






King IV¹ application register 2019

ETHICAL CULTURE



PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>1 Ethical leadership</p> <p>The governing body should lead ethically and effectively.</p>	<p>The Board's oversight of strategy rests on an ethical foundation and directors hold one another accountable for acting in the best interests of the Group. This entails the discharge of duties with integrity, competence, responsibility, fairness and transparency, in line with the values detailed in King IV.</p> <p>The Board's annual assessment of the performance of its committees, directors and executives includes a focus on ethical outcomes.</p> <p>The Board Charter also outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the company and declarations of conflicts of interest. The Board Chair monitors and oversees the assessment process as part of her duties.</p>	<p>Included in the independently researched FTSE/ JSE Top 30 Responsible Investment Index.</p> <p>Assessed by MSCI ESG Research Inc. and rated AA.</p>	<p> Full corporate governance report</p> <ul style="list-style-type: none"> Responsibilities of the Board: page 8. Social and Ethics Committee: page 15. Sustainability: page 21.
<p>2 Organisation values, ethics and culture</p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The Board, through the Social and Ethics Committee, is responsible for the governance of ethics. Netcare's Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain.</p> <p>The Board ensures the Code is consistently applied, and several initiatives are used to entrench the Code's principles and build and maintain a values-based culture beyond compliance, including training interventions and annual employee surveys.</p> <p>Group Forensics is mandated to investigate instances of fraud, theft, corruption, unethical behaviour and irregularities, and to provide pertinent information on these issues to the Group. Mechanisms are in place for stakeholders to report any such instances, and the anonymity of reporters is protected.</p> <p>Group Forensics evaluates all reported incidents to ensure proper investigation and action. Forensics reports summarising the defalcation register, fraud trends and material incidents are distributed to the Audit, Risk, Consistency of Care and Social and Ethics committees.</p>	<p>A governance, legal, ethics and compliance survey completed in 2019 across the Group confirmed that leadership is considered to act ethically and appropriately, coupled with a high level of awareness of ethics and related issues.</p> <p>Training on POPIA was provided to all employees in 2019.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> Physician partnerships: page 84. <p> Full corporate governance report</p> <ul style="list-style-type: none"> Responsibilities of the Board: page 8. Social and Ethics Committee: page 16. Ethics: page 20.

 Information contained in the 2019 Annual Integrated Report



 Information available in the online full governance report or other annexures on our investor relations website at www.netcare.co.za

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ETHICAL CULTURE continued

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>3 Responsible corporate citizenship</p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Quadruple Aim is the foundational principle of Netcare's strategic approach and sets out core objectives that balance the value of providing healthcare services with their cost to society. It underpins Netcare's essential contribution to the effectiveness of the national healthcare systems it serves and is the ultimate expression of the Group's corporate citizenship.</p> <p>The Board delegates accountability for monitoring overall corporate citizenship performance to the Social and Ethics Committee. The committee's mandate includes oversight of human rights, safety, developing and retaining a skilled and diverse workforce, and responding to the changing regulatory context. The Sustainability and Operational Transformation operating committees are responsible for ensuring the implementation of the Group's transformation and environmental sustainability strategies.</p>	<p>Regular recipient of numerous healthcare industry and corporate awards reflecting the Group's socioeconomic contribution, and positive stakeholder perceptions.</p> <p>Scored a B in both climate change and water stewardship in the latest CDP survey (2018).</p> <p>Included in the independently researched FTSE/ JSE Top 30 Responsible Investment Index.</p> <p>Included in the Dow Jones Emerging Markets Index for sustainability.</p> <p>Association of Energy Engineers (AEE) Sub-Saharan Africa Region Corporate Energy Management Award.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> Board Chair's review: page 21. Chief Executive Officer's review: page 62. Creating measurable value: page 8. Relationship capital: page 70. <p> Full corporate governance report</p>


PERFORMANCE AND VALUE CREATION

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>4 Strategy, implementation and performance</p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board delegates to management the detailed formulation and implementation of Netcare's strategy, which the Board 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 sector.</p> <p>The Board assesses both the positive and negative outcomes of the Group's business model, monitors performance against financial and non-financial measures, and assesses investments to ensure they are value accretive and meet the reasonable expectations of stakeholders over time.</p>	<p>The 'Netcare Caring Beyond 2020' leadership conference held in September 2019 focused on Netcare's business model and strategy; person-centred health and care that is digitally enabled and data driven.</p> <p>Included in the independently researched FTSE/ JSE Top 30 Responsible Investment Index.</p> <p>Included in the Dow Jones Emerging Markets Index for sustainability.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> Board Chair's review: page 21. Chief Executive Officer's review: page 62. Our strategy: page 40. Chief Financial Officer's review: page 120. <p> Full corporate governance report</p>




PERFORMANCE AND VALUE CREATION continued

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>5 Reports and disclosure</p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</p>	<p>The Group's integrated report and annexures are prepared according to the applicable reporting frameworks, including the International Integrated Reporting Framework and Global Reporting Initiative (GRI) Standards. The report explains how Netcare creates sustainable, measurable value for the Group and its stakeholders over time, through its business model, governance and risk management processes, management systems and strategy.</p> <p>The Board reviews and approves the material matters, which form the basis for preparing the integrated report. This ensures that the report includes sufficient forward-looking information that reflects the key considerations of the Board and management. The Board, through the Audit and Risk committees, ensures the necessary controls are in place to verify the integrity of the integrated report and other disclosures.</p>	<p>2018 Annual Integrated Report ranked ninth in the top 10 of the EY Excellence in Integrated Reporting Awards.</p> <p>Top report in the mid-cap category in the CSSA/JSE Integrated Reporting Awards.</p> <p>Assurance on financial information and certain non-financial performance indicators has been obtained in line with the combined assurance model.</p> <p>The Group annual financial statements for 2019 were unqualified.</p>	<p> Full corporate governance report</p> <p> 2019 Annual Integrated Report and its online annexures:</p> <ul style="list-style-type: none"> ▪ GRI report. ▪ Complete Group annual financial statements. ▪ Independent auditor's report in the Group annual financial statements.





ADEQUATE AND EFFECTIVE CONTROLS

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>6 Role of the governing body</p> <p>The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</p>	<p>A well-developed governance 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. Relevant policies and oversight procedures are in place to ensure all entities adhere to the governance standards and best practices adopted by the Board.</p>	<p>The internal audit function independently assured the implementation of King IV and confirmed that The Code's principles have been applied. The review excluded King IV's Principle 17 (applicable to institutional investment organisations) as well as all aspects set out in King IV, the JSE Listings Requirements and the Companies Act, 71 of 2008 which pertain to internal audit.</p>	<p> Full corporate governance report</p> <ul style="list-style-type: none"> ▪ Governance and delegation of authority framework: page 3.





ADEQUATE AND EFFECTIVE CONTROLS continued

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>7 Composition of the governing body</p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The composition of the Board is appropriate for the nature, complexity and strategic demands of the Group, and provides the requisite mix of knowledge, skills, experience, independence and diversity.</p> <p>Declarations of interests are tabled at every Board meeting. Annual self-assessments of Board effectiveness evaluate the knowledge and skills of members, which are then developed or new appointments made to address any gaps. Subject matter experts are available for matters requiring specialised guidance.</p> <p>A specific policy governs Board appointments and ensures a formal and transparent appointment process with a focus on gender and diversity. Formal succession planning, director training and induction programmes are in place. The Board succession planning includes interim measures in the event of an unforeseen loss of expertise.</p>	<p>The Board has a wide range of relevant expertise and experience.</p> <p>The majority of Board members are independent non-executive directors.</p> <p>Netcare is committed to promoting diversity, including gender, which is evident in the composition of the Board. A new appointee has increased female representation to 40% (target: 35%).</p>	<p> Full corporate governance report</p> <ul style="list-style-type: none"> ▪ Netcare Board: page 4. ▪ Board composition: page 6.
<p>8 Committees of the governing body</p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.</p>	<p>The Board determines the delegation of authority to individual members, groups of members, standing or ad-hoc committees according to a defined framework. Specific aspects of governance are addressed in greater depth through Board committees. These committees are supported by operating committees convened to address specific business imperatives.</p> <p>Each committee has formal terms of reference, approved by the Board, which specify its responsibilities. The composition of the committees and the distribution of authority between the Chair and other directors is balanced and eliminates instances where individual(s) dominate decision-making or undue dependency is created.</p>	<p>The Board and its governance committees fully complied with their terms of reference. This was confirmed by the Company Secretary and the Chair of each governance committee.</p>	<p> Full corporate governance report</p> <ul style="list-style-type: none"> ▪ Governance committees: page 11. ▪ Operating committees: page 17.
<p>9 Performance evaluation</p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>Assessments of the performance of the Board, its sub-committees and the Company Secretary are conducted annually. This has been appropriately delegated to the Chair's Forum and Nomination Committee. The assessment of the Board's performance covers the governance of financial, economic, quality, social and environmental issues.</p>	<p>The Board performance assessment showed the Board, committees and directors are effective in discharging their duties.</p>	<p> Full corporate governance report</p> <p>Board composition: page 6.</p> <p>Evaluation of performance and independence: page 8.</p>



ADEQUATE AND EFFECTIVE CONTROLS continued

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>10 Delegation of management</p> <p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</p>	<p>The delegation of authority framework details the powers and matters reserved for the Board, and the responsibilities delegated to management via the Chief Executive Officer. The Board ensures that key management functions are led by competent and appropriately authorised individuals, supported by functions that are adequately resourced.</p>	<p>The Nomination Committee reviewed and assessed the composition of the Board and its governance committees, as well as the merits of prescribed officers, including divisional managing directors.</p>	<p> Full corporate governance report</p> <ul style="list-style-type: none"> Governance and delegation of authority framework: page 3.
<p>11 Risk and opportunity governance</p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board has direct responsibility for the governance of risk and approves the risk policy that gives effect to its direction on an appetite for risk. 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.</p> <p>The Audit and Risk committees assist the Board with the governance of risk. The committees oversee the implementation of clearly defined processes to identify and manage risks to the sustainability of the business. This entails delegating responsibility to management to continuously identify, assess, mitigate and manage risks in the pursuit of strategic opportunities, within clearly defined parameters.</p>	<p>The Board is satisfied that Netcare's strategy addresses changes in global healthcare, person-centred health and care, and trends in the operating environment. It is also satisfied that the successful achievement of the strategic priorities will secure competitive advantage and drive growth and efficiency.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> How we manage risk: page 44. Chief Executive Officer's review: page 62.
<p>12 Technology and information governance</p> <p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>The Board, together with the Audit and Risk committees, oversee the governance of IT. The Risk Committee oversees technology, information, compliance and maximisation of opportunities while also managing risk factors.</p> <p>The IT Steering Committee (ITSC), a key operating committee, is integral to the IT governance framework. The ITSC has overall responsibility for recommendations and decisions regarding IT priorities, funding and other IT and security requirements. This committee provides strategic and governance direction for IT across the business. The ITSC reviews IT risk and opportunity management and reports to the Board or other relevant committees in accordance with King IV.</p>	<p>There is appropriate management of cyber and data risks in relation to the implementation of the digitalisation strategy.</p> <p>Effective implementation of the IT risk management plan.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> How we manage risk: page 44. <p> Full corporate governance report</p> <ul style="list-style-type: none"> Governance of IT: page 26.

ADEQUATE AND EFFECTIVE CONTROLS continued

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>13 Compliance governance</p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</p>	<p>The Board, with the assistance of the Audit and Risk committees, ensures that the Group complies with applicable laws, regulations, codes and standards. This includes voluntary codes such as the principles of the United Nations Global Compact.</p> <p>Compliance risk is monitored by the Risk Committee and managed through the compliance framework and compliance reviews. The committee monitors the legislative landscape and assesses the impact of new laws and regulations, and keeps the Board apprised of material developments. Changes required are delegated to management and must be achieved within defined timeframes.</p>	<p>No material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations during the 2019 financial year.</p>	<p> Full corporate governance report</p> <ul style="list-style-type: none"> ▪ Social and Ethics Committee: page 15. ▪ Compliance: page 19.
<p>14 Remuneration governance</p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>The Board, assisted by the Remuneration Committee, ensures that prescribed officers and 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 to create sustainable value. The Remuneration Committee engages proactively with shareholders on changes to the remuneration policy and its implementation.</p> <p>Key performance indicators measured in respect of value creation include financial performance, asset management, growth initiatives, transformation and consistency of care.</p> <p>To ensure fair and responsible executive remuneration in the context of overall remuneration levels, the Remuneration Committee consistently awards employees at the lower end of the pay scale with higher percentage increases than executive directors.</p>	<p>96.1% of shareholders voted in favour of the remuneration policy at the 2019 annual general meeting.</p> <p>The Board is satisfied that the remuneration policy and its implementation reflect appropriate alignment between the Group's strategic imperatives and stakeholder interests.</p> <p>The Remuneration Committee amended the remuneration policy to include malus and clawback provisions in line with shareholder recommendations.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> ▪ Remuneration report: page 156.
<p>15 Assurance</p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>The Audit Committee has adopted the five levels of assurance model. The Combined Assurance Committee considers the appropriateness of assurance providers, risk mitigation and quality of assurance received on top business risks.</p> <p>The Audit Committee is functionally responsible for the Group internal audit function and receives a detailed report quarterly on the department's progress against its annual risk-based planning.</p> <p>The Audit and Risk committees are satisfied that the external auditor for 2019 is independent and non-audit services that may impair their independence were not performed.</p>	<p>The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision-making.</p> <p>No key governance or control failures were experienced in the period under review.</p>	<p> 2019 Annual Integrated Report</p> <ul style="list-style-type: none"> ▪ How we manage risk: page 44. <p> Full corporate governance report</p> <ul style="list-style-type: none"> ▪ Accountability and control: page 24.

TRUST, GOOD REPUTATION AND LEGITIMACY

PRINCIPLE	APPLICATION	OUTCOMES	REFERENCE
<p>16 Stakeholders</p> <p>In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Group has clearly identified its key stakeholder groups and a formal stakeholder communication strategy ensures a comprehensive stakeholder inclusive approach. The Board, through the Social and Ethics Committee, monitors stakeholder management, which is implemented through a decentralised stakeholder engagement model. This delegates responsibility for proactive and constructive stakeholder engagement to management, which entails consistent and relevant interaction, underpinned by appropriate measurement tools.</p>	<p>During 2019, an independent consultant evaluated our engagement model, finding that most of our engagement methods are robust. Based on this review our stakeholder management model is being enhanced.</p>	<p> 2019 Annual Integrated Report</p> <p> Full corporate governance report</p> <ul style="list-style-type: none"> Stakeholder inclusion: page 21.
<p>17 Responsibility to shareholders</p> <p>The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>	<p>Not applicable.</p>		