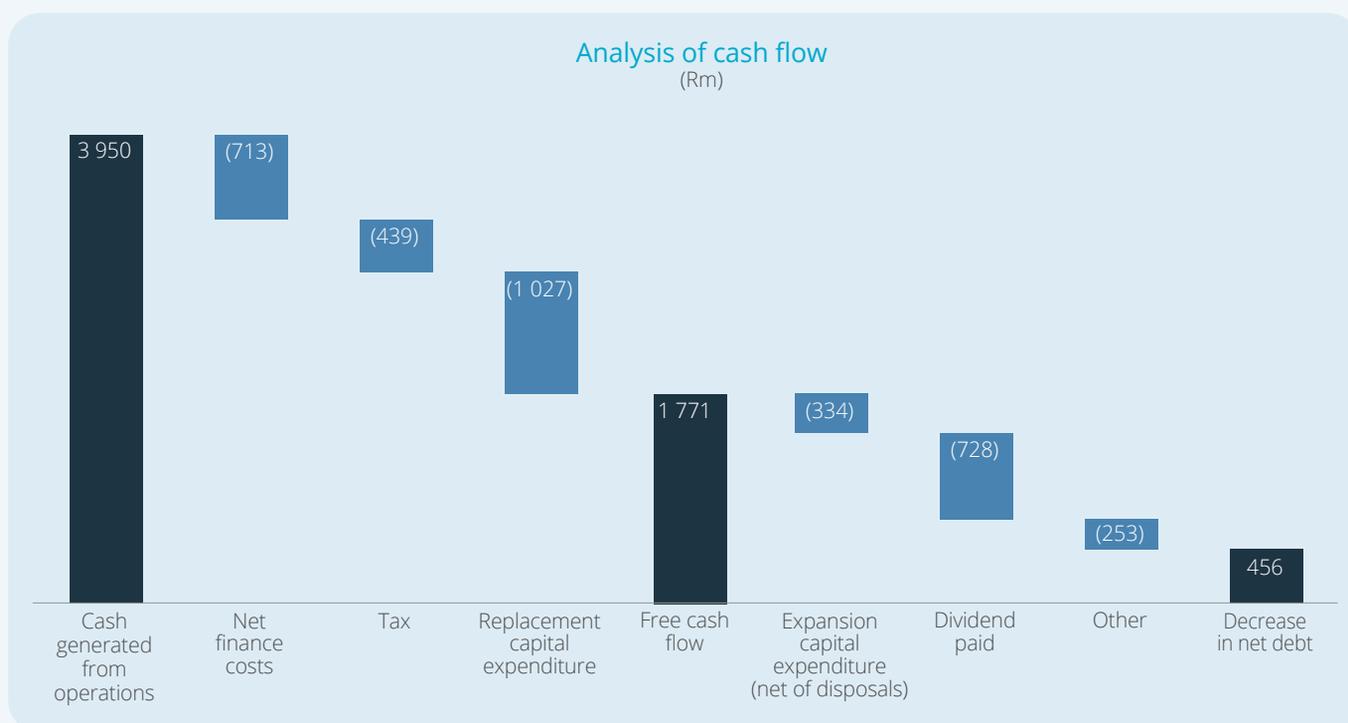
Chief financial officer's review continued

Statement of cash flows

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

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

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



Outlook

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

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

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

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

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

Appreciation

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



Keith Gibson
Chief Financial Officer

Financial capital

Five-year review

Rm	2022	2021	2020	2019	2018
Summarised statement of financial position					
Assets					
Property, plant and equipment	13 469	12 915	12 665	12 541	12 098
Right of use assets	3 770	3 600	3 755	–	–
Goodwill and intangible assets	1 843	1 806	1 804	1 781	1 749
Deferred taxation	1 040	987	812	512	447
Other non-current assets	710	718	858	1 057	1 006
Total non-current assets	20 832	20 026	19 894	15 891	15 300
Total current assets¹	5 438	5 595	6 050	5 524	5 464
Total assets	26 270	25 621	25 944	21 415	20 764
Equity and liabilities					
Total shareholders' equity	10 944	10 589	9 799	10 235	10 415
Long-term debt	5 265	4 936	6 761	5 061	5 114
Long-term lease liabilities	3 906	3 588	3 546	–	–
Financial liabilities	–	32	64	44	21
Deferred taxation	319	309	288	238	210
Other non-current liabilities	555	545	469	541	582
Total non-current liabilities	10 045	9 410	11 128	5 884	5 927
Total current liabilities²	5 281	5 622	5 017	5 296	4 422
Total equity and liabilities	26 270	25 621	25 944	21 415	20 764
Summarised statement of cash flows					
Cash generated from operations before working capital changes	3 723	3 560	2 887	4 516	4 570
Working capital changes	227	234	(1 395)	372	(343)
Cash generated from operations	3 950	3 794	1 492	4 888	4 227
Interest paid on debt	(419)	(441)	(580)	(602)	(729)
Interest paid on lease liabilities	(409)	(371)	(367)	–	–
Taxation paid	(439)	(618)	(601)	(967)	(916)
Ordinary dividends paid by subsidiaries	(25)	(19)	(11)	(21)	(23)
Ordinary dividends paid	(728)	–	(860)	(1 454)	(1 388)
Special dividends paid	–	–	–	(542)	–
Preference dividends paid	(38)	(39)	(54)	(54)	(55)
Distributions to beneficiaries of the HPFL ³ trusts	(8)	(1)	(11)	(26)	(21)
Net cash from operating activities	1 884	2 305	(992)	1 222	1 095
Net cash from investing activities	(1 248)	(1 026)	58	(1 125)	(3 087)
Net cash from financing activities	(597)	(1 269)	653	265	884
Increase/(decrease) in cash and cash equivalents	39	10	(281)	362	(1 108)
Translation effects on cash and cash equivalents of foreign entities	–	–	–	–	(81)
Cash and cash equivalents at beginning of year	1 456	1 446	1 727	1 365	2 525
Cash and cash equivalents related to assets held-for-sale	–	–	–	–	29
Cash and cash equivalents at end of year	1 495	1 456	1 446	1 727	1 365

1. Includes assets held for sale.

2. Includes liabilities held for sale.

3. Health Partners for Life.

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

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

Financial capital

Five-year review continued

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

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

2. Based on continuing operations and excluding extraordinary items.

3. Adjusted headline earnings per share divided by total dividends per share.

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

1. Owned and managed entities.

2. Excludes Netcare Bell Street, Netcare Bougainville, Netcare Ceres, Netcare Optiklin, Netcare Rand, Port Alfred and Settlers hospitals.

3. Year-on-year growth.

Financial capital

Five-year review continued

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

1. Includes PPPs.

2. Inclusive of bursaries.

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

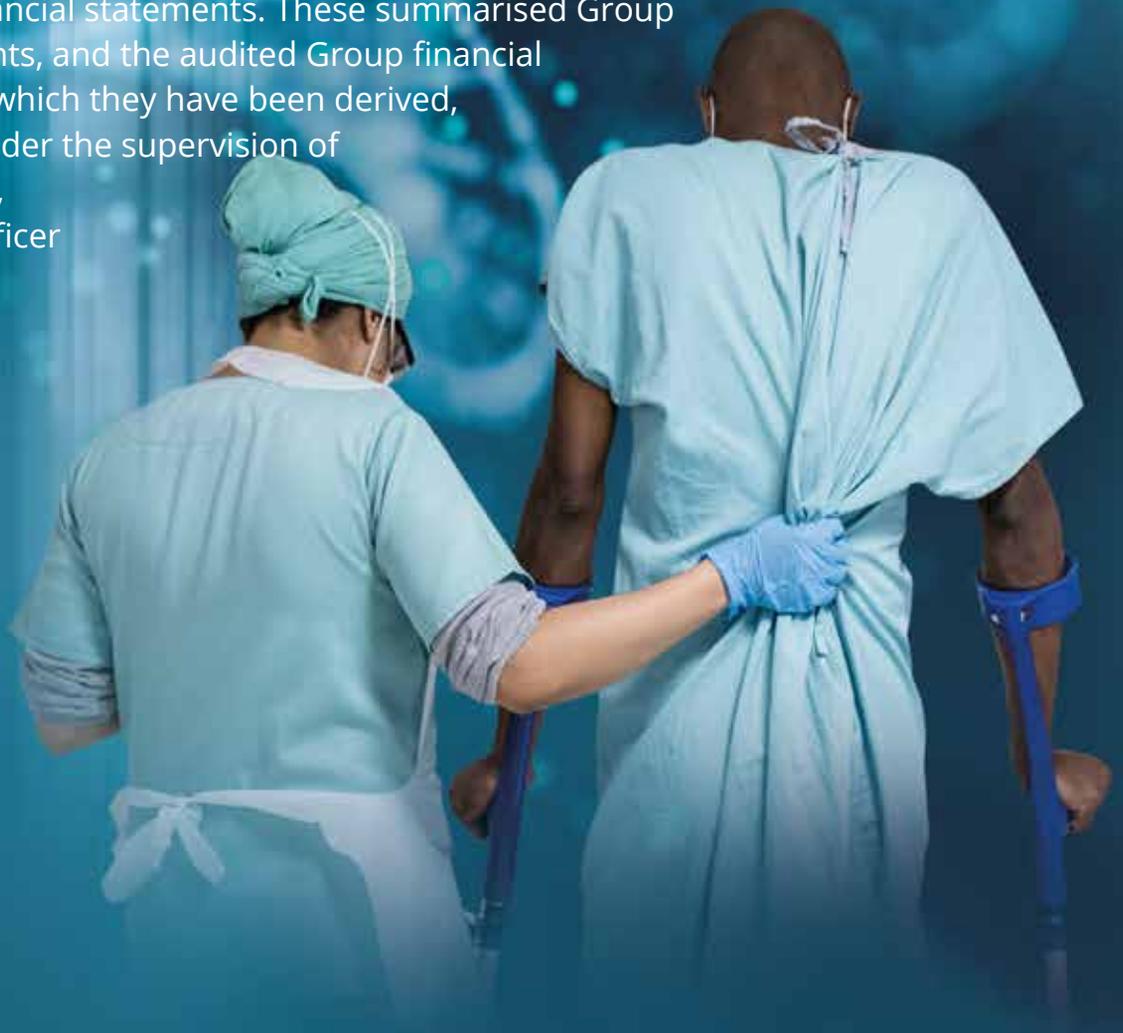
1. Based on shares in issue.

2. Based on continuing operations.

Summarised Group annual financial statements

for the year ended 30 September 2022

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



The summarised consolidated annual financial statements comprise:

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

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

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

Operating activities

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

- **Hospital and emergency services**

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

- **Primary Care**

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

Going concern

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

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

Accounting policies

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

Report of the independent auditor's

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

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

Financial capital

Summarised Group annual financial statements continued

Summarised Group statement of profit or loss

for the year ended 30 September

Rm	2022	2021
Revenue¹	21 636	21 200
Cost of sales	(11 085)	(10 748)
Gross profit	10 551	10 452
Other income	435	330
Administrative and other expenses	(8 524)	(8 518)
Impairment of financial assets	(180)	(188)
Operating profit	2 282	2 076
Investment income	115	116
Finance costs	(885)	(903)
Other financial gains – net	1	1
Attributable losses of associates	(23)	(147)
Attributable earnings of joint ventures	44	33
Profit before taxation	1 534	1 176
Taxation	(484)	(416)
Profit for the year	1 050	760
<i>Attributable to:</i>		
Owners of the parent	975	730
Preference shareholders	38	39
Profit attributable to shareholders	1 013	769
Non-controlling interest	37	(9)
	1 050	760
Cents		
Basic earnings per share	72.3	54.6
Diluted earnings per share	71.7	54.3

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

R249 million strategic project costs (2021: R172 million)

Lower average net debt offset by higher average cost of debt

R24 million impact of change in corporate tax rate

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

Summarised Group statement of comprehensive income

for the year ended 30 September

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

Financial capital

Summarised Group annual financial statements continued

Summarised Group statement of financial position

at 30 September

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

Summarised Group statement of cash flows

for the year ended 30 September

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

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

2. Below R1 million.

Financial capital

Summarised Group annual financial statements continued

Summarised Group statement of changes in equity

for the year ended 30 September

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

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

2. Transfer of treasury shares and share-based payment reserve in respect of vested shares.

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

Financial capital

Summarised Group annual financial statements continued

Headline earnings

for the year ended 30 September

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

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

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

1. Public Private Partnership.

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

Summarised segment report

for the year ended 30 September

Hospital and emergency services

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

Primary Care

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

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination ¹	Total
30 September 2022						
Statement of profit or loss						
Revenue	19 733	1 291	21 024	634	(22)	21 636
EBITDA²	3 211	111	3 322	163	—	3 485
Depreciation and amortisation	(929)	(183)	(1 112)	(91)	—	(1 203)
Operating profit	2 282	(72)	2 210	72	—	2 282
Additional segment information						
Impairment of property, plant and equipment	(13)	2	(11)	—	—	(11)

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination ¹	Total
30 September 2021						
Statement of profit or loss						
Revenue	19 465	1 152	20 617	595	(12)	21 200
EBITDA²	3 040	80	3 120	124	—	3 244
Depreciation and amortisation	(896)	(184)	(1 080)	(88)	—	(1 168)
Operating profit	2 144	(104)	2 040	36	—	2 076
Additional segment information						
Impairment of property, plant and equipment	(57)	(16)	(73)	—	—	(73)

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

2. Earnings before interest, tax, depreciation and amortisation.

Glossary

An explanation of some of the terms and abbreviations used in this integrated reporting suite is shown below.

AGM:	annual guaranteed meeting
AGP:	annual guaranteed package
AI:	artificial intelligence
app:	application
B-BBEE:	broad-based black economic empowerment
Board:	the Board of directors
BSC:	balanced scorecard
BSI:	British Standards Institution
CAGR:	compound annual growth rate
CDP:	formerly the Carbon Disclosure Project
CEO:	chief executive officer
CEM:	customer engagement model
CFO:	chief financial officer
CFROI:	cash flow return on investment
COVID-19:	Coronavirus disease 2019
CPD:	continuous professional development
CPI:	consumer price index
CSI:	corporate social investment
CTC:	cost to company
Dividend cover:	adjusted headline earnings per share dividend by total dividends per share
DoEL:	Department of Employment and Labour
DoH:	Department of Health
dtic:	Department of Trade, Industry and Competition
EAP:	economically active population
EBITDA:	earnings before interest, tax, depreciation and amortisation
EBITDA margin:	EBITDA expressed as a percentage of revenue
Effective tax rate:	taxation expressed as a percentage of profit before taxation
EMEs:	exempted micro enterprises
EMR:	electronic medical record
EMS:	emergency services
EOC:	Emergency Operations Centre

ESD:	enterprise and supplier development
ESG:	environmental, social and governance
FC:	financial capital
FNB:	First National Bank
FSP:	Forfeitable Share Plan
GDP:	gross domestic product
GGHH:	Global Green and Healthy Hospitals
GHG:	greenhouse gas
GJ:	gigajoules
GLEC:	governance, legal, ethics and compliance
GPs:	general practitioners
GRI:	Global Reporting Initiative
GWh:	gigawatt hours
HASA:	Hospital Association of South Africa
HBA:	hazardous biological agents
HCRW:	healthcare risk waste
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
HEPS:	headline earnings per share
HPCSA:	Health Professions Council of South Africa
HPFL:	Health Partners For Life
HVAC:	heating, ventilation and air-conditioning
HWSETA:	Health and Welfare Sector Education and Training Authority
ICAS:	Independent Counselling and Advisory Services
ICHW:	independent contracted healthcare workers
ICU:	intensive care unit
IFRS:	International Financial Reporting Standards
IIA:	Institute of Internal Auditors
IMF:	International Monetary Fund
Interest cover:	operating profit divided by net interest paid
IPC:	infection prevention and control

IPP:	independent power producer
ISO:	International Organization for Standardization
IT:	information technology
JSE:	JSE Limited
King IV:	King Report on Corporate Governance for South Africa (2016)
kg:	kilograms
kl:	kilolitres
kWh:	kilowatt hours
LTI:	long-term incentive
MC:	manufactured capital
MD:	managing director
MSR:	minimum shareholding requirements
MW:	megawatts
NC:	natural capital
NDoH:	National Department of Health
NEC:	necrotising enterocolitis
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
NGOs:	non-governmental organisations
NHI:	National Health Insurance (South Africa)
NPAT:	net profit after tax
NPV:	net present value
NQF:	National Qualifications Framework
OHS:	occupational health and safety
OHSC:	Office of Health Standards Compliance
PAB:	Physician Advisory Board
PCI:	personalised clinical information
PFS:	patient feedback survey
POPIA:	Protection of Personal Information Act
PPE:	personal protective equipment

PPPs:	Public Private Partnerships
PREMs:	patient reported experience measures
PROMs:	patient reported outcome measures
PV:	photovoltaic
PVC:	polyvinyl chloride
QSEs:	qualifying small enterprises
Return on equity:	profit for the year divided by average total shareholders' equity
ROCE:	return on capital employed
ROIC:	return on invested capital (normalised net operating profit after tax divided by average invested capital)
SA:	South Africa
SAICA:	South African Institute of Chartered Accountants
SANC:	South African Nursing Council
SBTi:	Science-based Target Initiative
SDG:	Sustainable Development Goals
SDP:	skills development period (ends March)
SHEQ:	safety, health, environment and quality management
SIP:	Single Incentive Plan
SMMEs:	small, medium and micro enterprises
SRC:	social and relationship capital
STI:	short-term incentive
TCFD:	Task Force on Climate-related Financial Disclosures
tCO₂e:	tonnes of carbon dioxide equivalent
UN:	United Nations
VON:	Vermont Oxford Network
YES:	Youth Employment Service
YoY:	year on year
WACC:	weighted average cost of capital
WHO:	World Health Organization

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

Charles Vikisi
Tel no: +27 (0) 11 301 0265
Charles.vikisi@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, a division
of Nedbank Limited
Third floor, F Block, Nedbank 135 Rivonia Campus
135 Rivonia Road
Sandown, Sandton, 2196

Transfer secretaries

CTSE Registry Services Pty Ltd
Block B, 5th Floor,
the Woodstock Exchange
66-68 Albert Road
Woodstock, 7925
netcare@4axregistry.co.za
Tel no: +27 (0) 11 100 8352

Auditors

Deloitte and Touche

Principal bankers

RMB Private Bank
Nedbank Limited

Website

www.netcare.co.za

Shareholders' diary

Annual general meeting	3 February 2023
------------------------	-----------------

Reports

Interim results announcement	May
Final results announcement	November

Dividends

Ordinary dividends

	Declared	Paid
Interim	May	June
Final	November	January

Preference dividend

Interim	April	May
Final	October	November

Disclaimer

Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Any forward-looking information contained in this 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.

The normalised information has been prepared for illustrative purposes only, is the responsibility of the directors, has not been reviewed or reported on by the auditors and, because of its nature, may not fairly represent Netcare's financial position.

Providing YOU with the best and safest care.

