Remuneration report

Part 1
Background

The Remuneration Committee is pleased to present Netcare's remuneration report for the financial year ended 30 September 2020. The report sets out our approach to fair and responsible remuneration, and considers feedback from shareholders on remuneration matters.

Our remuneration report aligns with the principles and recommended practices of the King Report on Corporate Governance for South Africa (King IV) and continues to apply Principle 14's three part structure. The report meets JSE Limited (JSE) Listings Requirements, and to the extent applicable, the requirements of the Companies Act.

Remuneration policy overview: page 206
The remuneration policy overview sets out the criteria that inform the remuneration of executive management, explains the changes made to remuneration practices during the year and provides a high-level account of the aspects informing the remuneration for the balance of the workforce.

Implementation report: page 212
The implementation report provides an account of the key decisions taken by the committee to acknowledge the dedication of our frontline teams in providing health and care to South Africans, as well as the agility of Netcare's leaders in steering the strategic and operational focus of the organisation to effectively manage the complex, disruptive and fluid conditions and pressures presented by COVID-19.

Key activities and decisions of the Remuneration Committee

Issue	Key activities and decisions	Page
Non-executive director fees	• Engaged PwC to conduct an independent benchmarking exercise of non-executive director fees. The results informed the proposed adjustments to non-executive director fees for 2021 to be presented at the annual general meeting (AGM) on 5 February 2021.	218
Short term incentives (STIs)	• Reviewed and approved the executive balanced scorecard, which identifies performance parameters and areas of focus for the year. Most performance indicator targets have been deferred to the 2021 financial year given the need in the current year to prioritise the management of the COVID-19 crisis. • Approved an ex gratia STI payment in lieu of no STIs, for primarily frontline employees and managers who worked under the immense pressure, anxiety and unprecedented circumstances presented by COVID-19.	212
Long term incentives (LTIs)	• Reviewed and approved the performance conditions for FSP 2 and 3. • Approved 50% of the performance share allocations of FSP 2 and 3 based on 50% of the performance conditions having been met. • Approved the principles of FSP 4, the new LTI plan. In line with shareholder feedback and subsequent approval at the 2019 AGM, FSP 4 includes but is not limited to: – performance shares for executives only; – performance and retention shares for other levels of leadership; – minimum shareholding for executives; and – malus and clawback provisions. • Delayed the implementation of FSP 4 to 2021 given the impact of the pandemic on the broader economic landscape. FSP 4 performance targets will be set for return on invested capital (ROIC) and earnings before interest, taxation, depreciation and amortisation (EBITDA) margin aligned to the post COVID-19 recovery strategy and the impact of IFRS 16.	216

Issue	Key activities and decisions
Annual salary increases	• Approved annual salary increases linked to the consumer price inflation (CPI) index. Executives received a 4% increase in March 2020. Salary increases at non-management levels were at a higher percentage rate.
Salary negotiations	• Successfully concluded the 2020/21 wage negotiations with all four recognised trade unions.

Remuneration Committee

The Remuneration Committee's core function is to ensure that remuneration at senior levels motivates superior performance and that executives are suitably rewarded and retained. It comprises three independent non-executive directors – Mr D Kneale as Chair (appointed to the Board and the committee with effect 1 January 2020), Mr MR Bower (appointed to the committee on 1 October 2019) and Mrs T Brewer. All three members have a wealth of operational and remuneration experience. The committee met twice during the reporting year. It is satisfied that it has fulfilled the requirements of its terms of reference.

Committee member, Mr Norman Weltman, retired with effect from 30 September 2020 as a non-executive director of the Netcare Board. Netcare thanks him for his invaluable contribution and astute guidance over the years as a committee and Board member. We wish him well.

Shareholder engagement

The Remuneration Committee is committed to ensuring that Netcare's remuneration reporting is straightforward, comprehensive and transparent, and meets shareholder information requirements and understanding of the performance measures used to award short- and long-term incentives. The Remuneration Committee is satisfied that it has successfully responded to shareholder concerns and expectations – evidenced by their positive feedback.

Pleasingly, 96.2% of votes received at the 2020 AGM were in favour of the remuneration policy (2019: 96.1%).

AGM held on 31 January 2020	Votes in favour	Votes against	Abstentions
Remuneration policy	**96.2%**	3.4%	0.4%
Implementation report	**96.7%**	3.3%	0.0%

The committee strives for continual improvement of remuneration reporting in line with shareholder expectations and an inclusive stakeholder engagement approach.

Non-binding advisory votes

The remuneration policy and implementation report that follow will be presented for separate non-binding advisory votes from shareholders at the AGM to be held on 5 February 2021. These resolutions are set out in the 2021 AGM Notice.

Should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2021 AGM, the committee undertakes to fully understand reasons for dissenting votes and address legitimate and reasonable objections raised.

Board approval

The Remuneration Committee reviewed and recommended the remuneration report to the Board for approval, which was obtained on 16 November 2020.

Remuneration report continued

Part 2
Remuneration policy overview
Subject to non-binding advisory vote at the AGM on 5 February 2021

Our remuneration policy is an integral part of our employee value proposition. It is designed to attract, retain, motivate and reward the right talent with the right competencies and attitudes at every level in the organisation. It supports the delivery of our strategy and drives alignment between our corporate strategy, performance and the values and behaviours of our passionate people. The policy strives to achieve a fair balance between competitive guaranteed package (GP), STIs, LTIs and retention mechanisms. It is updated regularly to ensure that our remuneration structure reflects best practice, aligns to our operating model and strategic objectives, complies with the applicable laws and is effective in achieving our remuneration objectives.

Remuneration policy objectives

Attract, retain and grow
Recruit, retain and grow high-quality employees to achieve Netcare's strategic objectives.

Financial wellbeing
Recognise the basic needs of employees and ensure that compensation levels consistently address the cost of living and inflation.

Reward
Ensure that all employees are recognised and rewarded for their performance in a fair, equitable and consistent manner.

Set goals
Reward employees for achieving predetermined business and personal performance targets, and ensure that remuneration is aligned to documented performance targets.

Competitive remuneration
Ensure that remuneration and benefits provided are competitive within the healthcare industry.

Sustainability
Ensure that employee costs are within budget as determined by the Executive Committee and are thereby sustainable.

The remuneration policy outlines the principles used to determine the payments, accruals and awards made to executive directors (CEO and CFO), non-executive directors, prescribed officers and senior executives (Executive Committee members and other executives) for the year ended 30 September 2020.

Remuneration policy: https://www.netcare.co.za/Netcare-Investor-Relations/Governance/Remuneration-Policy

Remuneration philosophy

We drive a high-performance culture in an active and responsible manner to deliver performance that aligns with Netcare's strategy and values, stakeholder expectations and market factors. Our remuneration philosophy centres on fairly, reasonably, responsibly and competitively rewarding our employees for their contribution to the Group's strategic, operating and financial performance. It guides our remuneration policy.

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

Benchmarking

All elements of remuneration, including salary increases, incentive payments and benefits, are periodically reviewed against industry and market benchmarks and trends to ensure our remuneration levels are appropriate and competitive, and take into account factors affecting the Group's financial position, the industry and SA.

The guaranteed remuneration packages of executive directors, prescribed officers and senior executives are benchmarked against relevant comparators, and non-executive directors' fees are benchmarked annually with market norms.

The benchmarking conducted by PwC over the past three years has confirmed broad alignment with market peers. The cost of the 2020 benchmarking exercise amounted to approximately R75 000, excluding value added tax (VAT).

Executive remuneration

Strategic and financial performance and the achievement of non-financial objectives are used to determine executive compensation. This is measured using a balanced scorecard and considers our values and the behaviours that promote value creation.

Employment contracts do not provide for contractually agreed termination payments. Only the CEO has a restraint of trade of six months and Executive Committee members have a three-month notice period.

We seek to achieve a suitable balance between fixed (guaranteed package) and variable (short- and long-term incentives) remuneration. STIs are limited to a maximum of 75% of GP for the CEO and 60% for prescribed officers and senior executives.

The remuneration packages for executive directors, prescribed officers and senior executives for the year ending 30 September 2020 comprised a GP, an ex gratia STI and LTIs.

Guaranteed package (fixed remuneration)

Objective

To reflect individual contribution and market value relative to role and to recognise skill and experience.

Basis for determination

Guaranteed pay includes salary and employee benefits. It is determined based on the complexity of the role, market value, and the ongoing review of the employee's personal performance and contribution to Netcare's overall performance and values. Guaranteed remuneration is reviewed annually and increases take effect in March. Annual increases consider factors such as prevailing economic conditions, inflation, Group performance and affordability, change in responsibilities, internal and external benchmarks, and average salary increases.

Delivery

Monthly payment after deducting contributions to statutory taxes, retirement funding and medical scheme. The Group also makes group life assurance cover, funeral cover and disability insurance contributions.

Remuneration report continued

Short-term incentives (variable)

Objective
To reward individual contribution and Group performance in the short term.

Eligibility
Executive directors, prescribed officers, senior executives and managers.

Basis of determination
Ordinarily, potential STIs are calculated by applying an individual's potential eligibility percentage to their GP. The potential eligibility percentage depends on the individual's job grade and threshold. The result is then modified by the balanced scorecard outcome. This means that no executive director, prescribed officer or senior executive can earn more than 75% of their annual GP.

STI formula	Bonus paid if targets met	=	Annual GP	x	Potential eligibility (%)	x	Weighted average of balanced scorecard

The threshold for the CEO is a maximum of 75% and for the CFO a maximum of 60%.

Balanced scorecard

The balanced scorecard incorporates Group-based, divisional and individual key performance metrics. Group-based targets ensure alignment among team members with the Group's strategic objectives and key focus areas. For the Executive Committee, Group-based targets carry a 40% weighting with divisional and individual responsibilities accounting for the remaining 60% weighting.

The individual, divisional and Executive Committee balanced scorecards include financial and non-financial strategic and operational targets aligned to the Group's strategic objectives. The targets drive the achievement of sustainable growth and long-term value creation. Weighting and targets vary between executives depending on their function.

Individuals must score a minimum of 60% on their individual scorecard to be eligible for participation in the STI plan.

2020 allocation
The shift in operational focus and redirection of capital expenditure towards protecting our employees and healthcare practitioners, and caring for South Africans during the pandemic, meant that our strategic projects were placed on hold and our 2020 strategic objectives not met. Most performance targets, with the approval of the Remuneration Committee, have been deferred to the 2021 financial year. No performance based STIs were awarded for the 2020 financial year. The implemented and deferred balanced scorecard can be found on page 212.

Remuneration Committee discretion
In instances where extraneous factors outside the control of executives are considered to have impacted on overall performance resulting in targets not being met, ex gratia STIs may be awarded at the Remuneration Committee's discretion.

In light of the critical role played by our teams in supporting SA's response to the pandemic, the committee has exercised this discretion for the 2020 financial year, approving an ex gratia STI payment amounting to R47 million. 71.9% of this amount was allocated to frontline teams, 18.8% to senior managers and select employees who showed exemplary care and dedication and the remaining 9.3% to executives. The CEO has elected to voluntarily forego a discretionary STI.

The ex gratia STI payment meant that 1 341 employees at management levels based on the Patterson Grading System received a percentage of a 13th cheque. 95% (1 268) are frontline Nursing Unit Managers, Heads of Departments, Hospital management teams, Operations Managers and Operations teams, primarily in the Hospital division (including pharmacy operations) and Emergency services. 72% (972) of rewarded employees are women and 57% (766) are black[1].

Looking forward to 2021
Depending on whether a second wave of COVID-19 manifests, or its duration if it does, efficient strategic delivery could be further disrupted. Notwithstanding this, STIs will be calculated using the normal approved formula and strategic parameters, including parameters deferred from 2020. Focus will remain on meeting the Board-approved budget aligned to EBITDA and other key financial and non-financial targets.

1. *Here, black refers to all South Africans of colour.*

Long-term incentives (variable)

Objective

To attract and retain executive directors, prescribed officers and senior executives, and reward sustainable value creation which aligns with stakeholder interests over the long term. The design of LTIs is considered and does not expose shareholders to any financial risk or encourage any form of short termism.

FSP 1, 2 and 3 (past allocations)

FSP 1, 2 and 3 provided benefits in line with recommended governance practice, delivering both performance- and retention-based share awards. Performance shares were awarded against strictly monitored targets which, if not met, resulted in the forfeiture of the shares. The retention-based award incentivised executive directors, prescribed officers and senior executives to remain in the Group's employ.

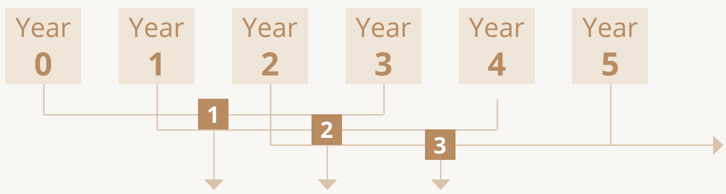
The number of forfeitable shares subject to an FSP award and the ratio between performance and retention shares was primarily based on the employee's annual GP, grade, performance, retention requirements and market benchmarks. The split in shares favoured performance-based targets over retention-based awards, with weightings being 75% for performance and 25% for retention for executive directors, prescribed officers and Executive Committee members, and equal weightings of 50% for other senior managers.

The performance-based targets are stretch goals linked to financial targets and the Netcare share price, considering a minimum return over and above inflation.

Performance parameter	Target
Return on capital employed (ROCE) **50% weighting**	Weighted average cost of capital (WACC) +6%.
Headline earnings per share (HEPS) **50% weighting**	Compound annual growth rate of the average CPI index +4% for the performance period.

Delivery

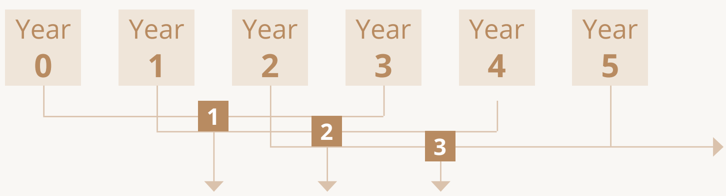
Delivered in Netcare shares over the retention or performance period and provides dividends but not voting rights. The awards vest in thirds (a third each year) over a three-year period following a three-year waiting period.



1/3 of the 'performance shares' allocated are tested for performance
Targets equally weighted between ROCE (50%) and HEPS (50%)

Performance shares

Three distinct performance periods aligned with the financial year, for portion of allocated shares subject to performance conditions.



1/3 of the 'retention shares' vest, subject to continued employment

Retention shares

Three distinct vesting periods of allocated shares, which do not have performance conditions associated with them.

The performance shares allocated to the performance targets are forfeited if the targets are not met within the performance period.

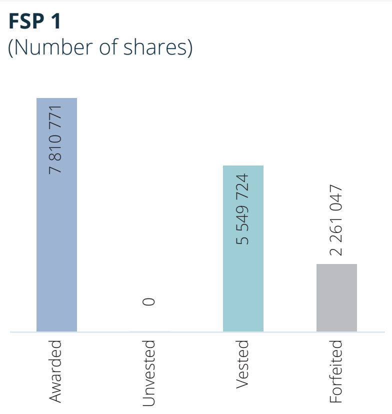
Remuneration report continued

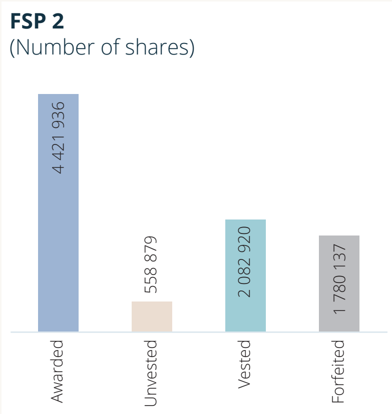
Termination of employment

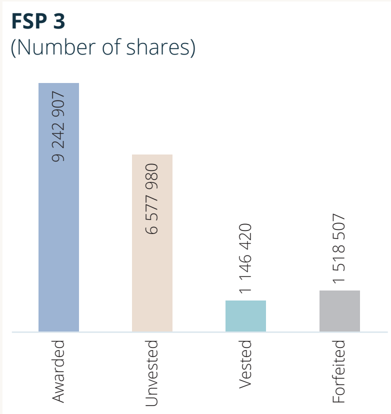
Unvested shares are forfeited on termination of employment.

The positions of the three tranches of the FSP

(at 30 September 2020)







Since inception, approximately 21.5 million shares have been allocated through the three FSPs, of which 8.8 million shares have vested, benefiting participants. To date, 7.1 million are unvested and 5.6 million have been forfeited.

FSP 4 (future allocations)

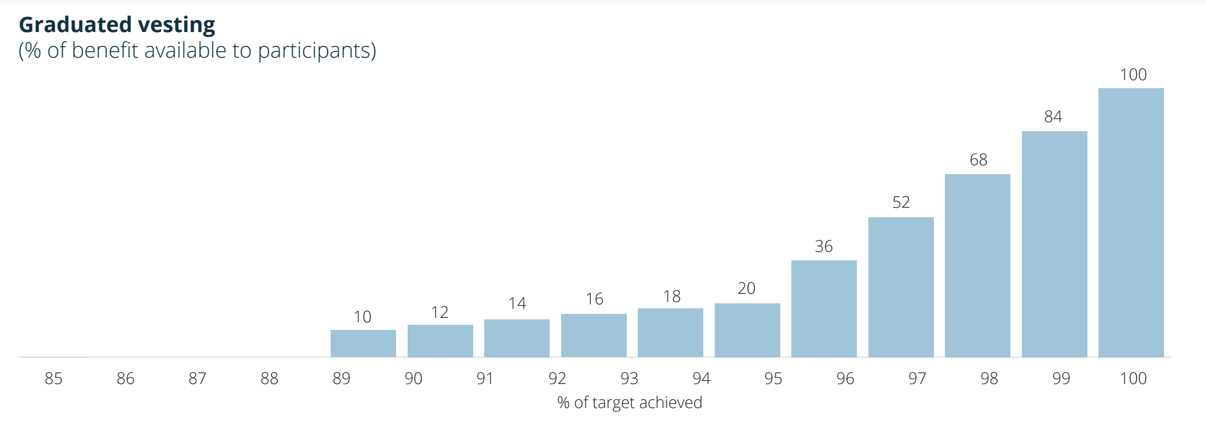
Shareholder-approved FSP 4 was due for implementation in 2020, however, has been deferred to 2021 due to COVID-19. The deferral enables the Remuneration Committee to set IFRS 16 adjusted performance targets, ensuring alignment with the post COVID-19 recovery strategy while adhering to the conditions approved by shareholders in January 2020.

Shareholder-approved conditions include:
- Performance shares issued to executive directors, prescribed officers and senior executives only.
- Performance and retention shares awarded to senior and other management levels only.
- Ensure meaningful benefits accrue to participants based on medium-term and sustained delivery of results.

The performance conditions will continue to be based on ROIC and EBITDA margin.

Graduated vesting

Graduated vesting will apply after a three-year waiting period in thirds over a further two-year period as illustrated in the graph below.



Criteria

The following criteria apply to the LTI:

- The shares will be awarded subject to a malus and clawback policy.
- Executive directors and prescribed officers who are awarded shares will be required to maintain a minimum level of shares that vest and use these towards accumulating a level of shareholding in Netcare linked to a ratio of annual GP.

The ratios that apply will be as follows:

- **CEO:** 2.5 x Annual GP.
- **CFO:** 2.0 x Annual GP.
- **Prescribed officers and other senior executives:** 1.5 x Annual GP.

We aim to achieve this over an eight to 10-year period through, either the retention of at least 10% of shares that vest and are not forfeited, or through existing shareholding.

- The maximum aggregate number of shares which may at any time be allocated to all FSP participants shall not exceed 50 million shares, either alone or when aggregated with existing share plans. This equates to 3.4% of Netcare's issued share capital inclusive of treasury shares (at 30 September 2020).
- The intention is to spread the allocation of shares over a minimum of 10 years, equating to approximately 15 million shares per issue.
- The maximum number of shares which may at any time be allocated to any one participant shall not exceed five million shares.
- The participant will not be required to pay for the FSP award.

Malus and clawback

Our malus and clawback clauses set out in the remuneration policy align with shareholder expectations.

Malus (pre-vesting)
All LTI awards to executive directors, prescribed officers and senior executives made after 1 January 2020 are subject to malus provisions. The vesting levels of these awards may be reduced, including to nil, in the following (but not limited to) instances:

- Deliberately misleading the Group, the market and/or shareholders in relation to the Group's financial performance.
- Misconduct, incompetence or gross negligence with regards to the financial reporting or performance of the Group.

Clawback (post-vesting)
Clawback clauses apply to any variable remuneration awarded from 1 January 2020 onwards. In the case of the LTI, the Remuneration Committee may apply clawback at any time during the three-year period from the date on which variable remuneration vests, if there is reasonable evidence of material misconduct in line with the malus provisions above.

Employee remuneration

Employees at non-management levels are remunerated based on their structured package plus benefits, which include employer contributions to retirement fund and medical aid membership. Permanent employees receive a 13th cheque for each completed 12-month period worked at 31 December of each year. This is paid out to employees in service on 31 December of each year, with exceptions for retirement, retrenchment, death and disability.

In considering King IV's Principle 14 and in recognition of the income gap, higher percentage increases are applied to the annual salary adjustments of employees at the lower end of the pay scale than those awarded to executive directors, prescribed officers and senior executives.

Remuneration report continued

Part 3
Implementation report
Subject to non-binding advisory vote at the AGM on 5 February 2021

During 2020, the increases to the annual GPs for executive directors, prescribed officers and senior executives were linked to the CPI index and are awarded at levels below those of management and operational employees. This principle will also be applied in 2021.

Balanced scorecard

Group performance parameter	Actual	Target	
EBITDA	R2 558 million	R4 358 million	x

In addition to EBITDA and EBITDA margin, the achievement of Netcare's strategic objectives accounted for 40% of executive directors, prescribed officers and senior executives' balanced scorecard as set out below. The scorecard implemented was robust and included both financial and non-financial targets, where non-financial targets covered digitisation projects, transformation initiatives, clinical outcomes and key business development projects.

Short-term incentives

Achieved | Partially achieved | Paused or impacted due to COVID-19

Consistency of care		
Publish clinical outcomes data on the Netcare website	Partially achieved	**Target partially met** Content completed but publication only took place in October 2020, after financial year end (delayed due to COVID-19).
Populate and publish a clinical outcomes index	Partially achieved	**Target partially met** Completed for quality and safety measures reported to funders on a quarterly basis. Balance of the project delayed by COVID-19.
Improve compliance to general surgical and drug formulary	Partially achieved	**Target partially met** Achieved 86.9% against a target of 92.5% for general formulary compliance.
Improve compliance to revised specialised surgical formulary	Achieved	**Target met** Achieved 77.0% against a target of 76.0% for specialised formulary compliance.
Refine and upgrade the framework for the Clinical Practices Committee	Partially achieved	**Target partially met** Completed but not rolled out due to COVID-19.
Roll out revised patient survey feedback form	Paused or impacted due to COVID-19	**Target not met** Project paused due to COVID-19.

● Achieved ⊙ Partially achieved ✸ Paused or impacted due to COVID-19

Disruptive innovation

Hospital division Complete roll out of CareOn (the EMR project) at Netcare Milpark Hospital	✸	**Target not met** Project was on track prior to the pandemic but temporarily suspended to comply with strict site access protocols during the COVID-19 surge.
Primary Care Roll out HealthOne (EMR project)	✸	**Target not met** Roll out completed at nine of targeted 25 sites (roll out disrupted by COVID-19).
Akeso Clinics EMR project	●	**Target met** Developed and approved the project business case, defined the functional specifications and selected a vendor.
National Renal Care EMR project – develop a solution for roll out in October 2020	⊙	**Target partially met** Revised and finalised the project charter and developed high-level timelines for implementation. Balance of the project delayed due to COVID-19.
Data analytics and platform	●	**Target met** Existing data science use cases transferred to Microsoft Azure cloud platform.

Transformation of society

Workforce and leadership diversity Meet the objectives set out in the Netcare 2020 Employment Equity Plan	⊙	**Target partially met** Achieved targets for black and black women senior managers, black middle managers and black and black women junior managers. The targets for black women at middle management level and differently abled people were marginally missed.
Preferential procurement Drive greater inclusion of black-owned and black women-owned enterprises in our supply chain	✸	**Target not met** Achieved 34.1% (R4.0 billion) preferential procurement spend with >51% black-owned suppliers (against targets of 50% or R5.3 billion) impacted by lower activity during COVID-19.
	⊙	**Target partially met** Achieved 21.6% (R2.5 billion) preferential procurement spend with >30% black women-owned businesses (against targets of 26% or R2.7 billion).
Enterprise and supplier development (ESD)	●	**Target met** Invested 16.2% (R71 million) exceeding the target of 3% of net profit after tax (NPAT) in ESD programmes.
Socioeconomic development Create access to quality healthcare for indigent patients and support quality clinical research through scholarships	●	**Target met** Invested 1.8% (R8 million) exceeding the target of 1% of NPAT in socioeconomic development programmes.

Remuneration report continued

● Achieved ⦿ Partially achieved ✸ Paused or impacted due to COVID-19

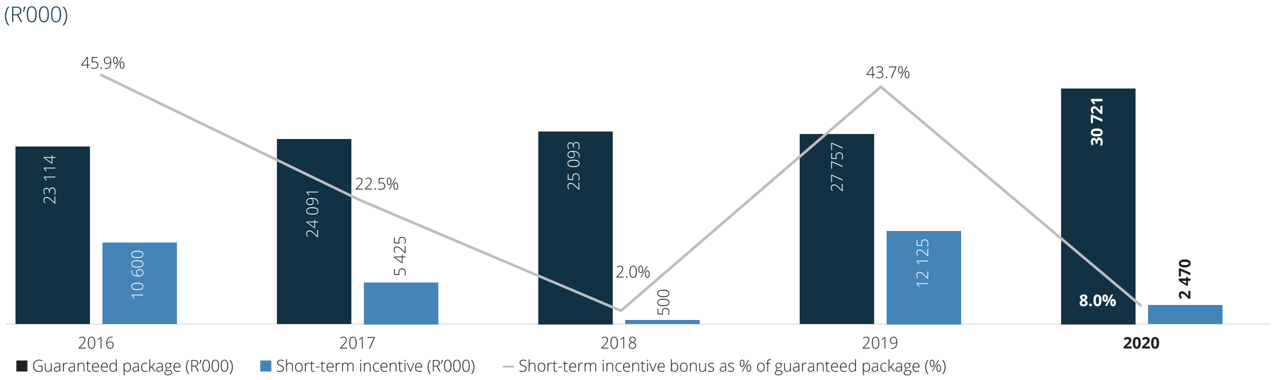
Organic growth		
EBITDA margin – Hospital and Emergency services	✸	**Target not met** EBITDA margin fell below target due to lower activity and higher operating costs brought about by COVID-19.
Recruitment of new doctors	⦿	**Target partially met** Net gain of 82 doctors (against target of 88).
Acquire equity stake in Independent Counselling and Advisory Services (ICAS)	●	**Target met** 40% stake acquired effective March 2020.
Launch NetcarePlus	●	**Target met** NetcarePlus platform launched.
Launch Primary Care vouchers	●	**Target met** Primary Care vouchers developed, tested and launched on FNB platform.
Grow occupational health customer base	●	**Target met** Target to secure two new occupational health customer contracts achieved.
Integration		
Roll out the Netcare **appoint**med™ doctor and specialist booking service	●	**Target met** Successful onboarding of 50 targeted hospitals.
Digital pre-admission across Netcare hospitals	⦿	**Target partially met** Digital pre-admission achieved for 8% of surgical admissions against a target of 20%. Project adversely impacted by COVID-19.
Revamp of the Netcare website to achieve better integration across Netcare's ecosystem of services	●	**Target met** New Netcare website developed and launched.
Investment		
EBITDA	✸	**Target not met** EBITDA fell below target due to lower activity and higher operating costs brought about by COVID-19.
ROIC	✸	**Target not met** Achieved ROIC of 6.7% due to the impact of COVID-19 on the business (target: >20.0%).
Net debt to EBITDA	✸	**Target not met** Achieved net debt to EBITDA coverage of 3.1 times due to the impact of COVID-19 on the business (target: less than 2.0 times).
EBITDA/net interest (times)	✸	**Target not met** Achieved EBITDA to net interest coverage of 4.1 times due to the impact of COVID-19 on the business (target: greater than 5.0 times).
Cash conversion	✸	**Target not met** Achieved cash conversion of 58.3% due to the impact of COVID-19 on the business (target: 100.0%).
Sale of UK hospital properties	●	**Target met** Sale of UK hospital properties concluded and funds repatriated to SA.

Variable remuneration

STIs relative to annual GP

(executive directors and prescribed officers)

The graph below illustrates incentives awarded over a five-year period. The ex-gratia incentive for the 2020 financial year was awarded in December 2020.



Executive director STIs

The table below provides a view of the STIs received by the CEO and CFO over the last three years.

R'000	**2020**	2019	2018[1]
RH Friedland	**–[2]**	5 000	–
KN Gibson	**618**	1 825	–

1. *The CEO and CFO chose to voluntarily forego the discretionary STIs awarded to them.*
2. *The CEO chose to voluntarily forego any discretionary STI.*

Executive remuneration

The table below summarises executive remuneration for the 2020 financial year.

R'000	Guaranteed package	Bonuses	**Total**
Executive directors			
RH Friedland	10 247	–	**10 247**
KN Gibson	5 323	618	**5 941**
Prescribed officers			
J du Plessis	4 835	753	**5 588**
C Grindell	3 400	524	**3 924**
S Mhlongo	3 094	285	**3 379**
WN van der Merwe	3 822	289	**4 111**

Remuneration report continued

The table below summarises executive remuneration for the 2019 financial year.

R'000	Guaranteed package	Bonuses	Total
Executive directors			
RH Friedland	9 826	5 000	14 826
KN Gibson	5 103	1 825	6 928
Prescribed officers			
J du Plessis	4 639	2 000	6 639
C Grindell	3 140	1 250	4 390
S Mhlongo	1 161	600	1 761
WN van der Merwe	3 888	1 450	5 338

LTI vesting outcomes

Following the review of the performance conditions imposed in respect of the FSP 2 and 3, the Remuneration Committee was satisfied that one of the performance conditions had been achieved and as a result 50% of the performance shares of FSP 2 (tranche 3) and FSP 3 (tranche 1) vested on 1 December 2020.

Performance parameter	Target
ROCE (over three years) **50% weighting**	ROCE of WACC plus 6% = 17.3% **Target met: 22%**
HEPS **50% weighting**	HEPS of CPI plus 4% **Target not met**

The committee was also satisfied that the retention conditions for FSP 2 (tranche 3) and FSP 3 (tranche 1) were met in June 2020.

Forfeitable shares

Held by executive directors and prescribed officers at 30 September 2020 (number of options)

Number of options	Grant date	1 Oct 2019	Granted	Shares forfeited during the year	Exercised (sold and retained)	30 Sep 2020	Market price at exercise date (cents)	Gain arising on exercise (R'000)
Executive directors	FSP 2: 20 Jan 2016 FSP 3: 20 Jan 2018							
RH Friedland[1]		1 207 236	–	(68 036)	(187 530)	951 670	15.73	2 949
KN Gibson[2]		515 116	–	(28 862)	(79 802)	406 452	15.73	1 254
Prescribed officers								
J du Plessis		408 013	–	(22 094)	(62 231)	323 688	15.67	975
C Grindell		199 453	–	(4 364)	(29 980)	165 109	14.23	427
S Mhlongo		–	125 000	–	(10 416)	114 584	13.93	145
WN van der Merwe		251 207	–	(5 559)	(34 831)	210 817	14.32	499
		2 581 025	125 000	(128 915)	(404 790)	2 172 320		6 249

1. *RH Friedland exercised 187 530 (2019: 113 393) share options during the year in terms of the Forfeitable Share Plan.*
2. *KN Gibson exercised 79 802 (2019: 48 103) share options during the year in terms of the Forfeitable Share Plan.*

The audited financial table has been included in the annual financial statements under note 4.1.2.

Non-executive director remuneration

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

The Board and the Remuneration Committee review the remuneration of non-executive directors annually, with consistent approval of proposed fees received from shareholders at our AGMs.

Fees paid to non-executive directors for the period 1 October 2019 to 30 September 2020

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

R'000	Board	Audit	Risk	CoC[1]	Rem[2]	S&E[3]	Nom[4]	Fin & Invest[5]	Tariff[6]	**2020 Total**	2019 Total
MR Bower	685	235	132		126			210		**1 388**	1 356
T Brewer	1 340		132		126	126	179	210		**2 113**	2 177
B Bulo	685	179	132	186						**1 182**	1 169
L Human	685		132				126			**943**	405
D Kneale*	513	134			139		63			**849**	–
MJ Kuscus	685		132	235		126				**1 178**	1 162
K Moroka	685					179	126			**990**	990
N Weltman[Δ]	685	179	186	186	126				84	**1 446**	1 508
Total	**5 963**	**727**	**846**	**607**	**517**	**431**	**494**	**420**	**84**	**10 089**	**9 936**

* *Appointed 1 January 2020.*
Δ *Retired 30 September 2020.*

Committee names:
1. *Consistency of Care.*
2. *Remuneration.*
3. *Social and Ethics.*
4. *Nomination.*
5. *Finance and Investment (operating committee).*
6. *Tariff (operating committee).*

The non-executive directors elected to donate R344 000 of their fees to the Netcare Foundation in support of healthcare workers, particularly the families of frontline workers who lost their lives due to the pandemic. The fees reflected in the table above are the gross fees for the period.

Remuneration report continued

Proposed non-executive directors' fees

The Remuneration Committee has proposed a variable increase, based on governance committee, in non-executive directors' fees exclusive of VAT for 2021. The increases are informed by a PwC benchmarking exercise, and take into account the increasing demands faced by non-executive directors in respect of personal liability and ongoing regulatory requirements. The increases remain subject to shareholder approval at the AGM on 5 February 2021. The fees that have been adjusted have been referenced accordingly, and the balance remain at current levels.

PwC has independently benchmarked the proposed fees, with the following comparators used in the benchmark:
- Publicly disclosed non-executive director fees for comparator group of companies listed on the JSE.
- Quartile benchmarks to ensure that accurate data is provided.

Based on PWC's findings, a 4% increase for the Risk Committee Chair, and a 3% increase for the Audit Committee Chair and Risk Committee members are being tabled for shareholder approval at the 2021 AGM. All other fees remain unchanged.

Proposed non-executive director fees

R'000	Proposed 2021	Increase	**Actual 2020**	Actual 2019
Board				
Chair	1 340		**1 340**	1 340
Member	685		**685**	685
Audit Committee				
Chair	242	3%	**235**	225
Member	179		**179**	179
Nomination Committee				
Chair	179		**179**	179
Member	126		**126**	126
Risk Committee				
Chair	193	4%	**186**	179
Member	136	3%	**132**	126
Remuneration Committee				
Chair	186		**186**	179
Member	126		**126**	126
Social and Ethics Committee				
Chair	179		**179**	179
Member	126		**126**	126
Consistency of Care Committee				
Chair	235		**235**	225
Member	186		**186**	179
Payable per meeting				
Ad hoc committees	42		**42**	42

Note: values exclude VAT.