

Global Reporting Initiative (GRI) G4

This document includes Netcare's GRI G4 index table as well as the management approaches and detailed indicators not covered in the 2019 Annual Integrated Report.

Reference icons used in this report:



Information in the 2019 Annual Integrated Report.



Information available on our investor relations website at www.netcare.co.za.

All page numbers in the GRI G4 table reference the 2019 Annual Integrated Report, unless otherwise indicated.

GRI Standard title	Core indicators	Disclosure number	Disclosure title	Disclosure references (page numbers in indicated reports)	Assurance	Explanatory notes
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ORGANISATIONAL PROFILE

General 2016	Core	102-1	Name of the organisation	Netcare Limited		
General 2016	Core	102-2	Activities, brands, products, and services	2019 Integrated Report What we do: page 2		
General 2016	Core	102-3	Location of headquarters	Netcare Limited 76 Maude Street (corner West Street) Sandton 2196 South Africa		
General 2016	Core	102-4	Location of operations	South Africa (SA) and Lesotho.		
General 2016	Core	102-5	Ownership and legal form	Public company listed on JSE Limited. Full annual financial statements Analysis of shareholders: page 110		
General 2016	Core	102-6	Markets served	South Africa and Lesotho. 2019 Integrated Report What we do: page 2 Our operating environment: page 34		
General 2016	Core	102-7	Scale of the organisation	2019 Integrated Report What we do: page 2 Manufactured and natural capital: page 112 Financial capital: page 120		

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ORGANISATIONAL PROFILE continued

General 2016	Core	102-8	Information on employees and other workers	<p>2019 Integrated Report Our business model: page 6 Human and intellectual capital: page 101</p> <p>GRI report Human capital indicators: page 25</p>		Permanent employees are reported by occupational level, gender and race. There are no material seasonal variations in employee numbers, and reliance on self-employed workers or contractors is not considered material
General 2016	Core	102-9	Supply chain	<p>60% of Netcare's procurement spend is for medicine, medical devices and medical equipment. The majority of these suppliers are multinational organisations. The balance of 40% of spend is for services, indirect supplies, technical maintenance and utilities.</p> <p>Total number of suppliers: over 4 000.</p> <p>2019 Integrated Report Relationship capital: page 88</p> <p>GRI report Preferential procurement: page 40</p>		
General 2016	Core	102-10	Significant changes to the organisation and its supply chain	There have not been any significant changes to the organisation and its supply chain in FY2019.		
General 2016	Core	102-11	Precautionary Principle or approach	<p>2019 Integrated Report Manufactured and natural capital: page 114</p> <p>GRI report Environmental management approach: page 28</p>		

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ORGANISATIONAL PROFILE continued

General 2016	Core	102-12	External initiatives	<p>Netcare achieved multi-divisional ISO 9001:2015 quality certification.</p> <p>Department of Trade and Industry's generic B-BBEE Codes of Good Practice in SA.</p> <p>United Nations (UN) Global Compact.</p> <p>CDP.</p> <p>2019 Integrated Report Relationship capital: pages 71, 88 and 115</p> <p>Full corporate governance report Ethics: pages 19</p>	<p>British Standards Institute</p> <p>Broad-based Black Economic Empowerment (B-BBEE) verification</p> <p>Global Carbon Exchange SA (Proprietary) Limited (GCX)</p>	
General 2016	Core	102-13	Membership of associations	<ul style="list-style-type: none"> Hospital Association of South Africa (HASA)(SA). Global Green and Healthy Hospital Network. 		Netcare's Group Company Secretary and Director of Strategy and Health Policy hold directorship positions at HASA and are members of the various operational sub-committees

STRATEGY

General 2016	Core	102-14	Statement from senior decision-maker	<p>2019 Integrated Report Board Chair's review: page 21 Chief Executive Officer's review: page 62</p>		
General 2016		102-15	Key impacts, risks, and opportunities	<p>2019 Integrated Report Board Chair's review: page 21 Our material matters: page 36 Our strategy: page 40 How we manage risk: page 44 Financial capital: page 120</p>		

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ETHICS AND INTEGRITY

General 2016	Core	102-16	Values, principles, standards, and norms of behaviour	2019 Integrated Report Who we are: page 1 King IV™ Application Register Page 1		The behaviours of the Netcare Way are included in the balanced scorecard of all employees.
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ETHICS AND INTEGRITY continued

General 2016		102-17	Mechanisms for advice and concerns about ethics	<p>We have Group-wide policies on corruption and sanctions, gifts, insider trading and conflict of interests, and a zero-tolerance policy towards fraud, theft, corruption or any similar illegal behaviour. These policies are available to all employees on the Group Intranet. Employees can engage directly with their line management, the Group Human Resources department, the Group Risk, Audit and Forensic Services department or the Group Company Secretarial and Legal department to obtain advice and guidance on ethical and lawful behaviour. If required, the Group will engage external legal advisors for appropriate guidance.</p> <p>Full corporate governance report Ethics: pages 20</p>		
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GOVERNANCE

General 2016	Core	102-18	Governance structure	Full corporate governance report Governance and Delegation of Authority Framework: page 3 King IV™ Application Register		Our governance framework provides the roadmap for us to achieve our strategic objectives within compliance requirements and by balancing the interests of our stakeholders, minimising and avoiding conflicts of interest, and practicing good corporate behaviour. The framework has been enhanced by the delegation of authority framework in which Principle 8 and 10 of King IV™ recommends that the governing body should ensure that it arranges for the delegation within its own structures and with management to promote independent judgement, and assist with balance of power and the effective discharge of its duties.
General 2016		102-19	Delegating authority	Full corporate governance report Governance and Delegation of Authority Framework: page 3 Governance and operating committees: pages 11 and 17 King IV™ Application Register Page 5		The Board has delegated authority to executive management to lead the implementation and execution of approved strategy, policy and operational planning.
General 2016		102-20	Executive-level responsibility for economic, environmental, and social topics	Full corporate governance report Governance and operating committees: pages 11 and 17		The Chief Executive Officer is the Chair of the Sustainability and Procurement committees.

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GOVERNANCE continued

General 2016		102-21	Consulting stakeholders on economic, environmental, and social topics	<p>The Board has delegated its authority to various Board committees and, in some instances, management in accordance with clearly agreed reporting procedures and a written scope of authority to address stakeholder relationships. This is reviewed on a periodic basis by the Social and Ethics Committee and in supporting operational committees.</p> <p>Full corporate governance report Stakeholder inclusion: page 21</p> <p>King IV™ Application Register Page 7</p>		
General 2016		102-22	Composition of the highest governance body and its committees	<p>2019 Integrated Report Governance overview: page 24</p> <p>Full corporate governance report Board of directors: Page 4</p> <p>King IV™ Application Register Page 4</p>		
General 2016		102-23	Chair of the highest governance body	Thevendrie Brewer		The Chair is a non-executive member of the Board.
General 2016		102-24	Nominating and selecting the highest governance body	<p>Full corporate governance report Director appointment: page 4 Director rotation: page 6</p> <p>King IV™ Application Register Page 4</p>		
General 2016		102-25	Conflicts of interest	<p>Full corporate governance report Conflict of interest: page 16</p>		

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GOVERNANCE continued

General 2016		102-26	Role of highest governance body in setting purpose, values, and strategy	Full corporate governance report Responsibilities of the Board: page 8 King IV™ Application Register Page 2		
General 2016		102-27	Collective knowledge of highest governance body	New directors are suitably trained through formal induction. Directors are kept abreast of key topics at Board meetings through detailed reports and the tabling of minutes of Board sub-committees.		
General 2016		102-28	Evaluating the highest governance body's performance	Full corporate governance report Performance evaluation: page 8 Independence: page 6 King IV™ Application Register Page 4		
General 2016		102-29	Identifying and managing economic, environmental, and social impacts	2019 Integrated Report Governance overview: page 24 Our material matters: page 36 Relationship capital: page 86 Manufactured and natural capital: page 114		

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GOVERNANCE continued						
General 2016		102-30	Effectiveness of risk management processes	2019 Integrated Report How we manage risk: page 44 Full corporate governance report Internal control and internal audit: page 24 King IV™ Application Register Page 5		How we manage risk is discussed in the annual integrated report. Environmental risks are also overseen by the Sustainability Committee, which meets four times a year, and the Operational Transformation Committee, which meets four times a year, to drive transformation and diversity initiatives. Both committees report to the Social and Ethics Committee, a sub-committee of the Board. The sub-committee is chaired by an independent non-executive director and meets twice a year. It also has oversight of legislative compliance, social and economic development, and good corporate citizenship.
General 2016		102-31	Review of economic, environmental, and social topics	2019 Integrated Report Governance overview: page 33 Our material matters: page 36 Relationship capital: page 86 Manufactured and natural capital: page 114		
General 2016		102-32	Highest governance body's role in sustainability reporting	The Audit Committee reviews and recommends Netcare's annual integrated report to the Board for approval.		

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GOVERNANCE continued

General 2016		102-33	Communicating critical concerns	Material matters and progress towards achievement of the Group's strategy are monitored at executive level and championed by the Director of Strategy, who makes recommendations to the Board in terms of critical concerns. Critical concerns are managed in Board meetings and are reported to the Board through sub-committee minutes. If required, special Board meetings are held.		
General 2016		102-34	Nature and total number of critical concerns	2019 Integrated Report Our material matters: page 36		
General 2016		102-35	Remuneration policies	2019 Integrated Report Remuneration report: page 156		
General 2016		102-36	Process for determining remuneration	2019 Integrated Report Remuneration report: page 156		
General 2016		102-37	Stakeholders' involvement in remuneration	2019 Integrated Report Remuneration report: page 156 King IV™ Application Register Page 6		

STAKEHOLDER ENGAGEMENT

General 2016	Core	102-40	List of stakeholder groups	2019 Integrated Report Our report: Inside front cover		
General 2016	Core	102-41	Collective bargaining agreements	51% of our employees in SA are covered by collective bargaining agreements.		
General 2016	Core	102-42	Identifying and selecting stakeholders	2019 Integrated Report Our report: Inside front cover King IV™ Application Register Page 7		

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STAKEHOLDER ENGAGEMENT continued

General 2016	Core	102-43	Approach to stakeholder engagement	2019 Integrated Report Relationship capital: pages 83, 84 and 85 Human and intellectual capital: page 92 Full corporate governance report Internal control and internal audit: page 21 King IV™ Application Register Page 7		Stakeholder engagement is undertaken on an ongoing basis and not specifically as part of the report preparation process.
General 2016	Core	102-44	Key topics and concerns raised	2019 Integrated Report Our material matters: page 36		Stakeholder concerns and Netcare's responses are disclosed in the material matters section of the annual integrated report.

REPORTING PRACTICE

General 2016	Core	102-45	Entities included in the consolidated financial statements	Full annual financial statements		
General 2016	Core	102-46	Defining report content and topic boundaries	2019 Integrated Report Our report: Inside front cover Our material matters: page 36		
General 2016	Core	102-47	List of material topics	2019 Integrated Report Our material matters: page 36		
General 2016	Core	102-48	Restatements of information	The 2018 Group statement of financial position and statement of cash flows were restated to reclassify certain items. Restatements for non-financial information are clearly denoted in the footnotes to the tables. Full annual financial statements		
General 2016	Core	102-49	Changes in reporting	There have been no significant changes to the Group's reporting.		

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REPORTING PRACTICE continued

General 2016	Core	102-50	Reporting period	Financial year end: 30 September 2019		
General 2016	Core	102-51	Date of most recent report	Financial year end: 30 September 2018		
General 2016	Core	102-52	Reporting cycle	Annual		
General 2016	Core	102-53	Contact point for questions regarding the report	ir@netcare.co.za		
General 2016	Core	102-54	Claims of reporting in accordance with the GRI standards	This report has been prepared in accordance with the GRI Standards: Core option		
General 2016	Core	102-55	GRI content index	GRI report		Core option
General 2016	Core	102-56	External assurance	2019 Integrated Report Our report: Inside front cover		

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ECONOMIC PERFORMANCE

201 Economic performance 2016	201-1	Direct economic value generated and distributed	2019 Integrated Report Creating measurable value: page 8		
201 Economic performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	How we manage risk: pages 56 and 57 GRI report Environmental management approach: page 28		
201 Economic performance 2016	201-3	Defined benefit plan obligations and other retirement plans	Full annual financial statements Notes to the Group annual financial statements: page 54		
201 Economic performance 2016	201-4	Financial assistance received from government	Netcare did not receive any significant financial assistance from government in FY2019.		

MARKET PRESENCE

202 Market presence 2016	202-2	Proportion of senior management hired from the local community	GRI report Human capital indicators: page 25		
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INDIRECT ECONOMIC IMPACTS

203 Indirect economic impacts 2016	203-2	Significant indirect economic impacts	2019 Integrated Report Creating measurable value: page 8		
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PROCUREMENT PRACTICES

204 Procurement practices 2016	204-1	Proportion of spending on local suppliers	GRI report Supply chain indicators: page 36		
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ANTI-CORRUPTION

205 Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Corruption risk is assessed across the Group and no significant risks relating to corruption have been identified other than minor exposure to bribes, kickbacks and gratuities.		
205 Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	All employees receive training on anti-corruption during orientation, and the Company Secretary performs roadshows every second year to raise awareness.		
205 Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	No known instances of corruption in FY2019.		

ANTI-COMPETITIVE BEHAVIOUR

206 Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	There were no pending actions for anti-competitive behaviour, anti-trust, and monopoly practices for FY2019.		
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MATERIALS

301 Materials 2016	301-1	Materials used by weight or volume	No materials are used in the provision of our services		
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ENERGY

302 Energy 2016	302-1	Energy consumption within the organisation	2019 Integrated Report Manufactured and natural capital: pages 115 to 118 GRI report Environmental indicators: page 34	Independently assured – limited level of assurance.	During FY2019, costs of 20.9 GWh were recovered from tenants.
302 Energy 2016	302-3	Energy intensity	2019 Integrated Report Manufactured and natural capital: pages 115 to 118 GRI report Environmental indicators: page 34		Converted to Scope 3 emissions and reported under 305-3.
302 Energy 2016	302-4	Reduction of energy consumption	2019 Integrated Report Manufactured and natural capital: pages 115 to 118 GRI report Environmental indicators: page 34	Independently assured – limited level of assurance.	Our focus is on electricity purchased and reduction is calculated against the 2013 baseline, which is adjusted year-on-year to accommodate for growth in activity and floor space expansion. Initiatives include solar photovoltaic systems, and lighting, HVAC and domestic hot water upgrades.

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WATER

303 Water 2016	303-1	Water withdrawal by source	2019 Integrated Report Manufactured and natural capital: page 118 GRI report Environmental indicators: page 34	Independently assured – limited level of assurance (excludes re-use and borehole water).	We use municipal water, except for Netcare Alberlito, Netcare Kroon, Netcare Margate and Netcare Pholosa hospitals where borehole water supplements the municipal supply. A desalination plant has been installed at Netcare Christiaan Barnard Memorial Hospital.
303 Water 2016	303-2	Water sources significantly affected by withdrawal of water	No water sources are significantly affected by our operations.		
303 Water 2016	303-3	Water recycled and reused	No water is currently recycled and reused.		

BIODIVERSITY

304 Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No operational sites owned, leased or managed are located in, or adjacent to, protected areas or areas of high biodiversity value outside protected areas.		
304 Biodiversity 2016	304-2	Significant impacts of activities, products, and services on biodiversity	Our operations have no significant impacts on biodiversity		

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EMISSIONS

305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions	2019 Integrated Report Manufactured and natural capital: page 118 GRI report Environmental indicators: page 34	Independently assured – limited level of assurance.	Scope 1 gases: N2O, CO2, Nitro NOx, SF6 and HFC's. Consolidation approach: operational control.
305 Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	2019 Integrated Report Manufactured and natural capital: page 118 GRI report Environmental indicators: page 34		
305 Emissions 2016	305-3	Other indirect (Scope 3) GHG emissions	2019 Integrated Report Manufactured and natural capital: page 118 GRI report Environmental indicators: page 34		
305 Emissions 2016	305-4	GHG emissions intensity	2019 Integrated Report Manufactured and natural capital: page 118 GRI report Environmental indicators: page 34		
305 Emissions 2016	305-5	Reduction of GHG emissions	GRI report Environmental indicators: page 34		

EFFLUENTS AND WASTE

306 Effluents and waste 2016	306-1	Water discharge by quality and destination			All effluent, which is untreated, is discharged into the municipal sewer systems.
306 Effluents and waste 2016	306-2	Waste by type and disposal method	2019 Integrated Report Manufactured and natural capital: page 118 GRI report Environmental indicators: page 34		
306 Effluents and waste 2016	306-3	Significant spills	There were no significant spills in FY2019.		

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ENVIRONMENTAL COMPLIANCE

307 Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	There were no fines incurred for non-compliance with environmental laws and regulations in FY2019.		
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SUPPLIER ENVIRONMENTAL ASSESSMENT

308 Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	All new suppliers complete a compliance declaration confirming compliance to environmental criteria.		
308 Supplier environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	<p>As part of our central procurement vendor listing process, each new supplier needs to complete a compliance questionnaire. If this is not confirmed it is assessed in terms of the type of supply, the relevance thereof and the availability of alternative suppliers.</p> <p>Our top suppliers in the device arena participate in a bi-annual questionnaire and are requested to supply data regarding the various emissions.</p> <p>No supplier contracts were terminated in FY2019.</p>		No suppliers have been identified as having significant actual and potential negative environmental impact.

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EMPLOYMENT

401 Employment 2016	401-1	New employee hires and employee turnover	2019 Integrated Report Human and intellectual capital: page 101 GRI report Human capital indicators: page 25		
401 Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	GRI report Human capital indicators: page 25		
401 Employment 2016	401-3	Parental leave	GRI report Human capital indicators: page 25		

LABOUR/MANAGEMENT RELATIONS

402 Labour/management relations 2016	402-1	Minimum notice periods regarding operational changes	<p>In SA, the minimum notice period in terms of the Basic Conditions of Employment Act (BCEA) 75, of 1997 as amended; section 36 of the BCEA is as follows:</p> <p>Collective agreements with unions do not specify the minimum notice period; however, it has been standard practice to comply with the provisions of the Labour Relations Act.</p> <p>During the first six months of employment, one week written notice of termination of employment is required, for the remainder of the first year, two weeks written notice is to be given. After the first year, the notice period is four weeks. We are fully compliant with this legislative requirement.</p>		
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OCCUPATIONAL HEALTH AND SAFETY

403 Occupational health and safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	GRI report Human capital indicators: page 25		
403 Occupational health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities			This metric will be reported on in 2020
403 Occupational health and safety 2016	403-3	Workers with high incidence or high risk of diseases related to their occupation	2019 Integrated Report Human and intellectual capital: page 95		
403 Occupational health and safety 2016	403-4	Health and safety topics covered in formal agreements with trade unions	GRI report Human capital management approach: page 23		

TRAINING AND EDUCATION

404 Training and education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	2019 Integrated Report Human and intellectual capital: page 98 GRI report Human capital indicators: page 25		
404 Training and education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	2019 Integrated Report Creating measurable value: page 12 GRI report Human capital indicators: page 25		

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DIVERSITY AND EQUAL OPPORTUNITY

405 Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	2019 Integrated Report Governance overview: page 24 Creating measurable value: page 12 Human and intellectual capital: page 96 Full corporate governance report Our Board of directors: page 4 GRI report Approach to transformation: page 37		
405 Diversity and equal opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men			These metrics are tracked but are not disclosed publicly given their sensitive nature.

NON-DISCRIMINATION

406 Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	12 cases of discrimination were reported through the toll-free line in FY2019. All cases have been investigated and 11 resolved. One was still under investigation at the time of reporting.		
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FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

407 Freedom of association and collective bargaining (2016)	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	GRI report Human capital management approach: page 23 Supply chain management: page 36		
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CHILD LABOUR

408 Child labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	GRI report Human capital management approach: page 23 Supply chain management: page 36		
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FORCED OR COMPULSORY LABOUR

409 Forced or compulsory labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	GRI report Human capital management approach: page 23 Supply chain management: page 36		
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RIGHTS OF INDIGENOUS PEOPLES

411 Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples			We do not currently distinguish between discrimination and violations of rights of indigenous peoples.
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HUMAN RIGHTS ASSESSMENT

412 Human rights assessment 2016	412-2	Employee training on human rights policies or procedures	3 371 employees received human rights training		
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LOCAL COMMUNITIES

413 Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	2019 Integrated Report Creating measurable value: page 8 Relationship capital: page 86 GRI report Approach to investing in local communities: page 40		For more information on our corporate social investment initiatives: http://www.netcare.co.za/CSI
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SUPPLIER SOCIAL ASSESSMENT

414 Supplier social assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	There were no negative social impacts in the supply chain.		
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PUBLIC POLICY					
415 Public policy 2016	415-1	Political contributions	No political contributions were made in FY2019.		
CUSTOMER HEALTH AND SAFETY					
416 Customer health and safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance concerning the health and safety impacts of products and services in FY2019.		
MARKETING AND LABELLING					
417 Marketing and labelling 2016	417-3	Incidents of non-compliance concerning marketing communications	No incidents of non-compliance with regulations and voluntary codes concerning marketing communications in FY2019.		
CUSTOMER PRIVACY					
418 Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints for breach of personal information were received in FY2019.		
SOCIOECONOMIC COMPLIANCE					
419 Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions for non-compliance with laws and regulations recorded in FY2019.		

Human capital management approach (SA only)

We operate in a highly regulated, constantly changing and fast-paced environment. Through our engagement with employees, we aim to create a transparent and interactive platform that encourages our people to drive our systems leadership initiatives in line with our strategic priorities, as well as openly engage on issues that affect them in the workplace (including racism) and assist them to manage change.

Taking care of our staff directly impacts on their ability to provide the highest quality of care to our patients. Our material focus areas are to:

- Attract and retain the best skills.
- Position Netcare with a unique employee value proposition.
- Provide employee wellness services.
- Accelerate transformation and encourage diversity.
- Provide opportunities for continuous professional learning and development, and career progression.

Our performance management system, core values and **the Netcare Way** behaviours are entrenched practices that build Netcare's culture of being and doing.

Employee relations

Netcare aims to provide a fair and productive environment and we are committed to effectively dealing with issues that impact the employer and employee relationship.

Our internal disciplinary procedures are governed by the workplace relations policy, standard operating procedures and guidelines. Mechanisms are in place for employees to report any grievances, disputes and complaints. The Employment Relations department, together with executive and senior management, is the custodian of the policy in line with the compliance framework and applicable labour legislation.

Industrial relations training is provided to our managers and focuses on managing workplace discipline and poor performance, and how to chair a disciplinary hearing. The training is relevant to the healthcare environment and includes updates on any changes in legislation.

We adhere to the collective bargaining provisions set out in the Employment Equity Act and the Labour Relations Act. We promote ongoing interaction with our representative trade unions, which includes annual collective bargaining and quarterly national consultative forums. We also fund three full-time shop stewards who assist with employee relations.

At times, our focus on operational excellence requires necessary operational changes to drive efficiencies. We maintain positive and transparent relationships with our representative trade unions through:

- Disclosing all relevant information related to our proposals.
- Providing unions with the opportunity to respond to these proposals and make alternative suggestions.
- Responding to alternative proposals presented by employees and unions.

Occupational health and safety

Our recognition agreements with trade unions cover occupational health and safety. This ensures that our health and safety measures in the workplace comply with the requirements of the Occupational Health and Safety Act. In line with these agreements, our onsite shop stewards act as union representatives in our health and safety committees. In addition, they report monthly to the Shop Steward Committee on health and safety issues in the workplace.

Training and education

Employee growth and development is an integral part of our people strategy, and programmes such as **Caring the Netcare Way** and **Leading the Netcare Way** aim to enhance behaviours that support a culture of care. **Caring the Netcare Way** is targeted at all new employees as part of our induction programme, while **Leading the Netcare Way** supports the tangible growth in emotional intelligence, equipping our managers with the skills to effectively guide employees through change initiatives and drive quality and care.

Our leadership programmes assist our employees to transition into new roles and are critical in building a pipeline of talent to support succession planning. Meaningful and continuous engagement between line management and employees is facilitated through performance and development appraisals.

Given the shortage of suitably qualified healthcare professionals in SA, we direct most of our training spend to developing healthcare professionals with a focus on registered nurses, paramedics and pharmacist practitioners. Beneficiaries include our employees and unemployed South Africans who aspire to a career in the healthcare sector. Our nursing qualifications are accredited by the South African Nursing Council (SANC) and aligned to the National Qualifications Framework (NQF).

Diversity management

We are committed to promoting diversity and social cohesion within our workforce, and aspire to be a fully inclusive employer. We focus on:

- Aligning our workforce with SA's national and regional economically active population demographics.
- Gender parity.
- Creating an environment that supports differently abled people.

Diversity workshops and training, attended by management teams and employment equity committees, promote a culture of inclusiveness and facilitate dialogues on race, diversity and social cohesion. When required, training on disability awareness is also provided to our employees, including training that equips our employees with skills to communicate with people who have hearing impairments. We also encourage robust and transparent engagement on these issues through our transformation committees.

We take a zero-tolerance approach to discrimination and racism. Our stance against racism applies to each person in our facilities, irrespective of whether they are employees, contractors, healthcare providers and partners, or patients and their families. The seventh **Netcare Way** behaviour ("I always embrace diversity, to show that I am not a racist") supports this stance.

An anonymous toll-free line enables employees to report alleged or perceived discriminatory or racist action or behaviour. Through this reporting mechanism we identify discriminatory attitudes, behaviours and practices within our organisation. Each case reported is investigated (provided the employee has given their consent) and appropriate corrective action is taken.

Employee wellness

Through our Employee Wellbeing Programme, employees and their immediate family members have access to a range of support services. Telephonic and face-to-face counselling is available to employees on issues such as financial, legal, and family and relationship matters, as well as stress, trauma, health and work-related issues. The programme also offers managerial training workshops that assist our managers to effectively engage with their teams and deal with conflict.

Human rights

Our operations and strategies align to the human rights principles encapsulated in SA's Constitution. This covers child, forced or compulsory labour and the right to freedom of association and collective bargaining. Our adherence to these principles is further strengthened through our human resources policies that emphasise our commitment to respect human rights. We are also a member of the United Nations Global Compact and support its 10 principles on human rights, labour, environment and anti-corruption.

Progress made during 2019



Human and intellectual capital: **page 92.**

SA Human Capital Indicators

Employment data

Permanent employee breakdown	2019			2018	2017
	Male	Female	Total		
Hospital and pharmacy	2 315	14 032	16 347	17 283	16 889
Mental health	98	410	508	490	
Oncology	8	52	60	64	53
Netcare 911	807	418	1 225	1 183	1 120
Head office	221	365	586	560	543
Primary Care	120	1 069	1 189	1 366	1 329
Total number of permanent employees	3 569	16 346	19 915	20 946	19 934

Permanent employees by employment level

Executive	22	18	40	35	37
Management	416	1 113	1 529	1 517	1 449
Professional	862	6 395	7 257	7 332	6 741
Enrolled nursing and support	2 269	8 820	11 089	12 062	11 707
Total number of permanent employees	3 569	16 346	19 915	20 946	19 934

Permanent employee by race

	2019			2018		
	Black ¹	White	Total	Black	White	Total
Executive	16	24	40	9	26	35
Management	855	674	1 529	772	747	1 519
Professional	5 519	1 738	7 257	5 368	1 961	7 329
Enrolled nursing and support	9 520	1 569	11 089	10 324	1 739	12 063
Total number of permanent employees	15 910	4 005	19 915	16 473	4 473	20 946

1. African, Coloured and Indian.

Employee by employment contract

	2019			2018		
	Male	Female	Total	Male	Female	Total
Permanent: Full-time	3 560	16 015	19 575	3 670	16 877	20 547
Permanent: Part-time (reduced hours)	9	331	340	7	392	399
Fixed-term	194	749	943	166	863	1 029
Total workforce	3 763	17 095	20 858	3 843	18 132	21 975

Employees belonging to a union

	2019	2018	2017
Full-time	52.56%	50.85%	51.30%

Local hiring

	2019	2018	2017
Proportion of senior management who are South African citizens	95.24%	96.15%	95.56%

Calculated for employees on Grade D upper and above in terms of the Patterson grading system.

SA Human Capital Indicators continued

Turnover data

New hires	2019			2018		
	Male	Female	Total	Male	Female	Total
Under 30 years of age	179	466	645	321	825	1 146
Between 30 and 50 years of age	231	821	1 052	357	1 368	1 725
51 years of age and above	21	140	161	18	220	238
Total number of new employees	431	1 427	1 858	696	2 413	3 109

Rates of new hire		2019	2018
Male		2.16%	3.32%
Female		7.17%	11.52%
Under 30 years of age		3.24%	5.47%
Between 30 and 50 years of age		5.28%	8.24%
51 years of age and above		0.81%	1.14%

Overall turnover rates			
Overall turnover		14.08%	12.14%
Male		2.61%	2.53%
Female		11.48%	9.83%
Under 30 years of age		2.12%	2.02%
Between 30 and 50 years of age		8.63%	7.74%
51 years of age and above		3.34%	2.59%

Benefits

	2019			2018		
	Full time	Part time	Fixed term/ temporary Employees	Full time	Part time	Fixed term/ temporary Employees
Life insurance	Yes	Yes	Yes ¹	Yes	Yes	Yes ¹
Health care (Medical aid)	Yes	Yes	Yes	Yes	Yes	Yes
Disability coverage	Yes	Yes	Yes ¹	Yes	Yes	Yes ¹
Maternity pay	Yes	Yes	No	Yes	Yes	No
Parental leave	Yes	Yes	Yes	Yes	Yes	Yes
Retirement provision	Yes	Yes	No	Yes	Yes	No
Stock ownership	Yes	Yes	No	Yes	Yes	No
Funeral cover	Yes	Yes	No	Yes	Yes	No
13th cheque	Yes	Yes	No	Yes	Yes	No
Allowances	Yes	Yes	Yes	Yes	Yes	Yes

1. Employees recruited on fixed-term contracts for longer than a year are entitled to receive life insurance benefits and disability coverage.

Employees who are members of Netcare's medical aid	2019	2018	2017
Full-time	81.30%	83.28%	82.15%

Parental leave data

Number of employees	2019			2018		
	Male	Female	Total	Male	Female	Total
Entitled to parental leave	3 763	17 095	20 858	3 800	18 066	21 866
That took parental leave	148	982	1 130	148	965	1 113
Who returned to work after parental leave ended	161	706	867	148	709	857
Who returned to work and are still employed 12 months after their return	149	639	788	130	696	826

Return and retention rates			
Return to work	108.78%	71.89%	100.00%
Retention	100.68%	90.13%	74.71%

Performance management

Employees receiving performance appraisals	2019	2018	2017
Overall	79.30%	83.71%	84.55%
Male	12.36%	16.14%	16.39%
Female	66.94%	83.86%	83.61%

Training and development data

Number of employees trained	Skills period April 2018 to March 2019		
	2019	2018	2017
Paramedic courses (BAA, AEA & CCA)	19	57	39
Nursing programmes	1 353	1 970	1 894
Six month in-service programmes	530	541	229
Other programmes	14 412	11 125	12 173
Total employees trained	16 314	13 693	14 335
% of employees trained that are women	85.73%	85.85%	84.38%
Number of training interventions	59 618	30 813	37 122
Amount spent on training interventions ¹	R84 358 140	R69 947 205	R54 476 393
Total number of students currently registered at Netcare Education (nursing, emergency and critical care, and management development)	2 570	3 718	3 622
Number of people trained who are not Netcare employees (fee-for-service and private funding students)			
Paramedic courses	146	151	241
Nursing programmes	686	845	1 087
Total	832	996	1 328

¹ These amounts only include the direct costs of training as submitted to the Health and Welfare Sector Education and Training Authority (HwSETA).

Formal nursing qualifications (number of nurses)

	2018/19		2017/18		2016/17	
	Enrolled	Completed	Enrolled	Completed	Enrolled	Completed
Enrolled – 2nd Year (2 year – exit as an Enrolled Nurse)		11		3	247	776
Auxiliary (1 year – exit as an Auxiliary Nurse)						172
Diploma in General Nursing Bridging – 2nd Year (2 year – exit as a Registered Nurse)	426	797	925	488	677	498
Post Basic Diploma in Medical or Surgical Nursing (1 year – post basic Registration)	144	877	129	69	104	67
Total	570	1 685	1 054	560	1 028	1 513
Six-month in-service nursing programmes	251	202	251	149	229	181

The numbers reported for Nursing programmes include those enrolled and qualified as Auxiliary Nurses, Enrolled Nurses, Registered Nurses and Registered Nurses with area of specialisations (excludes Certificate in General Nursing Enrolled – 1st year).

Training on human rights	2019	2018	2017
Number of hours of training	5 156	4 427	2 948
% of the workforce trained	16.34%	11.41%	11.04%

Employment equity

Black (African, Coloured and Indian) representation overall: 78.34% (2018: 76.96%)

Women representation overall: 82.10 (2018: 82.51%)

Black women representation overall: 63.97% (2018: 63.00%)

People with disabilities: 733 (2018: 673)

		% of the workforce						Employment equity plan (% of workforce)	
		2014	2015	2016	2017	2018	2019	Target 2019	Target 2020
Senior Management	Black	23.08	25.92	26.92	28.00	29.17	41.38	35.70	37.04
	Black women	15.38	14.30	15.39	12.00	16.67	24.14	21.42	22.22
Middle Management	Black	32.74	34.32	34.97	36.14	39.91	45.16	45.47	48.24
	Black women	17.70	18.43	18.49	20.68	21.73	25.20	25.83	27.97
Junior Management and Skilled Workers	Black	57.58	61.00	60.91	64.91	68.02	71.24	64.98	66.42
	Black women	50.01	52.00	52.59	56.15	58.87	61.86	53.37	54.24
Employees with Disabilities	Overall	2.42	2.63	2.61	3.03	3.23	3.63	3.60	4.00
	Black	1.03	1.45	1.40	1.72	1.91	2.33	2.66	3.00
	Black women	0.65	0.87	0.86	1.11	1.28	1.60	1.80	2.00

Environmental management approach

Environmental optimisation is an important contributor to Netcare's quality improvement efforts. Securing the supply of electricity and water required for our high-acuity operations is critical in delivering the best clinical outcomes and best patient experience. The high acuity and specialised services result in higher than industry average energy intensities. Actively managing our dependency on national utilities not only reduce our risk exposure but also provides cost savings, reduces our environmental impact and enables us to better manage our environmental impact.

Environmental performance is managed and monitored by the Environmental Sustainability Manager who is supported by an energy engineer, a technical advisor to the operational teams as well as an integrated waste manager, both of the latter being added to the team towards the end of 2019. The Environmental Sustainability Manager reports directly to the Chief Executive Officer (CEO) and the Sustainability Committee. The committee is chaired by the CEO and reports into the Social and Ethics Committee, a sub-committee of the Netcare Board. Our material focus areas include:

- Carbon emissions and energy supply and consumption.
- Water supply and consumption.
- Effluent and waste management.

The management of water and waste, and biodiversity is predominantly at an operational level. In 2020 this will also be more centralised due to the additional resources to enable better data transparency, management and guidance to operations.

The Property division oversees building projects and where required, environmental impact assessments are undertaken by specialists. The Facilities division is responsible for day-to-day operations and service providers are responsible for collecting waste and managing the safe disposal of hazardous waste on behalf of Netcare.

The Procurement division is responsible for service level agreements and managing service providers.

Project implementations are managed from a central point and in close collaboration with each facility. Environmental risks are managed through a robust governance and risk framework and facility management structures at operational level.

Remuneration and performance bonuses are linked to the environmental programme for employees who are accountable for environmental performance within these divisions.

Environmental management approach continued

Netcare has the following environmental sustainability policies in place:

- An overarching environmental sustainability policy.
- Energy policy.
- Water management policy.
- Hazardous substances policy.
- General waste policy.
- Green procurement policy.
- Base year and baseline recalculation policy.
- Health care risk waste policy.

The consultant guideline for green construction was developed and published at the end of the 2019 calendar year. We have developed a science-based target for emissions reduction through the 'We Mean Business' initiative in FY2019 to support limiting mean global temperature increase to 2°C, however this target is scheduled for review in 2023. In addition of the current owned renewable energy programme to, expand to a grid based renewable energy programme that will support a 1,5°C limit target. Our owned renewable energy programme is already approaching 10MW(peak), however it is reaching its peak due to the availability of usable space.

Our Enterprise Sustainability Platform generates daily and monthly and live dashboards of utility usage and plant efficiency to limit environmental impact across our facilities. The data collected through the platform informs our reporting to sustainability indices and the Carbon Disclosure Project (CDP), and assists us in identifying initiatives that support our strategic objectives and targets.

Training

Environmental training and information sessions take place at all levels of the business, covering the actions to be taken should an adverse event occur and the behaviours required to mitigate long-term environmental risk.

Scope of reporting

Our environmental data for SA covers all Netcare hospitals, Mental health facilities, Medicross family medical and dental centres and Prime Cure clinics, including laundry and hospital vehicle transport. For energy and water consumption, as well as waste generation, the following are included in the scope:

- Public Private Partnerships in SA and Lesotho.
- Joint venture facilities in SA.
- Netcare 911 facilities located at Netcare hospitals.

Carbon emissions and energy

In 2013, we implemented a ten-year strategy to achieve a targeted 35% reduction in energy intensity over 10 years for the SA operation. Our initial focus on electricity purchased is due to it being the largest utility expense, which accounts for around 80% of our total energy consumption and is the largest contributor to our carbon emissions. Since 2013, the Sustainability Committee has approved energy efficient, renewable energy and water projects valued at over R550 million. Of this, R496 million has been invested in optimisation and efficiency projects.

Our target is to reduce our energy use to 183 GWh by 2023, based on zero growth in patient day activity or floor space (2019: 213 GWh).

We registered actual usage of 234 GWh, inclusive of our tenants which places us on the linear reduction trajectory for the 2023 target.

Electricity meters are installed on an ongoing basis at Netcare hospitals and more recently at Medicross and Akeso facilities. Meters are critical for establishing accurate baselines against which to measure, verify and report energy reductions. Audits are undertaken nationally and together with our online monitoring of facilities, we are able to identify opportunities to reduce our electricity consumption and additional projects for implementation.

We measure energy consumption against our performance in 2013, which is set as our base year. The baseline was calculated using energy audits undertaken across our network and a baseline and targets were established for each facility. Our baselines

and targets are reviewed annually and the baseline is used to declare the savings that reflect directly in the financial statements.

Our energy, carbon footprint and water usage have been independently assured by Global Carbon Exchange SA Proprietary Limited (GCX). The assurance is undertaken as part of our disclosure to the CDP and verification was undertaken at a limited level of assurance. Assurance in accordance with:

The principles of the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting Standard, 2nd Edition, 2004.

The International Standard ISO 14064-3 (2006) 'Specification with guidance for the validation and verification of greenhouse gas (GHG) assertions'.

We are busy preparing a new 10 year strategy and will present this to business during the course of 2020 for approval of new targets for 2030, which will also impact on the original 2023 targets. As mentioned previously, we plan to review science-based targets in 2023 to attack the greenhouse gas emission problem more aggressively.

Water

We completed installing water meters at our hospitals. Targets will be set for each facility with a list of interventions and associated implementation plans. Our aim is to implement a stakeholder inclusive water stewardship programme that is socially equitable and environmentally sustainable, but also delivers an economic benefit. Our objective is to reduce our impact by 20% on water use (per bed per day) by 2025. We are also busy with water audits in our facilities to establish the highest water use areas and how reduction initiatives in the high consumption functional areas will contribute to the 20% reduction planned.

Waste management

A waste strategy is in place and our approach to optimise waste management is based on the most preferred option of avoidance or prevention through reducing, re-using, recycling and disposal (the last being the least preferred option). Our audits of waste service providers cover compliance with waste management regulation, training, competency of staff, waste information systems, control and security, transportation, monitoring, environmental impact, and health and safety.

A comprehensive action plan is in place to address healthcare risk waste, which is the most expensive operational cost associated with waste. This provided improved results in FY2019. We focus on the correct segregation of waste using clearly marked colour-coded bins and provide training to our employees. A set of baseline metrics has been established to measure performance, with the measure of hazardous waste volume per patient day distributed monthly to leadership to track progress. Where required, we will engage with and assign targets to facilities that are above average levels of waste production.

We are also busy with two proofs of concept, being onsite healthcare risk waste treatment and beneficiation of the waste after treatment and a zero waste to landfill target to reduce pressure on South African landfill sites.

Progress made during 2019



Manufactured and natural capital: **page 114**.

Risks and opportunities (SA only)

ENVIRONMENTAL REGULATIONS, INCLUDING PLANNING	We are required to constantly keep abreast of regulatory developments. Failure to comply could expose Netcare to fines and/or declining investor confidence. Our regulatory risks relating to climate change are primarily associated with energy and water security.
Potential impact Increased capital cost	Estimated financial implications A capital expenditure budget of R50 million was approved to continue reducing Netcare's exposure risk. Projects include domestic hot water and free reject heat harvesting projects, lighting upgrades, and optimising our heating, ventilating and air conditioning (HVAC) systems, solar photovoltaic (PV) systems and water optimisation projects.
Direct versus indirect risk Direct	Management method and cost We apply compliant and transparent corporate governance principles and continuously monitor each facility's environmental performance through the Enterprise Sustainability Platform.

Risks and opportunities (SA only) continued

CARBON TAX, AS WELL AS OTHER FUEL AND ENERGY TAXES	The SA National Treasury plans to initiate the first carbon tax phase at a rate of R120/tCO ₂ e. This will increase by 10% a year during the first implementation period for which a basic tax-free threshold of 60% is proposed. The introduction of carbon taxes will require capital to adapt our infrastructure so that we can increase operational efficiency and reduce emissions. The inception date of this tax is unknown.
Potential impact Increased operational cost	Estimated financial implications If applied to Scope 1 emission sources, it is estimated that our carbon tax will be below R1 million annually.
Direct versus indirect risk Direct and indirect (supply chain)	Management method and cost We stay abreast of the latest trends relating to carbon tax and have engaged an energy tax consultant to provide further guidance. Our Enterprise Sustainability Platform will enable us to monitor and measure our carbon tax exposure and assist with budget forecasting. Our costs include a dedicated energy engineer and the Enterprise Sustainability Platform, which had a total financial impact of R2 million in the first year of implementation (2013). Ongoing monitoring of energy consumption and carbon impact across the national footprint costs around R6 million a year.
ELECTRICITY SUPPLY BACKUP	A constant supply of electricity is an inherent risk in SA. As continuous supply is critical to our ability to provide best and safest patient care, full backup systems are essential. Energy is a substantial expense so increased utility costs imposed as a result of higher demand and limited supply could pose an operational risk.
Potential impact Increased operational cost	Estimated financial implications We have installed 9,7 MW (peak) of Solar PV installations and are increasing this footprint. In addressing limitation in the grid generation capacity we are also participating in developing over the grid renewable energy solution to not only support limited fossil fuel grid generation, but also lower greenhouse gas emission impacts, carbon tax impacts and support science-based targets.
Direct versus indirect risk Direct	Management method and cost We are investing in solar domestic hot water projects and solar PV installations. The management costs associated with these projects have not been calculated. We continued investigating renewable energy project alternatives during FY2019. In addition, an investigation is underway into other alternative energy sources such as fuel cells.
REPUTATIONAL LOSS ASSOCIATED WITH A LACK OF INITIATIVES TO REDUCE OUR OPERATIONAL IMPACT ON THE ENVIRONMENT	Expectations to disclose energy and carbon measures, and emissions reduction performance is increasing. Not responding to these stakeholder expectations could negatively impact Netcare's reputation. We pride ourselves on being a responsible corporate citizen committed to good governance, including the adoption of sustainable practices.
Potential impact Reduced stock price (market valuation)	Estimated financial implications Not calculated.
Direct versus indirect risk Direct	Management method and cost We adopted a long-term strategy to guide our responses to the implications that climate change may have on disease vectors and the associated modifications required by our services and facilities. Management costs have not been quantified as they form part of consultation costs.

EMISSIONS REPORTING OBLIGATIONS	We report a carbon footprint annually and work towards reducing our environmental impact. However, our organisational growth strategy may increase our emissions.
Potential impact Reduced stock price (market valuation)	Estimated financial implications Not calculated.
Direct versus indirect risk Direct	Management method and cost We aim to apply good, auditable and transparent environmental governance practices assisted by our Enterprise Sustainability Platform. Where audits indicate that efficiencies can be obtained, we execute the relevant projects where feasible. We expect to spend R6 million in FY2020 to monitor, measure and report our performance against baselines and targets at each facility. These results will inform our submissions to the FTSE Russell, CDP, UN Global Compact, and our annual integrated report.
CHANGE IN TEMPERATURE	A temperature rise will influence infection control as well as ambient temperatures in critical healthcare areas such as operating theatres, where temperature control is imperative for certain procedures. An increased risk of infection could increase the demand for isolation rooms, which would translate into fewer beds per square metre. In addition, isolation rooms use more energy per square metre as they require additional HVAC systems.
Potential impact Increased operational cost	Estimated financial implications Not quantified; however we are building isolation rooms where necessary.
Direct versus indirect risk Direct	Management method and cost Netcare was one of the first companies in Africa to commit to calculating a science- based target to contribute to the goal of keeping global warming below 2 °C. It is a challenge for Netcare to commit to the long-term goals set on an international level due to the specific carbon path South Africa follows for electricity generation. We have developed a science-based target and aim to support the latest guidelines and a future review of the target. This target will also be informed through the new 10 year strategy under development for targets in 2030 and a target review in 2023, the end of the initial 10 year strategy.
CHANGE IN MEAN (AVERAGE) TEMPERATURE	Electricity to run HVAC systems comprises around 30% of our carbon footprint. Higher temperatures will result in storms, flash floods and lower average rainfall resulting in more droughts, higher disease potential and loss in lives due to floods or high temperatures.
Potential impact Increased capital cost	Estimated financial implications Not quantified.
Direct versus indirect risk Direct	Management method and cost No additional requirements as needs are driven from an operational level for illnesses, fatalities or injuries, as well as the impact at facility level to manage higher temperatures. To contribute to avoiding the exposure to this risk, we continue developing science-based targets and continue to develop projects to achieve this goal.
PHYSICAL POLLUTION OF WATER SUPPLY	The quality of water supplied to certain facilities already requires additional treatment before distribution.
Potential impact Higher operating costs	Response strategy We invest in infrastructure where required. Our current expenditure is low.
Magnitude of potential financial impact Low	

Risks and opportunities (SA only) continued

DECLINING WATER QUALITY	Declining water quality is a key risk that extends beyond SA.
Potential impact Constraint on future growth.	Response strategy Our immediate planned infrastructure expenditure is low as we are investigating options and alternatives. Solutions are most likely to involve deployment of on-site water recycling systems that will re-use effluent water. This will limit dependency on treated water while simultaneously lowering treated water demand. The advantage is that we are then in control of our own processed water and not as exposed to outside failures in quality management as is currently the case. We developed a new water quality monitoring strategy during FY2019 which will be implemented in 2020 to identify potential risks earlier.
Magnitude of potential financial impact Low to medium	
DROUGHT AND SERVICE WATER DELIVERY FAILURES	Interruptions to water supply impact business operations and the ability to provide quality healthcare. This may have a negative financial impact and place the health of our patients at risk.
Potential impact Higher operating costs and potential loss of income if a facility is without water for an extended period of time. This risk extends to our suppliers as a prolonged water service delivery interruption will affect their ability to deliver critical goods and services required to provide healthcare services.	Response strategy We are investing in infrastructure and technologies that will reduce our reliance on municipal water supply systems. Since 2012 we have spent R72 million on backup water storage to meet internal policy regulations that require 48 hours of water supply backup in all hospitals. Over the next two years R50 million to R60 million has been budgeted for further initiatives in this regard. Netcare spent R10 million specifically addressing the "Day Zero" drought exposure in the Western Cape by installing and commissioning a desalination plant at Christiaan Barnard Memorial Hospital and increasing on-site water storage. A component of our water strategy is identifying risk areas in our supply chain. Once we have a better understanding of risks, we will be able to quantify the potential financial impact. We will work to build resilience in our supply chain through supply diversification and engaging with our suppliers on their strategies to manage water issues. Our water strategy will be implemented over the next five years and is expected to decrease our supply chain risk to low to medium.
Magnitude of potential financial impact High	
REPUTATIONAL LOSS ASSOCIATED WITH A LACK OF INITIATIVES TO MANAGE WATER DISRUPTIONS	Interruptions to water supply impact business operations and the ability to provide quality healthcare. This may negatively impact our competitiveness, investor confidence and patient satisfaction. In addition, there is growing stakeholder expectation that companies respond to environmental aspects such as water use. Not showing initiative to manage consumption or the ability to deal with a disruption could impact our reputation.
Potential impact Reduced stock price (market valuation) and loss of revenue for every patient day lost	Response strategy Bulk water tanks have been installed at all hospital facilities, providing for more than the statutory requirement in terms of backup water supply. The Enterprise Sustainability Platform monitors and manages environmental aspects to support good environmental governance and assist with stakeholder reporting. Our water strategy takes into account the water risks associated with climate change.
Magnitude of potential financial impact High	
EXTREME CHANGES IN MEAN (AVERAGE) PRECIPITATION	The average precipitation in certain regions in which we operate is projected to decrease in both wet and dry seasons. This will impact water availability within the catchments and the ability of municipal infrastructure to provide water, increasing our risk of business disruptions.
Potential impact Reduction or disruptions to normal operations. The financial impact will depend on the severity of a drought.	Response strategy Bulk water tanks have been installed at all hospital facilities, providing for more than the statutory requirement in terms of backup water supply. On-site inspections are conducted to identify visible water leaks and downtime is recorded and continuously monitored to improve our planning and preparation for interrupted services. The Enterprise Sustainability Platform monitors excessive use of water.
Magnitude of potential financial impact High	

Environmental indicators

Good progress has been made on the electricity reductions impacting Scope 2 emissions, however in 2019 a jump in Scope 2 emission was experienced predominantly driven through an approximately 10% increase in Eskom emissions associated with every kWh generated by them. The emissions associated with Scope 1, our direct emissions, are driven by external factors such as supply interruptions impacting generator fuel usage, patient needs driving medical gas use, and road and air ambulance usage. Despite the increase in load shedding and generator fuel use by 129% in 2019, Scope 1 emissions reduced to 34 192 tonnes from 40 212 in 2018, but are still below the 2016 value, the highest registered since 2013 of 46 034 tonnes. While Scope 2 emissions increased from 187 422 tonnes in 2018 to 211 026 tonnes. The combined impact is 227 634 tonnes in 2018 versus 245 218 tonnes in 2019, a 7.7% increase.

Direct energy intensity per registered bed in 2019 reduced marginally to 19 gigajoules (GJ). The direct and indirect energy consumption baseline established in 2013 recorded 1 038 540 GJ, at 112 GJ per registered bed. In 2019, our energy use was 983 418 GJ with an energy intensity of 86 GJ per registered bed, but now includes our Mental health beds. This equates to a 23% reduction in energy intensity compared to the 2013 baseline intensity ratio.

Our total Scope 1 and 2 emissions for the 2013 base year were 33.561 tonnes of CO₂e per registered bed. In 2019, we recorded 21.34 tonnes of CO₂e per registered bed, a 36% reduction in intensity from baseline. Electricity is our main source of energy use. The Hospital division used 196 gigawatt hours (GWh) in 2019 (2018: 195GWh, 2017: 215 GWh, 2016: 224 GWh). The electricity meter project which allowed us to accurately account for our tenants' usage for the first time contributed to the reduction since 2018. Total energy usage by the SA operations and Lesotho for the year, inclusive of tenants was 234 GWh (2018: 230, 2017: 233 GWh, 2016: 247 GWh, 2015: 240 GWh, 2014: 245 GWh, 2013: 248 GWh)¹. Our target is to reduce the energy use to 183 GWh by 2023 based on zero activity or floor area growth.

Our electricity expense for 2019 was R343 million (2018: R306 million, 2017: R288 million, 2016: 279 million, 2015: R259 million, 2014: R239 million, 2013: R235 million). If the sustainability projects had not been implemented, costs for 2019 would have been R430 million, implying a cost avoidance of R87 million in 2019 (2018: R77 million, 2017: R60 million, 2016: R30 million, 2015: R23 million, 2014: R15 million)¹, representing cumulative cost avoidance of R293 million since 2013.

During 2019 our solar PV installations generated 12 GWh of renewable energy, contributing more than R17 million to the savings for the year.

Notes:

Global Carbon Exchange SA (Proprietary) Limited independently assured environmental indicators. The verification, at a limited level of assurance, was performed in accordance with the principles of the WBCSD/WRI GHG Protocol Corporate Accounting Standard, 2nd Edition, 2004, and with ISO 14064-3 (2006).

¹ Total energy use includes purchased electricity and other fossil fuels but excludes renewable energy. Electricity meters cover more than 90% of the hospital network and certain Primary Care facilities which together account for 50% of the Primary Care division's electricity expense.

SA and Lesotho

Energy and emissions performance: SA and Lesotho

Carbon emissions and energy use	Unit	2019	% change on previous year	2018	2017	2016	Baseline (2013)
Direct energy used	GJ	214 635	1.7%	210 947	211 810	251 133	205 259
Indirect energy used	GJ	768 783	2.4%	750 855	840 825	890 332	833 281
Total energy used	GJ	983 418	2.2%	961 802	1 052 635	1 141 465	1 038 540
Scope 1 emissions	Tonnes CO2e	34 192	(15.0%)	40 212	33 339	46 034	43 099
Scope 2 emissions	Tonnes CO2e	211 026	12.6%	187 422	218 252	235 975	241 556
Total Scope 1 and 2 emissions	Tonnes CO2e	245 218	7.7%	227 634	251 591	282 009	284 655
Scope 3 emissions	Tonnes CO2e	30 395	5.4%	28 835	30 041	31 543	34 701
Total Scope 1, 2 and 3 emissions	Tonnes CO2e	275 613	7.5%	256 469	281 632	313 552	319 356
Emissions that falls outside Kyoto Protocol	Tonnes CO2e	2 073	20.7%	1 718	2 825	3 363	2 924
Total measured Greenhouse Gas emissions	Tonnes CO2e	277 686	7.6%	258 187	284 457	316 915	322 280
Ratio of total Scope 1 and 2 emissions to revenue	Tonnes CO2e/ Rm	11.36	3.4%	10.99	13.16	14.88	17.49
Ratio of total Scope 1 and 2 emissions to registered beds	Tonnes CO2e/ bed ¹	21.34	(0.5%)	21.45	23.72	26.82	30.21

¹ Registered beds.

Waster consumption

Water use in Hospital division SA	kL	1 927 620	5.5%	1 827 734	1 723 226	1 830 733	1 786 844
Water use in Lesotho	kL	95 686	(15.5%)	113 209	106 772	153 435	excluded
Water use for the balance of the SA operations	kL	108 716	(17.3%)	131 432	185 754	163 485	16 181
Total water use by the Group's SA operations	kL	2 132 022	2.9%	2 072 375	2 015 752	2 147 653	1 803 025
Ratio of total water use to registered beds	kL/bed ¹	186	(5.0%)	195	190	204	194
Ratio of total water use to revenue	kL/Rm	99	(1.3%)	100	105	113	116

Waste management

Healthcare risk waste incinerated (SA Operations)	Tonnes	87	10.1%	79	72	79	68
Healthcare risk waste incinerated (Lesotho) ²		82	(21.9%)	105			
Healthcare risk waste treated and landfilled	Tonnes	4 731	(0.5%)	4 753	4 630	5 187	4 110
Landfill waste	Tonnes	6 425	33.5%	4 813	4 692	3 380	6 860
Totals	Tonnes	11 325	16.2%	9 750	9 394	8 646	11 038
Recycled waste	Tonnes	4 136	132.2%	1 781	1 791	2 949	517
Ratio of total waste generated to registered beds	kg/bed ¹	986	7.3%	919	886	822	1 188
Ratio of total waste generated to revenue	kg/Rm	525	11.5%	471	491	456	729

¹ Registered beds.

² Not previously reported

Emissions inclusions

Scope 1 Mobile fuels: diesel, petrol and aviation fuel. Stationary fuels: natural gas, diesel for generators, LPG and coal. Fugitive emissions: medical gases and refrigerant gases.	Scope 3 Waste: general, hazardous and medical waste. Water: electricity used to pump and treat water and wastewater. Business travel: air travel and car hire. Transport: upstream transport and distribution. Purchased electricity: transmission and distribution losses. Purchased goods and services: water and major vendors.
Scope 2 Purchased electricity only.	

Supply chain management (SA only)

Supplier selection

Our procurement operational committee enhances procurement processes, negotiates preferential pricing aligned to bulk purchasing and reviews the supplier base to ensure ethics in the supply chain. It is chaired by the CEO. When selecting suppliers, we consider the quality of products or services, compliance with regulation and Netcare's expectations, price, financial stability and quality of customer service. The criterion for selecting suppliers varies depending on the type of product or service procured.

We require all suppliers to familiarise themselves with Netcare's Green Procurement policy, published on our website.

All new vendors listed are required to complete a compliance declaration where our standard terms and conditions of trade require that they supply goods and services in accordance with good industry practice and Netcare's policies and procedures. The following is covered by the declaration form:

- Fair labour practices, including freedom of association and collective bargaining.
- Human rights, including equal opportunity and non-discrimination.
- Environmental considerations.

Environmental impact

Key suppliers are requested to supply their Scope 1, 2 and 3 emissions on a bi-annual basis that pertain to the business they do with Netcare. Environmental impact assessments are undertaken based on the type of goods or services procured and if they are manufactured locally. The treatment of healthcare risk waste may have a negative environmental impact if not treated according to regulation; therefore, we assess compliance of healthcare risk waste treatment plants and suppliers.

Social impact

Where the major component of the service procured is related to human resources, these suppliers are considered to be at risk for labour-related issues such as the right to exercise freedom of association and collective bargaining.

These services include cleaning, catering and security service providers. Industrial action in these businesses may impact the quality and continuity of the services provided to Netcare. This risk is covered in our service level agreements.

Preferential procurement is discussed on page 40 of this report.

Our approach to transformation in SA

We have a responsibility to support transformation to achieve normalisation in Netcare and in the broader society. B-BBEE aims to broaden access to economic opportunities for all South Africans with an emphasis on black people, black women, differently abled people and rural communities. Our material transformation focus areas include:

- Maintaining black ownership, including black women ownership, above the Department of Trade and Industry's (dti) prescribed thresholds.
- Generating greater value for the beneficiaries of our share schemes.
- Engendering greater racial and gender diversity in our workforce and leadership structures.
- Promoting social cohesion by tackling discrimination and negative attitudes regarding race, gender and disability.
- Promoting supplier diversity in our supply chain processes.
- Focus on enterprise and supplier development with identified suppliers, including monetary and non-monetary contributions, such as guidance and mentorship.
- Increasing access to quality healthcare for indigent South Africans.

The dti's Codes of Good Practices (dti Codes) were revised in the latter part of 2015 and place greater emphasis on broadening access to share ownership, skills development and diversity management, as well as the diversification of suppliers in supply chains. We have implemented targeted initiatives for all these areas to align our progress to stated national priorities.

Prior to the promulgation of the original dti Codes in 2007, Netcare had established an empowerment scheme, the Health Partners for Life trusts (HPFL trusts), through the transfer of 160 million Netcare shares worth R1 billion to Netcare employees and community groups. The scheme consists of the Mother and Child Trust, the Healthy Lifestyle Trust, the Patient Care and Passionate People Trust and the Physician Partnership Trust, and share units were disproportionately allocated in favour of black and black women beneficiaries.

Employment equity is managed through our five-year employment equity plan to 2020. The plan sets qualitative and quantitative objectives that aim to create greater diversity in our workforce, commensurate with national and regional demographics. Our approach to diversity management is set out on page 24 of this report.

Skills development is central to achieving workforce diversity and broader socioeconomic transformation. We focus on developing a pipeline of core skills and leadership competencies, with most of our training spend directed at our black employees in line with our employment equity objectives.

Netcare's Enterprise and Supplier Development Framework and Policy was approved towards the end of 2017. Our enterprise and supplier development model is grounded in internal and external research which seeks to identify opportunities and barriers that hamper the growth of high growth potential black/women owned enterprises.

Our focus is on:

- Unlocking opportunities for market access.
- Deliberate and targeted rechanneling of procurement spend from large entities to these SMME's with a target of R1 billion of Netcare's procurement spend by 2020.
- Unlocking cash flow hurdles through early payment arrangements.
- Providing seed and growth capital where required.
- Providing human and other resources to support the growth of the entities.

In 2019 we invested R65 million in enterprise and supplier development.

Through the Netcare Foundation, we drive corporate social responsibility initiatives that aim to broaden access to quality healthcare for indigent South Africans. More information on our initiatives can be accessed at <http://www.netcare.co.za/CSI>.

B-BBEE scorecard

Generic scorecard

dti phase 1 targets

Dimension	Weighting	2007	2008	2009	2010	2011
Ownership	20	13.59	17.04	16.81	18.78	19.16
Management control	10	5.12	6.25	6.25	6.78	8.81
Employment equity	15	4.38	6.48	7.43	8.54	9.18
Skills development	15	11.76	12.01	12.06	12.22	12.51
Procurement ¹	20	1.05	13.76	15.43	16.07	15.64
Enterprise development ¹	15	15.00	14.82	15.00	15.00	15.00
Supplier development ¹						
Enterprise and supplier development						
Socio-economic development	5	5.00	5.00	5.00	5.00	5.00
Total Score	100	55.90	75.36	77.98	82.39	85.30
BBBEE Level	1	5	4	3	3	2

Generic scorecard continued	dti phase 2 targets			Revised 2015 codes and targets					
Dimension	2012	2013	2014	Weighting	2015	2016	2017	2018	2019
Ownership	18.54	22.00	22.00	25	24.64	25.00	15.39	14.49	19.03
Management control	8.40	8.40	8.05	19	8.22	8.59	8.80	9.63	10.63
Employment equity	5.94	8.26	8.36	20	11.72	12.65	11.83	15.01	17.07
Skills development	13.76	12.81	13.06						
Procurement ¹	15.47	16.35	19.30	40	12.90	12.65	13.33	15.54	
Enterprise development ¹	15.00	15.00	15.00						
Supplier development ¹									
Enterprise and supplier development									
Socio-economic development	5.00	5.00	5.00	5	5.00	5.00	4.78	5.00	5.00
Total Score	82.11	87.82	90.77	109	63.28	63.93	57.02	76.67	84.48
BBBEE Level	3	2	2	1	8	8	8	5	4

¹ Combined as Enterprise and supplier development in 2020 by Empowerdex.

Ownership

The revised dti Codes prescribe share ownership thresholds of 25%+1 and 10% for black South Africans and black women respectively.

At 30 September 2019 voting rights deemed to be held by black people on a flow through basis amounted to 244 574 041 (17.53%).

Management control

Netcare Board

At 30 September 2019, the Board comprised nine members (2018: nine), four of whom are black South Africans (2018: four) and three are black women (2018: three).

Executive directors

Remained unchanged at two executive directors, both of whom are white men.

Executive management

The executive leadership level comprised 11 executive managers excluding the executive directors. Four (36% – benchmark, 60%) of the 11 executives are black and one (9%) of these is a black woman.

	Weighting	Compliance objective	Netcare actual	Score 2019
Board participation				
Exercisable voting rights of black board members as a percentage of all board members	2	50.00%	44.40%	1.78
Exercisable voting rights of black female board members as a percentage of all board members	1	25.00%	33.30%	1.00
Executive directors				
Black executive directors as a percentage of all executive directors	2	50.00%	0.00%	-
Black female executive directors as a percentage of all executive directors	1	25.00%	0.00%	-
Executive management				
Black executive management as a percentage of all executive management	2	60.00%	44.40%	1.48
Black female executive management as a percentage of all executive management	1	30.00%	11.10%	0.37
Total score	9			4.63

Employment equity

Our employment equity table can be found on page 28 of this report.

Skills development

Netcare's annual training report submitted to the Health and Welfare Seta reflects a direct investment of R84 million for the skills period ended March 2019 (2018: R70 million). 90% of the skills spend was on black beneficiaries (2017: 90%). 89.69% of employees trained where women (2017: 85.9%)

79% of our training spend is on structured career-advancement programmes aligned to the NQF (2018: 87%).

Netcare training spend	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total/ Average
Netcare Annual Training Report (R million)	35	40	42	46	45	41	51	54	70	84	508
Training spend on black people (%)	73	75	78	82	84	84	88	91	90	90	84
Training spend on black women (%)	63	62	48	53	70	73	78	88	80	77	68
Spend on formal nursing (%)	56	54	62	64	59	68	77	73	74	69	66
Spend on management development (%)	14	11	6	5	6	6	11	7	8	4	8

¹ Netcare's Annual Training Report is submitted to the HWSETA annually and excludes indirect training costs.

Preferential procurement

Around 60% of Netcare's procurement spend is for medicine and medical devices, which are mostly procured from multinational companies either directly in the country of origin or represented by a distributor in SA.

At September 2019, Netcare's total procurement spend in SA amounted to R12.9 billion (2018: R12.3 billion), of which R8.5 billion was measurable under the dti Codes. Procurement spend from B-BBEE compliant suppliers was 107% (2018: 79%).

Procurement spend was R491 million with qualifying small enterprises and R253 million with exempt micro enterprises.

Procurement spend improved to 30% (2017: 20%) of total spend, with at least 51% black-owned suppliers and 20% (2017: 9%) with at least 30% black women-owned businesses.

Supplier development

Netcare's investment in supplier development amounted to R46 million of which R29 million (1.18% of NPAT¹) was recognised under the B-BBEE scorecard.

Enterprise development

Of the R19 million invested in enterprise development, R13 million (1.24% of NPAT¹) was recognised under the B-BBEE scorecard.

Socioeconomic development

Approximately R26 million of our corporate social investment spend (1.1% of NPAT¹) was recognised under the B-BBEE scorecard, for which we scored full points.

¹ Net profit after tax.

Approach to investing in local communities

We recognise that our success depends on the communities we serve. As an engaged corporate citizen, we invest back into SA and the UK by committing resources to community and nation-building initiatives. In line with our organisational competencies, our corporate social investment activities focus on healthcare, with priority given to indigent patients, health science education, community projects, wellness programmes and sports development. The initiatives we invest in are carefully selected and managed to ensure that the resources we commit achieve maximum impact. In addition, each Netcare hospital, facility and operating division engages in activities that address the specific needs of the communities in which they operate.



More information on our initiatives can be accessed at <http://www.netcare.co.za/CSI>.