



GOVERNANCE REPORT

It's only together, that we  
can weather the storm.

**THANK YOU**

# Governance report

Our business model, premised on realising the outcomes of the **Quadruple Aim**, is underpinned by a governance philosophy that supports the creation of measurable value for our stakeholders in the healthcare sector, and more broadly in our society.

Netcare's thinking and planning as it pertains to our competitiveness and growth has an irrevocable relationship with stewardship – of not only mitigating but deliberately improving our socioeconomic and environmental outcomes. The unprecedented pressure brought about by COVID-19 in the past year has tested the integrity of Netcare's commitment to its purpose and values, and it held firm. Our governance structures have proven agile and effective, and we have shown that being highly regulated, highly compliant and highly ethical does not come at the expense of moving quickly or finding enduring solutions to the crisis while still staying true to our purpose and values.

In normal operating conditions, the Board of directors (the Board) meets a minimum of four times during a reporting year. Due to additional demands introduced by COVID-19, the Board met 10 times during 2020, with more frequent meetings held during the period April 2020 to August 2020, to support and provide counsel to the executive team. This demanded continuous and deep engagement on strategic and operational matters.


Our integrated application of the principles and recommended practices of the King Report on Corporate Governance for South Africa (King IV)<sup>1</sup> is directed at ensuring that we achieve the intended governance outcomes of an ethical culture, good performance, effective control and legitimacy, which in turn support our achievement of the sector-specific objectives of the **Quadruple Aim**. The **Quadruple Aim** challenges us to balance the value of our services with their cost to society, recognising that the quality of relationships with our patients, employees and partners are fundamental to this balance. This aligns to King IV's foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value.

Our Board plays a pivotal role in creating and protecting value by approving strategy, setting policy, ensuring capital prudence, and overseeing the Group's governance frameworks and control environment. Governance, risk and operational discussions are founded in strategic consideration and interrogation.

Other than the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), all Board members are independent non-executive directors who apply their diverse and relevant mix of skills and knowledge to Board deliberations and constructively challenge and hold executive management to account.

The Board's commitment to best practice governance drives us to constantly improve the way the business is managed and to ensure decisions are taken openly and transparently within an ethical framework. Sound corporate governance practices are implicit in our values, culture and processes, and our internal controls promote an awareness of risk, compliance and good governance in every area of the business. Furthermore, Netcare's intention to be a powerful force for social good finds expression in our deliberate efforts to create socioeconomic value and to responsibly manage our impacts, supported by enhanced Board oversight.

 Board Chair's review: page 36 of the 2020 Integrated Report.

 The King IV Application Register.

## Governance and delegation of authority

We operate a well-developed governance and delegation of authority framework to progress the achievement of our strategy, while ensuring we comply with legislation, practice good corporate behaviour and balance the interests of our stakeholders. The Board delegates duties to governance committees which provide an in-depth focus on specific areas, assisting it to discharge its responsibilities. The framework includes the subsidiary governance framework, ensuring that there is an appropriate flow of information between the subsidiaries and the Group.

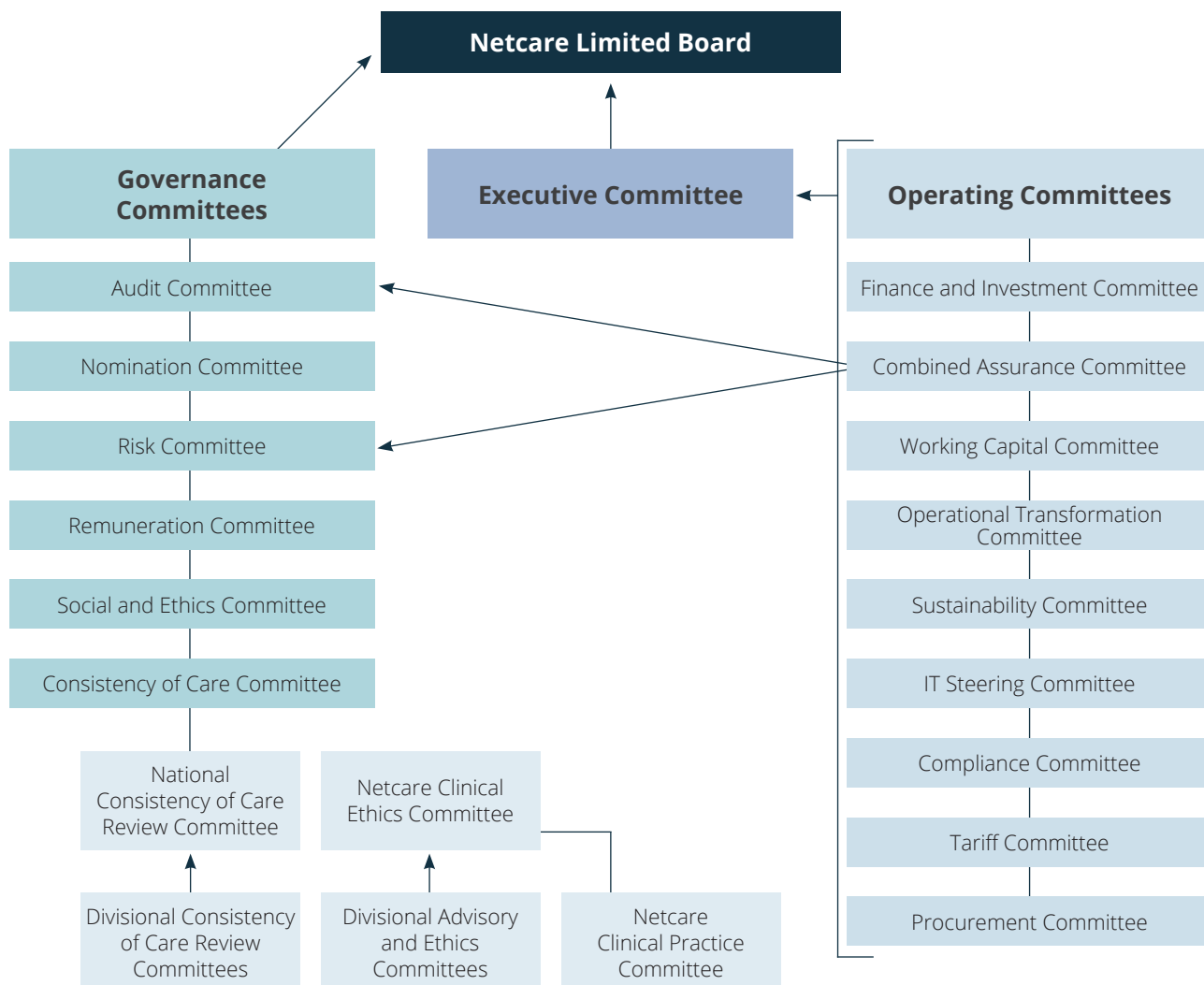
Our delegation of authority framework requires that the Board:

- Confirms and ensures that Netcare is appropriately resourced and that its delegation to management contributes to an effective arrangement through which authority and responsibilities are exercised.
- Ensures that its arrangements for delegation within its governance committees promote independent judgement and assist with balance of power and the effective discharge of its duties.
- Ensures that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.

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## Governance report continued

### Governance and delegation of authority framework



#### Netcare Board

Our unitary Board structure comprises directors with the appropriate independence, professional and sector knowledge and experience for the nature, complexity and strategic demands of the Group. The diversity of the Board enables us to leverage differences in skills, experience, background, race and gender in our strategic decision-making and ensures effective governance.

#### Changes in Board composition

Mr D Kneale joined the Board on 1 January 2020 and is the Chair of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr N Weltman retired from the Board with effect from 30 September 2020 and we sincerely thank him for his invaluable contribution over his 12-year tenure with the Board.

Mr C Vikisi was appointed as Netcare's Company Secretary with effect from 1 September 2020.



## Governance report continued

### Our Board of directors

#### KEY

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

#### Non-executive directors

(■) ■ ■ ■



#### **T (Thevendrie) Brewer /48**

BCom, PGDA, CA(SA)

#### **Board Chair**

**Tenure:** 9 years

**Skills:** General business management, global commerce, financial services, governance, healthcare, public policy, compensation, investment banking, legal, human resources.

(■) ■ ■



#### **MR (Mark) Bower /65**

BCom (Cum Laude), BCompt, BCompt (Hons), CA(SA)

#### **Independent non-executive director**

**Tenure:** 5 years

**Skills:** General business management, global commerce, financial services, governance, compensation, human resources.

■ (■) ■ ■



#### **B (Bukelwa) Bulu /43**

BBusSci Hons, PGDA, CA(SA)

#### **Independent non-executive director**

**Tenure:** 5 years

**Skills:** General business management, financial services, investment banking, governance.

■ ■ ■



#### **L (Lezanne) Human /51**

BSc Hons Operations Research (Cum Laude), MSc Applied Mathematics (Cum Laude), MBA (Cum Laude)

#### **Independent non-executive director**

**Tenure:** 1 year

**Skills:** General business management, digital, global commerce, governance, financial services.

1. Assumed the role of Risk Committee Chair from 1 October 2020.

## Governance report continued

■ ■ ■ (■ C)



### D (David) Kneale /66

BA

**Independent non-executive director**

**Tenure:** 9 months

**Skills:** General business management, governance, global commerce, financial services, healthcare, compensation.

■ ■ ■ (■ C)



### MJ (Martin) Kuscus /65

BA Cur, Dip Company Director, EDP

**Independent non-executive director**

**Tenure:** 12 years

**Skills:** General business management, global commerce, governance, healthcare, public policy, human resources.

■ ■ ■ (■ C)



### Adv KD (Kgomotso) Moroka /66

BProc, LLB

**Independent non-executive director**

**Tenure:** 14 years

**Skills:** General business management, legal, governance, public policy, human resources, financial services, healthcare.

(■ C) ■ ■ ■



### N (Norman) Weltman /71<sup>2</sup>

CTA, CA(SA)

**Independent non-executive director**

**Tenure:** 12 years

**Skills:** General business management, global commerce, healthcare, financial services, compensation, public policy, governance.

2. Retired 30 September 2020.

## Executive directors

■ ■ ■



### Dr RH (Richard) Friedland /58

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

**Chief Executive Officer**

**Tenure:** 23 years

**Skills:** General business management, global commerce, financial services, healthcare, governance, compensation, human resources.

■



### KN (Keith) Gibson /50

BAcc, CA(SA)

**Chief Financial Officer**

**Tenure:** 9 years

**Skills:** General business management, global commerce, healthcare, compensation, investment banking, human resources, financial services, governance.

## Governance report continued

### Director appointments

Careful succession planning and deliberate processes ensure that the skills and experience of the Board remain relevant to the growth opportunities we have chosen to pursue, as well as the shifts in our universe of emerging risks, threats and uncertainties. Our dependence on digital technologies and our strategic choice to provide innovatively funded healthcare products demand that we complement the Board's skills with greater expertise in these areas. This will be the key criteria in future appointments while also taking our diversity policy into account.

A formal induction programme for new non-executive directors helps them familiarise themselves with the Group's operations, financial affairs and strategic objectives. The programme includes engagements with divisional and functional heads, and the internal and external auditors.



Diversity policy: <https://www.netcare.co.za/Netcare-Investor-Relations/Governance/FTSE-Russell>.

### Board composition

(at 30 September 2020, including N Weltman)

### Independence

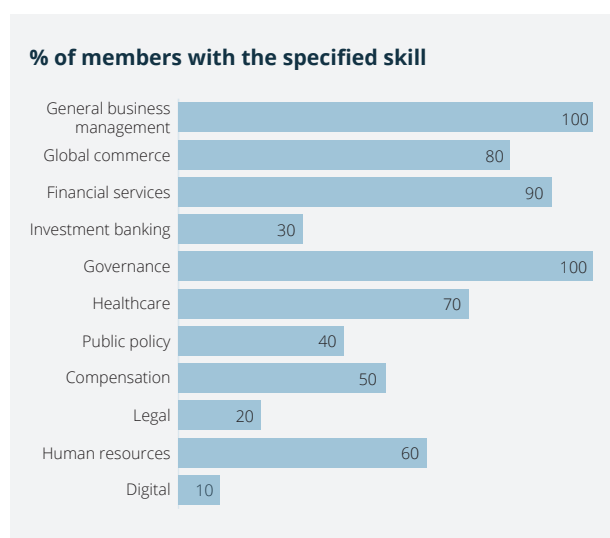


Independent non-executive directors are re-elected every three years.

### 2020 Board opinion

Other than the CEO and CFO, all members are considered independent. Board Chair, Mrs Thevendrie Brewer, is independent and free from any conflicts of interest.

### Skill



The Board possesses a wide range of expertise, skills and experience. The Nomination Committee regularly reviews potential candidates to supplement the Board with suitable skills and ensures that sufficient skills are retained.

Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for matters requiring specialised guidance.

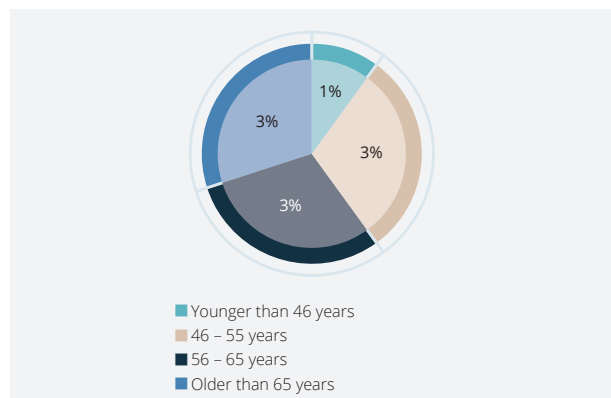
### 2020 Board opinion

The Board possesses sufficient professional and sector knowledge, although additional skillsets related to digitisation and actuarial science will inform future appointments.

## Governance report continued

### Age

Average age: 58



We seek to balance experience and institutional memory with youthful energy and fresh insight.

The Board continuity programme addresses succession planning and ensures that skillsets are retained following the retirement of members and that the Board functions effectively over time. The programme covers director selection and appointment, director induction and training, and the evaluation of director performance.

#### 2020 Board opinion

Board succession plans are adequate, including the interim measures in the event of an unforeseen loss of expertise or COVID-19 infection.

### Diversity

#### Black South African representation

**40%**

2019: 40%

**Target: 50%**

The Board appointment policy ensures a formal and transparent appointment process with a focus on gender and race diversity, as well as skill, experience, qualities and broader diversity aspects.

#### 2020 Board opinion

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

#### Women representation

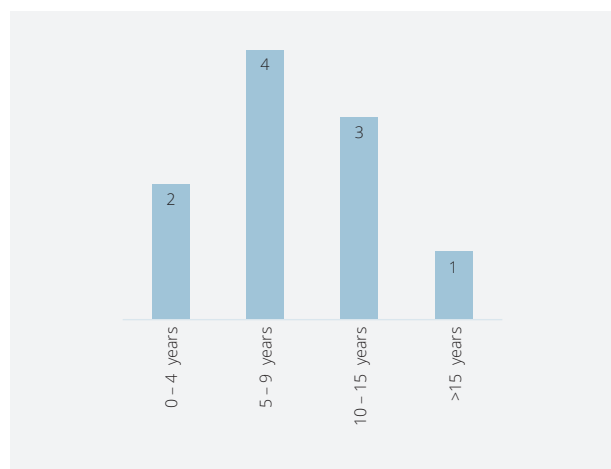
**40%**

2019: 40%

**Target: 35%**

### Tenure

Average years of tenure: 9



The Nomination Committee objectively and subjectively evaluates the continued independence of non-executive directors who have served for a period of nine years or longer, and considers factors that may impair their independence. The review is aligned to King IV's recommended practices.

#### 2020 Board opinion

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

In line with King IV recommended practice, the independence of the Chair will be reviewed in 2021.

## Governance report continued

### Evaluation of performance and independence

The annual self-assessment of the Board's performance and effectiveness, as well as that of its governance committees and individual directors, is overseen by the Chair's Forum and covers the governance of financial, audit, economic, nominations, quality, social and environmental issues. The last Board evaluation was undertaken in November 2019 and the results reported in the 2019 Integrated Report. The 2020 assessment was delayed due to the roll out of an electronic assessment tool (The Governance Instrument™) and will be conducted in December 2020, with results available in January 2021.

### Responsibilities of the board

The Board's Charter is reviewed annually and is aligned with King IV's governance principles and recommended practices. The Board Chair and the Company Secretary confirm that the Board and its governance committees fully comply with their terms of reference.

To address areas of improvement identified in the 2019 Board performance evaluation, the following was undertaken:

- Strategic updates to the Board focused on our digital transformation, including the plans, initiatives and progress towards achieving our digital strategy.
- Key strategic projects were reviewed from a legal and compliance perspective, and the Board was kept updated on specific regulatory developments.

#### STRATEGY

(the Board is assisted by all governance committees)

#### Responsibility

Review and drive Netcare's strategy, including a critical assessment of acquisitions, potential mergers and capital expenditure for expansion.

#### Key activities in 2020

- Approved the strategy to address the impact of COVID-19.
- Oversaw the alignment of the Group's healthcare strategy to the changes in global healthcare brought about by COVID-19.
- Continued to assess the Group's business model and strategy to deliver person-centred health and care that is digitally enabled and data driven.
- Oversaw the launch of the Netcare Innovative Healthcare Solutions division to augment the Group's traditional service lines.
- Supported management's initiatives to develop new strategic partnerships with black-owned operators in the healthcare sector.

#### Board opinion

- Satisfied that the Group's business model and strategy are appropriate and resilient given the challenges faced during the year and have supported the agility of Netcare to manage COVID-19. The Board is also satisfied that the transformation of the Group's business model in line with its strategy, if implemented effectively, will realise sustainable competitive advantage.

#### Key objective for 2021

- Monitor strategic progress.

#### STAKEHOLDER INCLUSIVENESS

(the Board is assisted by Remuneration, Social and Ethics, and Consistency of Care Committees)

#### Responsibility

Ensure an inclusive stakeholder engagement approach.

#### Key activities in 2020

- Engaged with various stakeholders on COVID-19 and monitored their key concerns, including the protection of employees, doctors and nurses from COVID-19 infection, hospital outbreaks and collaboration between the public and private sector to manage COVID-19 at a national level. The Board also monitored engagement with regulators and government on healthcare policy matters.
- Engaged with various stakeholders on matters of governance and remuneration.
- Assessed the Group's stakeholder engagement strategy.

#### Key objective for 2021

- Prioritise the implementation of an enhanced stakeholder engagement model to ensure stakeholder concerns are appropriately escalated and addressed (delayed due to COVID-19). Plans to realise this objective will be presented to the Board for approval in February 2021.



## Governance report continued

### ETHICS

(the Board is assisted by all governance committees)

#### Responsibility

Govern the Group's approach to ethics and ensure awareness around Netcare's commitment to doing business ethically.

#### Key activities in 2020

- The roll out of the annual ethics survey was completed in December 2020, however the implementation of the ethics management programme (policies, ethics training, screening of employees, addressing misconduct and ethics surveys) was impacted by COVID-19.

#### Board opinion

- Satisfied with the Group's implementation of the King IV principles and recommended practices.

#### Key objective for 2021

- Conduct the Group-wide governance, legal, ethics and compliance (GLEC) survey and implement the ethics management programme across the Group based on the December 2020 survey results.

### MATERIAL MATTERS AND REPORTING

(the Board is assisted by all governance committees)

#### Responsibility

Debate matters that are material to the business or stakeholder interests, and ensure the integrity and transparency of information.

#### Key activities in 2020

- Oversaw the Group's response to and management of matters considered material to its ability to create and protect stakeholder value. Key focus areas included regular feedback on management's COVID-19 response and the progress of key strategic initiatives.
- Oversaw the preparation of the integrated report, including consideration and approval of the Group's material matters (see page 60 of the integrated report).
- Oversaw the fair presentation of the Group's annual financial statements and other shareholder information.

#### Board opinion

- Satisfied that the Group's risk management systems and processes support its business model and strategy, and that the appetite for risk is appropriate and risks are managed accordingly.
- Satisfied that the Group annual financial statements for the 2020 financial year fairly present the Group's operational results and financial position.
- Satisfied that the integrated report provides a fair and balanced account of the Group's performance against its material matters.

#### Key objective for 2021

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

### TECHNOLOGY GOVERNANCE

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

#### Responsibility

Oversee the governance of technology and information management to support strategy.

#### Key activities in 2020

- Monitored the implementation of key strategic IT projects, most of which were impacted by COVID-19.
- Reviewed cybersecurity initiatives and disaster recovery plans given the increased exposure to cybersecurity risk, which increased globally.

#### Board opinion

- Satisfied that IT governance is properly managed and aligned with business needs and strategy, and that the disaster recovery programme will support the continuity of critical business processes.

#### Key objective for 2021

- Monitor the resumption of key strategic IT projects and ensure that potential cost and schedule overruns are avoided.

## Governance report continued

### COMPLIANCE

(the Board is assisted by all governance committees)

#### Responsibility

Ensure compliance with changing regulation.

#### Key activities in 2020

- Monitored COVID-19 related legislation and ensured compliance with related laws and the requirements set by the National Department of Health and the Department of Labour.
- Ensured effective governance, compliance and risk management processes.
- Considered matters relating to King IV, the JSE Limited (JSE) Listings Requirements and the draft National Health Insurance (NHI) Bill.

#### Board opinion

- Satisfied that there is no current or pending legal action that will materially affect the Group's operations.
- Satisfied that the Group complies with the amended JSE Listings Requirements.

#### Key objectives for 2021

- Continue to ensure the effectiveness of the Group's governance, risk and compliance frameworks, and implement policies that ensure regulatory compliance and value creation for stakeholders.
- Roll out the electronic governance tool to monitor compliance with the Companies Act, JSE Listings Requirements and King IV.

### PERFORMANCE

(the Board is assisted by all governance committees)

#### Responsibility

Set performance goals and ensure that the remuneration policy supports value creation.

#### Key activities in 2020

- Considered our employees' value to stakeholders, rather than a strict measure of performance against financial and non-financial targets that were set before COVID-19.
- Supported management's decision to preserve jobs despite financial pressure to cut costs in the short term.

#### Key objectives for 2021

- Continue to monitor the implementation of the remuneration policy and associated practices.
- Oversee the Group's recovery plans and progress towards normalising business operations.

### Governance committees (sub-committees of the Board)

Each Board sub-committee is chaired by an independent non-executive director and certain executives attend committee meetings by invitation. External auditors attend the Audit Committee meetings.

The Board approves the terms of reference for each governance committee and ensures adherence to corporate governance practices, applicable legislation including the Companies Act, No. 71 of 2008 and, where appropriate, international best practice. Committee terms of references are regularly reviewed and align to King IV's governance principles and recommended practices, to ensure our governance processes and procedures are appropriately embedded in our business model.



Committee terms of references: <https://www.netcare.co.za/Netcare-Investor-Relations/Governance/FTSE-Russell>.

## Governance report continued

### AUDIT COMMITTEE

#### Attendance

<b>Chair:</b> MR Bower	<b>3/3</b>
<b>Member:</b> B Buló	<b>3/3</b>
<b>Member:</b> D Kneale <sup>1</sup>	<b>2/3</b>
<b>Member:</b> Norman Weltman <sup>2</sup>	<b>3/3</b>
<b>By invitation:</b> T Brewer, RH Friedland, KN Gibson	

1. Appointed 1 January 2020.

2. Retired from the Board effective 30 September 2020.

#### Key responsibilities

- Ensures the integrity of the Group's financial statements and accounting policies.
- Provides independent and objective assurance to the Board on the effectiveness of internal control, governance and risk management systems.
- Oversees the internal audit function, financial risk management, governance, compliance and the IT control environment, as well as the scope and implementation of combined assurance.

#### Key activities in 2020

- Approved Group Internal Audit's Charter and risk-based audit plan.
- Reviewed:
  - Critical accounting judgements, estimates and assumptions given the impact of COVID-19.
  - The valuation of goodwill, property, plant and equipment, loans and receivables and investments to identify potential impairments, mindful of the impact of COVID-19.
  - The assertion of going concern and quality of earnings.
  - The revised risk impact thresholds in line with the consumer price inflation index.
  - Risk Committee reports, all aspects of financial reporting, and cybercrime and cybersecurity, including comprehensive cyber liability insurance.
  - The JSE annual proactive monitoring reports to ensure compliance.
  - The competence of the CFO and the Finance function.
- Monitored and oversaw the outputs of the five levels of the assurance model.
- Oversaw the external audit function and related audit fees.
- Ensured appropriate financial reporting procedures are in place and adhered to.

#### Key outcomes

The Group is in a sound financial position with access to sufficient borrowing facilities to meet its funding requirements for the foreseeable future.



Audit Committee report in the annual financial statements.

#### Key objectives for 2021

- Continue to review and assess the Group's digital strategy, data protection and cybersecurity.
- Ensure effectiveness and efficiency of operational processes.
- Adopt the 'agile audit approach', where revisions to the internal audit plan will be tabled at Audit Committee meetings on a quarterly basis for ratification.
- Oversee the review of the adequacy and effectiveness of internal financial controls relied upon in the preparation of financial statements.
- Accelerate the use of computer assisted audit techniques.

## Governance report continued

### NOMINATION COMMITTEE

#### Attendance

<b>Chair:</b> T Brewer	2/2
<b>Member:</b> L Human	2/2
<b>Member:</b> D Kneale <sup>1</sup>	1/2
<b>Member:</b> KD Moroka	2/2
<b>By invitation:</b> RH Friedland	

1. Appointed to the committee from 1 May 2020.

#### Key responsibilities

- Implements governing structures and delegation of authority.
- Sets the primary role and responsibilities of the Board.
- Determines and monitors the composition of the Board, succession planning, director appointment and director independence.
- Sets the leadership requirements of the Group.
- Ensures legislative compliance.

#### Key activities in 2020

- Reviewed:
  - The composition of the governance committees and updated membership and appointed new Chairs, where required.
  - The need for the appointment of a Lead Independent Director. It was determined that such a role is not required. The Board will continue to review this aspect as good practice.
  - Interim succession measures for executive and key management roles should any of the incumbents fall ill with COVID-19.
  - The conflicts of interest management process and concluded that the Group's process is robust and well managed.
- Evaluated Mr C Vikisi, finding that he is suitably qualified, experienced, and fit and proper to perform the function of Company Secretary (see page 16).

#### Key outcomes

Following the Board retirements over the past two years, Mr D Kneale and Ms B Bulu successfully assumed the roles of Chair for the Remuneration and Risk Committees respectively, and governance committee memberships have been refreshed to better align skillsets with committee mandates. In addition, all non-executive directors were assessed as independent.

#### Key objective for 2021

- Update Board and executive succession plans.



## Governance report continued

### RISK COMMITTEE

#### Attendance

<b>Chair:</b> N Weltman <sup>1</sup>	1/2
<b>Member:</b> MR Bower	2/2
<b>Member:</b> T Brewer	2/2
<b>Member:</b> B Buló <sup>2</sup>	1/2
<b>Member:</b> RH Friedland	2/2
<b>Member:</b> KN Gibson	2/2
<b>Member:</b> L Human	1/2
<b>Member:</b> MJ Kuscus	2/2

1. Retired from the Board effective 30 September 2020.  
2. Assumed the role of Chair from 1 October 2020.

#### Key responsibilities

- Assists the Board in discharging its risk management responsibilities.
- Sets the Group's risk management strategy.
- Authorises the risk management policy and plan.
- Ensures adequate processes and systems are in place to identify and manage top business risks, including the implementation, monitoring and reporting of suitable risk mitigation plans.

#### Key activities in 2020

- Oversaw a bespoke COVID-19 risk matrix covering numerous risks from preventing the spread of infection throughout facilities and protecting our employees, doctors and patients to the availability of critical personal protective equipment (PPE), active pharmaceutical ingredients (APIs) and drug supplies, medical equipment and consumables and the readiness of facilities to admit and appropriately care for COVID-19 patients.
- Approved the Group's top business risks and the Group's insurance cover.
- Reviewed:
  - The process and results of the control effectiveness self-assessments to manage risks.
  - Environmental, social and governance (ESG) practices and assessments, including the Group's backup plans to deal with electricity outages and water shortages.
  - Compliance with the Protection of Personal Information Act (POPIA), which came into effect on 1 July 2020. Enforcement is scheduled to begin 1 July 2021.
- Oversaw interventions to manage cybersecurity, information management and data security.

#### Key outcomes

A risk-aware culture embedded at all levels of the Group and an agile risk management process able to quickly identify and put controls in place to manage multiple risks relating to COVID-19.

 How we manage risk: page 84 of the 2020 Integrated Report.

#### Key objectives for 2021

- Continue to monitor risks associated with COVID-19, digitisation and new business development.
- Assess the implementation of revised cybersecurity models.
- Evaluate the ability of third-party security providers to adequately address emerging cybersecurity risks.

## Governance report continued

### REMUNERATION COMMITTEE

#### Attendance

<b>Chair:</b> D Kneale <sup>1</sup>	1/2
<b>Member:</b> T Brewer	2/2
<b>Member:</b> MR Bower	2/2
<b>Member:</b> N Weltman <sup>2</sup>	2/2
<b>By invitation:</b> RH Friedland	

1. Assumed the role of Chair from 1 January 2020.

2. Retired from the Board effective 30 September 2020.

#### Key responsibilities

- Provides the context for the remuneration policy and decisions.
- Sets the remuneration policy, including ESG content and implementation.
- Determines the remuneration of non-executive and executive directors, prescribed officers and senior executives, as well as all other employees.

#### Key activities in 2020

- Reviewed the key performance indicators used to evaluate the performance of executive directors, prescribed officers and senior executives. Key performance indicators include financial targets and targets relating to the strategic objectives under each of the Group's strategic pillars.
- Benchmarked non-executive director remuneration against comparator group of companies listed on the JSE and quartile benchmarks assisted by PwC.
- Engaged with shareholders on best practice remuneration and updated the remuneration policy.
- Approved annual salary increase criteria and incentive payments, as well as directors' fees.
- Approved the King IV-aligned remuneration report in the integrated report.

#### Key outcomes

The 2020 remuneration policy for presentation to shareholders for separate non-binding advisory votes at the AGM (to be held on 5 February 2021) reflects the improvements that shareholders have requested in engagement with them over recent years.



Remuneration report: page 204 of the 2020 Integrated Report.

#### Key objective for 2021

- Ongoing engagement with shareholders and other stakeholders on the Group's remuneration policy and practices.

## Governance report continued

### SOCIAL AND ETHICS COMMITTEE

#### Attendance

<b>Chair:</b> KD Moroka	<b>2/2</b>
<b>Member:</b> T Brewer	<b>2/2</b>
<b>Member:</b> RH Friedland	<b>2/2</b>
<b>Member:</b> MJ Kuscus	<b>2/2</b>

#### Key responsibilities


- Oversees plans to embed an ethical culture and the appropriate management of organisational ethics, including ethics within the supply chain and outsourced relationships.
- Oversees legislative compliance, social and economic development, environmental sustainability and good corporate citizenship.
- Reviews the progress of environmental sustainability projects.
- Reviews the governance of non-profit organisations affiliated to Netcare, including the Netcare Foundation.

#### Key activities in 2020

- Reviewed the Group's B-BBEE plans and scorecard, and progress against the 2020 employment equity plan. Focus continues to be placed on diversity at executive and senior levels, and enterprise and supplier development opportunities.
- Reviewed progress on the Group's environmental sustainability projects, which were impacted due to COVID-19.

#### Key outcomes

There were no material incidents of non-compliance with regulatory obligations, and the committee is satisfied with the Group's compliance programmes and processes. The Group achieved a B-BBEE score of 81.49 (Level 4). It also continued to perform well in all ESG indices (see page 21) and scored Gold in all four categories of the 2020 Health Care Climate Challenge Awards.

 Society and environmental sustainability: pages 136 and 179 respectively of the 2020 Integrated Report.

#### Key objectives for 2021

- Keep abreast of regulatory changes.
- Oversee the development of the Group's 2025 employment equity plan.
- Oversee the implementation of the GLEC survey and ethical management programme.
- Continue to focus on ESG matters within the committee's mandate.

## Governance report continued

### CONSISTENCY OF CARE COMMITTEE

#### Attendance<sup>1</sup>

<b>Chair:</b> MJ Kuscus	<b>1/2</b>
<b>Member:</b> B Bulo	<b>1/2</b>
<b>Member:</b> RH Friedland	<b>1/2</b>
<b>Member:</b> A Laubscher	<b>1/2</b>
<b>Member:</b> N Weltman <sup>2</sup>	<b>1/2</b>

1. The meeting scheduled for June 2020 was cancelled due to COVID-19, however, the meeting pack was circulated for noting.  
2. Retired from the Board effective 30 September 2020.

#### Key responsibilities


- Oversees the implementation of the consistency of care strategy.
- Reviews quality management systems and monitors clinical governance and performance against quality measures that support safe, high-quality, person-centred health and care.
- Identifies clinical risks that could impact quality and safety outcomes.
- Monitors patient experience, patient reported outcomes and perception of care.

#### Key activities in 2020

- Oversaw the clinical governance and clinical strategies implemented in response to COVID-19.
- Reviewed:
  - Systems to enhance measurable improvements in quality outcomes.
  - Strategic initiatives implemented to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care and close efficiency gaps.
- Oversaw initiatives to develop Netcare's value-based care and contracting capability, and establish a clinical decision support culture and system.
- Monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare's values and behaviours.

#### Key outcomes

The Group successfully reconfigured its consistency of care objectives and priorities to better meet healthcare demands introduced and/or intensified by the pandemic. This included new controls to ensure adherence to occupational health and safety and infection prevention and control policies and procedures.

 Our patients, doctor partnerships and funders: pages 112, 129 and 132 respectively of the 2020 Integrated Report.

#### Key objectives for 2021

- Continue to monitor controls to manage COVID-19.
- Oversee the progress of consistency of care strategy across all service platforms.
- Publish an additional 35 clinical measures over and above the 37 clinical measures published in 2019, inclusive of outcomes from all divisions.
- Review the Group's plans to improve and strengthen the regulatory framework governing clinical practice. This includes the annual revision of the framework governing clinical practice of all independent healthcare workers, and the composition and terms of reference for the National Clinical Practice Committee.



## Governance report continued

### Access to information and professional advice

Board directors have unrestricted access to all Group information, records, documents and property. Information is distributed in a timely manner prior to Board meetings to enable directors to adequately prepare and apply their minds. Directors are entitled, at the Group's expense, to seek professional advice regarding the affairs of the Group. This can be procured independently or coordinated through the Company Secretary.

### Conflict of interest

Directors are required to declare any personal financial interests that pose a conflict of interest through a formal disclosure process that takes place on a periodic basis and is a standing agenda item at every Board meeting. Where conflicts of interest may exist, directors are requested to recuse themselves from meetings. The directors' share dealing policy also requires a declaration of interests. This is strictly applied and maintained.

### Company Secretary

Ms. L Bagwandeen resigned as Company Secretary with effect from 30 June 2020. The Board thanks her for her immense contribution over nine years. Mr C Vikisi was

appointed as General Counsel and Company Secretary on 1 September 2020. In its evaluation of Mr C Vikisi, the Nomination Committee confirmed that he is suitably qualified, experienced, and fit and proper to perform the function of Company Secretary and provide independent advice to the Board, and has no affiliation or association to any single Board member nor holds any directorships.

All directors have access to the advice and services of the Company Secretary, who acts as a conduit between the Netcare Board and the Group. The Company Secretary is responsible for the flow of information to the Board and its governance committees, and for ensuring compliance with Board procedures. In addition to various statutory functions, and while maintaining an arm's length relationship with the Board, the Company Secretary also provides:

- Individual directors and the Board collectively with guidance on their duties, responsibilities and powers as set out in Section 88 of the Companies Act.
- The Board with the requisite advice on issues of law, governance and related matters, including the impact of legislative and regulatory developments.

## Operating committees

Our operating committees support the governance committees and the Executive Committee.

### EXECUTIVE COMMITTEE

#### Purpose

Responsible for leading the implementation and execution of Netcare's strategy, policies and operational planning as well as shaping the Group's philosophies and practices.

#### Key activities in 2020

- Developed and monitored the implementation of the COVID-19 strategy.
- Monitored the Group's new business development projects, including the NetcarePlus products.
- Reviewed divisional and operational performance.
- Monitored the digitisation and data strategies and associated implementations.

### FINANCE AND INVESTMENT COMMITTEE

#### Purpose

Ensures that capital expenditure is managed within budgeted targets and allocated to achieve the most appropriate returns.

#### Key activities in 2020

- Ensured capital expenditure met defined hurdles and financial requirements.
- Reviewed adherence to the Group's transactions approval framework.
- Reviewed currency and interest rate risk.
- Approved various capital and investment projects.
- Monitored treasury protocols.

### COMBINED ASSURANCE COMMITTEE

#### Purpose

Coordinates a framework of protocols and persons to provide assurance on top business risks.

#### Key activities in 2020

- Continued to drive and monitor the five levels of assurance matrix.
- Reported on matters of significance, including high-risk issues and whether the level of assurance provided is suitable. This included a specific focus on COVID-19 and the associated risks.

### WORKING CAPITAL COMMITTEE

#### Purpose

Monitors and reviews working capital requirements.

#### Key activities in 2020

- Oversaw working capital targets for 2020.
- Monitored the economic risks and impact of COVID-19 to ensure that the Group is not unduly exposed.

## Governance report continued

<b>OPERATIONAL TRANSFORMATION COMMITTEE</b>	<b>SUSTAINABILITY COMMITTEE</b>
<p><b>Purpose</b> Monitors the implementation of the Group's transformation strategies.</p> <p><b>Key activities in 2020</b></p> <ul style="list-style-type: none"> <li>Reviewed progress against the requirements of the dtic Codes<sup>1</sup> and Netcare's five-year employment equity plan.</li> <li>Liaised with relevant stakeholders on B-BBEE targets.</li> </ul>	<p><b>Purpose</b> Responsible for the sustainability strategy and managing key environmental issues, including energy and water efficiency.</p> <p><b>Key activities in 2020</b></p> <ul style="list-style-type: none"> <li>Shifted focus to support the business in the engineering challenges presented by COVID-19 and its demand on our infrastructure.</li> <li>Oversaw the Group's sustainability reporting.</li> </ul>
<b>IT STEERING COMMITTEE</b>	<b>COMPLIANCE COMMITTEE</b>
<p><b>Purpose</b> Manages IT risk and provides strategic and governance direction for IT across the business.</p> <p><b>Key activities in 2020</b></p> <ul style="list-style-type: none"> <li>Assessed the Group's control environments in relation to privacy and information security.</li> <li>Made recommendations and decisions regarding IT priorities, including funding and cybersecurity.</li> <li>Oversaw the implementation of strategic and continuous business improvement projects.</li> <li>Continued to roll out employee awareness campaigns on IT security.</li> </ul>	<p><b>Purpose</b> Monitors the legislative landscape and assesses the potential impact of new laws and regulations on the Group.</p> <p><b>Key activities in 2020</b></p> <ul style="list-style-type: none"> <li>Reviewed legislation and assessed compliance with COVID-19 regulations and any other new legislation.</li> </ul>
<b>TARIFF COMMITTEE</b>	<b>PROCUREMENT COMMITTEE</b>
<p><b>Purpose</b> Provides direction on negotiations with funders.</p> <p><b>Key activities in 2020</b></p> <ul style="list-style-type: none"> <li>Engaged funders on current and future alternative reimbursement models.</li> <li>Engaged funders on the need to fund additional PPE and pre-hospitalisation COVID-19 tests to protect staff and patients.</li> <li>Engaged with funders on our digitisation strategy, quality outcomes programmes and service offerings to raise their awareness of our key strategic initiatives.</li> </ul>	<p><b>Purpose</b> Enhances procurement processes and reviews the supplier base, including ethics in the supply chain.</p> <p><b>Key activities in 2020</b></p> <ul style="list-style-type: none"> <li>Engaged with suppliers on stock availability of PPE, equipment and APIs, associated supply chain challenges, contingency strategies to ensure fluid supply and supplier business continuity plans as part of the Group's COVID-19 response.</li> <li>Continued to negotiate preferential pricing aligned with bulk purchasing.</li> <li>Provided input into the enterprise and supplier development initiatives.</li> </ul>

1. Department of Trade, Industry and Competition's Codes of Good Practice for B-BBEE.

## Governance report continued

### Compliance

#### Governance principles

The **Quadruple Aim** cuts across all our business activities from the governance and management systems that ensure oversight, control and delivery of our strategy to compliance with the extensive legislation and regulations we are subject to as a South African healthcare provider. It provides a solid foundation for our commitment to the principles of good corporate governance recommended by King IV and set out in the JSE Listings Requirements. We also consider the United Nation's (UN) Universal Declaration of Human Rights, the principles of the International Labour Organization and other voluntary codes, including the principles of the UN Global Compact, of which we are a member, as part of our commitment to good corporate citizenship.

Companies are under increasing pressure to declare a social purpose and understand their place in society. Corporate leaders are increasingly expected to focus more on the social and environmental needs of the stakeholders a company serves, supported by enhanced corporate governance oversight. This is also the key focus behind the proposed changes to the JSE Listings Requirements, which come into effect in December 2020.

The Social and Ethics Committee assists the Board in setting the tone for an ethical organisational culture and overseeing our commitment to social and economic development, fair labour practices, environmental responsibility and good corporate citizenship.

#### Regulatory compliance

All service platforms, business units, operational and administrative business areas and subsidiaries are required to comply with all applicable legislation and regulations. Each area conducts an annual governance, compliance, legislative and contractual risk review, and evaluates the regulatory environment impacting the Group and the healthcare sector. The Board as well as the Social and Ethics Committee is kept informed of regulatory changes as well as changes to non-binding standards, codes and relevant sector developments that could potentially affect the Group and its operations. Adherence to non-binding rules is considered an integral part of doing business. The Board and governance committees are also regularly updated on the Group's underlying policies and processes to govern compliance.

Compliance risk is monitored by the Risk Committee and managed through the compliance framework and compliance reviews. The Compliance Committee and the compliance function monitor the legislative landscape on an ongoing basis and assess the potential impact of new laws and regulations on the Group. Changes required are delegated to management and must be achieved within defined timelines.

We use a risk-based approach to review the Group's policies.

#### Litigation and legal

The Company Secretary, who is also the General Counsel, is responsible for overseeing the Group Legal function. Although the outcomes of legal proceedings, claims and actions instituted against the Group cannot be predicted, the Group is suitably resourced to manage this process. Detailed legal reports are provided to the Risk Committee and the Chair of the Risk Committee reports to the Netcare Board on any material legal matters.

The Group's insurance policy insures directors against liabilities they may incur in carrying out their duties.

#### Ethics

We are committed to high moral, ethical and legal standards, and support the code, principles and values of the Health Professions Council of South Africa (HPCSA). All employees are expected to fulfil this commitment, including our policy of fair dealing and integrity when conducting Netcare's business. Our values, policies and Code of Ethics provide a governing framework for ethical leadership and behaviour, which is further supported by a human rights awareness programme that forms part of our induction programme.

Netcare's Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. It articulates the Group's policy regarding conflict of interest, gifts, confidentiality, fair dealings and the protection and appropriate use of Netcare's assets. Employees are required to disclose any potential conflict of interest, as well as any gifts or invitations by a supplier or third party. A number of initiatives are used to entrench the code's principles and ensure that it is consistently applied within the Group, including training interventions, awareness campaigns and an annual ethics survey. COVID-19 has however delayed the roll out of the GLEC survey and the implementation of the ethical management programme, which have been rescheduled for 2021.

#### Managing unethical behaviour

We take a zero-tolerance approach to theft, fraud and corruption, as well as discrimination and racism.

Group Forensics investigates all reported incidents of theft, fraud and corruption and all confirmed cases are reported to the South African Police Services and, where appropriate, to the applicable registered bodies such as the HPCSA. Civil recoveries are pursued by prejudiced business units where financially appropriate.

Employees receive regular communication on recent fraud trends and the nature of matters investigated by Group Forensics.

## Governance report continued

A number of mechanisms are in place for stakeholders to report irregularities such as alleged theft, or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour. Group Forensics can be contacted by telephone, email or meeting request, and the Fraud and Ethics Hotline is available to stakeholders wanting to protect their anonymity. These mechanisms are available to all Netcare employees, management and the public, including suppliers and patients.

An anonymous toll-free line (SHOUT) allows employees to report alleged or perceived discriminatory or racist action or behaviour. The service is delivered in partnership with Independent Counselling and Advisory Services (ICAS), which operates a confidential call centre.

Every incident reported through these mechanisms is investigated. Reports of alleged theft, fraud or unethical behaviour are logged in the defalcation register and reported to management every second month. A summary of the defalcation register, fraud trends and material incidents are provided to the Audit, Risk, Consistency of Care and Social and Ethics Committees.

### Fraud and ethics reporting

	2020	2019	2018
Incidents of alleged fraud and irregularities	228	208	236
Incidents of alleged unethical medical behaviour	2	–	2
<b>Total incidents of alleged misconduct</b>	<b>230</b>	208	238
Incidents investigated and closed <sup>1</sup>	209	191	223
Incidents reported through the fraud and ethics hotline <sup>2</sup>	34	30	30

1. Open cases are still under investigation.

2. The balance of incidents were reported through other mechanisms such as direct engagement, email or the incident management system.

### Fraud and ethics reporting

**228 incidents** of alleged fraud and irregularities reported (2019: 208).

**2 incidents** of alleged unethical medical behaviour (2019: 0).

**209 incidents** investigated and closed with the balance still under investigation (2019: 191).



## Governance report continued

### Share dealings

The directors' dealing policy governs directors' dealings in Netcare shares and is supplemented with additional guidance on how to manage price sensitive information and the appropriate cautionary conduct required during a closed period. All directors, prescribed officers, directors of major subsidiaries and company secretaries must receive written approval from the Board Chair prior to buying or selling Netcare shares. Directors' share dealings are disclosed to the Issuer Regulation Division of the JSE and communicated through its electronic news service.

The Group operates a closed period policy in line with the JSE Listings Requirements. During closed periods, directors, officers and directors of major subsidiaries and associates (as defined by the JSE Listings Requirements) are prohibited from dealing in Netcare shares. Parties who may have access to confidential or price-sensitive information are cautioned against the possibility of insider trading during these periods.

### Stakeholder inclusion

Our stakeholder engagement strategy focuses on the specifically identified stakeholder groups most likely to have an impact on our ability to deliver on our strategic priorities. It ensures a comprehensive stakeholder inclusive approach aligned to King IV's stakeholder inclusivity principle and recommended practices. Our engagement methods vary depending on the different needs of each stakeholder group and can range from a single event to engage on a specific issue and our complaint management processes to ongoing dialogue with employees, the Department of Health and government, to mention a few.

The independent review of our engagement model undertaken in 2019 by an independent consultant found that most of our engagement methods are robust. Based on this review, we intend to enhance the model to ensure that stakeholder concerns are appropriately escalated and addressed and that the Board is kept informed of key concerns. Our plans have been impacted by the attention given to COVID-19 and will be resumed in 2021. It is, however, worth noting that the frequency and quality of our engagements with our key stakeholder groups increased during the year, given the collaboration needed to manage the impact of COVID-19 on our business. Our engagement with the media was also enhanced, keeping the media updated on our initial COVID-19 coverage and the outbreak at Netcare St Augustine's Hospital.

The digital strategy will redefine the way we engage with our patients, doctors, allied healthcare practitioners and funders. Engagement on CareOn (the electronic medical record system in the Hospital division) is extensive and supported with change management interventions for our

employees and doctors. A Digital Advisory Board provides a platform for doctors to contribute to the design of the system. The personalised clinical information tool supports improved engagement with doctors and funders, particularly on achieving cost savings and closing any inefficiency gaps. During the year, a number of tools were launched to communicate with employees, patients and doctors on COVID-19 related issues and patient-centred applications were piloted enabling doctors to follow up with their patients post discharge and providing family members with updates on patients undergoing surgery.

We maintain constructive relationships with trade unions characterised by open and proactive engagement. During the year, these engagements centred around our interventions to manage COVID-19 and keep our employees safe. Through our sector memberships we worked to collaborate with the public health sector on the national response to COVID-19, improving the quality of our relationship with government. In addition, through our efforts to engage proactively with shareholders on our remuneration policy, it was approved at the 2020 AGM with 96.2% of votes in favour.

We use a decentralised stakeholder engagement model, with relationship owners within Netcare held responsible for ensuring that their engagement with stakeholders is appropriate, sufficiently frequent and aligned to our strategic objectives. Detailed communication reports inclusive of social media statistics are tabled monthly at Executive Committee meetings and include peer analysis and issues of strategic concern.

### Sustainability

The Group's governance standards and social and environmental performance are independently assessed and benchmarked annually. Going forward, we will assess how Netcare is best able to contribute to the UN Sustainable Development Goals.

Our direct impact on the environment is limited and we prioritise minimising our carbon footprint, enhancing our energy and water efficiency and waste control and recycling. Our environmental policy and management plan comprise defined action plans and targets. We are a signatory to the Paris Agreement within the UN Framework Convention on Climate Change.

### Assurance and verification

The Global Carbon Exchange SA Proprietary Limited independently assured selected 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).

Our B-BBEE scorecard was independently evaluated and verified by Empowerdex.

## Governance report continued

### CDP

Scored a B for both climate change and water in the 2020 CDP, the latest survey undertaken (2019 survey: B for both climate change and water).

### FTSE Russell (SA)

Included in the FTSE/JSE Top 30 Responsible Investment Index.



	Total score	2020 score	2019 score
Environmental	5	4.2	3.5
Social	5	3.3	4.3
Governance	5	5.0	5.0
Overall ESG rating	5	4.1	4.3

*Note: despite an improvement in our environmental score, our overall score dropped due to a change in methodology used to assess social impact, which now includes supply chain disclosure, as well as an alignment with the UN Sustainable Development Goals. We will work to improve our 2021 score.*

### Revised dtic Code scorecard (SA)

Maintained a Level 4 B-BBEE rating (2019: Level 4).

### Dow Jones Sustainability (global)



Included in the Dow Jones Emerging Markets Index for the seventh consecutive year, achieving a score of 83% (2019: 82%).

### MSCI ESG Research Inc. (global)

Achieved a 'AA' rating, the second highest awarded by MSCI ESG, marking us as a leader in our sector.



Rated 'AA' on a six-point scale (AAA-CCC) (2019: AA).

## Governance report continued

### Sustainalytics (global)

The methodology for this rating has been revised. We are engaging with the Risk Rating agency to understand the impact of the change.

### Institutional Shareholder Services (global)

A data-driven scoring and screening solution that helps institutional investors review a company's governance quality and assess risk. A score of 1 indicates lower governance risk.

	Sept 2020	Sept 2019
<b>Governance</b>	<b>1</b>	1
Board structure	3	3
Compensation	1	1
Stakeholder rights	1	1
Audit and risk oversight	1	1
<b>Social</b>	<b>1</b>	1
Human rights	3	3
Labour and occupational health and safety	3	3
Stakeholders and society	1	1
Product safety, quality and brand	1	1
<b>Environment</b>	<b>1</b>	1
Risk and opportunities	2	2
Carbon and climate	1	1
Natural resources	1	1
Waste and toxicity	1	2

## Governance report continued

### Accountability and control

#### Going concern

The annual financial statements are based on appropriate accounting policies and the external auditors independently examine them in accordance with International Standards on Auditing. The Group's annual financial statements have been prepared on a going concern basis.



Board opinion: page 08 of this report.



Accounting policies used to prepare the annual financial statements and directors' responsibility and approval can be found in the full annual financial statements.

#### Internal control and internal audit

The Board is responsible for ensuring that an appropriate system of internal controls is maintained to provide reasonable assurance that:

- Netcare's assets are appropriately safeguarded and managed.
- Losses arising from fraud and/or other illegal acts are minimised.
- Accounting records, financial statements and operating information are accurate, complete and fairly presented.

The Board delegates these responsibilities to the Audit Committee and Group Internal Audit assists the Committee by fulfilling an assurance and consulting function, and providing independent and objective assurance over Netcare's systems of internal controls. The Audit Committee annually approves both the Group Internal Audit Charter (which aligns to the recommendations of King IV and the International Standards for the Professional Practice of Internal Auditing as determined by the Institute of Internal Auditors (IIA Standards)) and the risk-based audit plan. The Chair of the Audit Committee meets regularly in separate sessions with management, external audit and Group Internal Audit.

Group Internal Audit conducts independent financial, IT and operational process and control effectiveness reviews using a systematic and disciplined approach, supported by a data analytics tool. In addition to highlighting process improvements, Group Internal Audit's activities provide assurance to Netcare's stakeholders that the organisation operates in a responsible manner.

Due to COVID-19, Group Internal Audit had to adapt its approach to achieving the approved 2020 Internal Audit Plan. Given that the Hospital division, pharmacy operations and Medicross clinics were at the forefront of the fight against COVID-19, audit reviews of these operations were postponed, and replaced with reviews of our Shared Services Centre and other centralised functions.

Group Internal Audit's day-to-day activities include:

- Evaluating risks, control and governance processes.
- Objectively assessing the design of the internal control framework.
- Systematically analysing and evaluating business processes and the effectiveness of key internal controls.
- Assisting in the investigation of instances of fraud, corruption, unethical behaviour and irregularities, as well as providing pertinent information on these issues to the Group.
- Effectively coordinating the combined assurance function which streamlines the activities of various assurance providers without compromising the level of assurance attained.

To ensure that Group Internal Audit remains independent and sufficiently objective, and meets its responsibilities, the Head of Group Internal Audit reports functionally to the Audit Committee's Chair and administratively to the Group CFO. Group Internal Audit has unrestricted access to all company records and employees, including the Group CEO, the Board Chair and the Chair and members of the Audit Committee.

The Group Internal Audit team is appropriately qualified and experienced with team members holding a Bachelor of Commerce, as a minimum qualification, and the majority having signed off SAICA articles. All team members sign an annual Code of Ethics Declaration (based on the IIA standards).

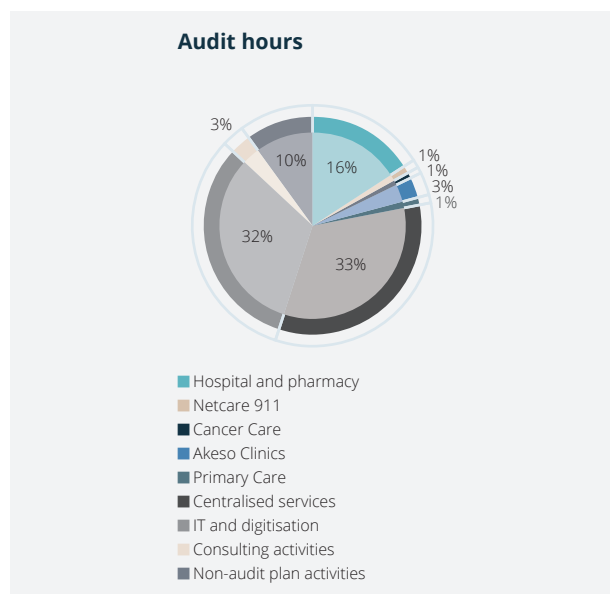
#### 2020 performance

- Presented the results of the audit reviews to the Board, Audit Committee and senior management.
- Kept the Board and Audit Committee updated on the adequacy of the department's resources.
- Reported to the Audit Committee on the quality assurance and improvement programme and the critical success factors used to monitor its performance.
- Provided either assurance or consulting services in various areas of the business in line with management requests, and authorised by the Audit Committee's Chair and the Group CFO.
- Regularly reported to divisional Internal Audit Committees and the Audit Committee on the progress of agreed remedial actions implemented to support and maintain a sound control environment.
- Continued to drive digitisation, with a further six modules completed. The total number of modules implemented is 12 out of the intended 13 modules to automate 40% of manual audit procedures by 30 September 2021.
- Achieved remote working efficiencies, which will be carried through to 2021.
- Effectively utilised an agile audit approach to revise the Internal Audit Plan to cater for the changing environment.



## Governance report continued

### Audit hours



### Group Internal Audit conclusions for 2020, as submitted to the Audit Committee

- Nothing has come to Group Internal Audit's attention to suggest that the organisation's system of internal financial controls does not form a sound basis for the preparation of reliable financial statements.
- Nothing qualitatively or quantitatively material has come to Group Internal Audit's attention to suggest that Netcare's governance, risk management and control processes are not effective.



Audit Committee report in the annual financial statements.

### Independent quality review

In line with the requirements of the IIA Standards, Group Internal Audit undergoes an independent quality review at least once every five years. An assessment was undertaken in 2019 by a globally recognised consulting firm. Group Internal Audit received a 'generally conforms' rating for the review (the highest level of compliance to the IIA standards). The review indicated that Netcare has a professional and established internal audit function, which achieved an 'established' maturity rating and is regarded as a trusted advisor to the business. The next independent quality review is planned for 2024.

### Combined assurance

Our five levels of assurance model, underpinned by the governance and delegation of authority framework and aligned to King IV, is designed to effectively address the organisation's key risks and material matters through a combination of the following assurance service providers and functions appropriate for the organisation:

- **First level:** assurance provided to the Board by the governance committees.
- **Second level:** executive management, which is responsible for acting timeously on significant escalated issues.
- **Third level:** specialist functions that facilitate and oversee risk management and compliance.
- **Fourth level:** internal auditors, internal forensic fraud examiners and statutory actuaries.
- **Fifth level:** independent external assurance service providers, including external auditors.



How we manage risk: page 84 in the 2020 Integrated Report.

### External audit

Deloitte & Touche are Netcare's external auditors.

## Governance report continued

### IT governance

IT is an integral part of Netcare's business. It is fundamental to the support, sustainability and growth of the Group. It spans across all aspects, components and processes of our business and is therefore not only an operational enabler for Netcare, but an important strategic asset to create opportunities and to gain competitive advantage.

We operate a robust IT governance framework to manage IT in an effective and efficient manner that ensures integrity, continuity, confidentiality, availability of information and cost effectiveness. The framework enables the involvement of various stakeholders, and the structures, processes, responsibilities and other mechanisms required to increase stakeholder value.

The Board, together with the Audit and Risk Committees, oversee the governance of IT and are supported by the following IT governance structures:

- **IT Management Committee headed by the Chief Information Officer:** governs and oversees all Netcare IT matters.
- **IT Steering Committee:** provides oversight and strategic direction for IT across the business and reviews IT risk and opportunity management. It is responsible for decisions regarding IT priorities, including funding and technical requirements.
- **Continuous Business Improvement Committee:** tasked with the evaluation and prioritisation of infrastructure, system and process enhancements.
- **Information Security Management Committee:** provides direction for establishing sector standard best practices, reviews information security-related project and initiative progress, and articulates common information security practice requirements.
- **Enterprise Architecture Committee:** provides a forum for decision-makers on topics of enterprise-wide IT architecture, enabling the alignment of their planning and giving direction to IT operations and project teams.
- **Change Advisory Board:** reviews and prioritises requested changes from business and ensures adherence to the change management process.
- **POPIA Steering Committee:** oversees the Group's initiatives to ensure that legal and regulatory compliance objectives are achieved as intended as it relates to privacy and systems supported by mechanisms, policies and procedures.



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