

NETCARE LIMITED

# Integrated Report

for the year ended 30 September 2021



Providing YOU with the best and safest care



**NETCARE**

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## Material matters



Deliver outstanding person-centred health and care.



Recognise, protect and invest in our employees and healthcare practitioners.



Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns.



Recover, defend and grow long-term profitability.



Continue to develop visionary and effective leadership.

## HOW WE PERFORMED

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Social and relationship capital



Human and intellectual capital



Manufactured capital



Natural capital



Financial capital

# Our report

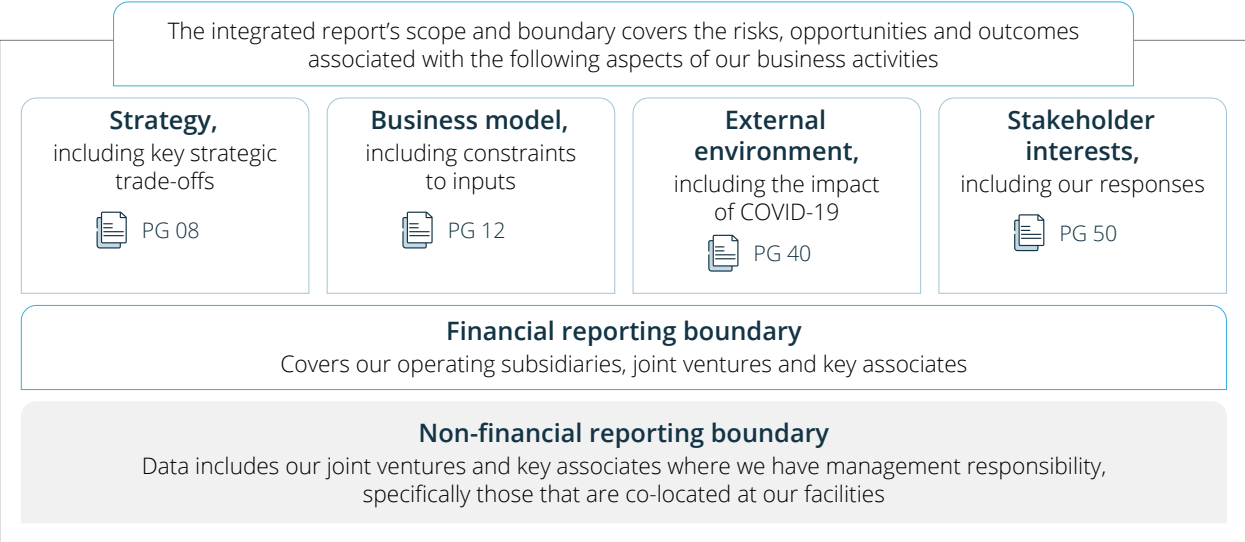
The Netcare integrated report is addressed to all stakeholders in our sector and society, with whom we partner and to whom we are accountable. It provides leadership insight and disclosure on which they can base their assessments of our ability to meet their expectations and align their interests; to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

In our report we set out the Group's strategy, assess our progress against its objectives and discuss our expectations for the medium term and the horizon of our current strategy, in the context of the longer-term trends affecting our sector and South Africa (SA). Our report covers the value outcomes we achieved for Netcare, for our key stakeholders and for society in the period 1 October 2020 to 30 September 2021 (FY2021) and includes material information up to Board approval on 18 November 2021.

Our purpose, values and code of ethics – the mainstays of Netcare's culture – frame our approach to integrated thinking. In essence, they make care for people and society intrinsic to everything we do. The Group's corporate and operational governance structures, processes and controls (page 12), which are mature and considered best practice in our sector, ensure that our decision-making takes into account both the operational and systemic risks, opportunities and responsibilities arising from our operating environment and our stakeholder relationships. Together with our strategy, these attributes and controls place the delivery of positive outcomes for current and future stakeholders at the centre of our efforts to create, preserve and limit the erosion of value. Specifically, this pertains to enhancing shareholder returns in the medium term and deepening socioeconomic and environmental value for all our stakeholders and society in the long term.

Achieving this balance of outcomes in the last year has required careful management of stakeholder expectations in relation to managing the impact of COVID-19 on our strategy execution and performance, while responding to the capital, skills and competitive intensity and regulatory demands of our sector. To this end, we are committed to balanced reporting, taking care to explain the material constraints and the trade-offs related to our strategy, including factors within or outside our control.

## Scope and boundary



## Time horizons



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

## Reporting structure

We aim to continually improve the quality of our reporting, and are pleased that our 2020 Integrated Report maintained a top 10 ranking in the EY Excellence in Integrated Reporting Awards. The structure of this year's report has been amended in response to feedback from the Board, primarily to foreground the Group's strategy in conveying our value story to stakeholders.

Specific engagement with key investors on Netcare's disclosure highlighted that stakeholders want detailed disclosure on our environmental, social and governance (ESG) performance in a consolidated format, and enhanced remuneration disclosure on which to base their non-binding advisory vote on the remuneration policy and implementation report.

To better cater to the diverse needs and detailed disclosure requirements of our key stakeholders and chosen reporting frameworks, as well as to achieve conciseness in the integrated report, we have made the following changes:

- A comprehensive standalone **Quality report** to unencumber the integrated report of technical clinical outcomes data, which will continue to evolve and grow as our consistency of care strategy matures.
- A standalone **ESG report** which covers our progress in driving net positive impacts and addressing some gaps in our ESG disclosure. Reporting in full against the Task Force on Climate-related Financial Disclosures (TCFD) framework will continue to be an area for improvement.
- A standalone **Shareholder report** which responds to statutory and regulatory disclosure requirements related to governance and remuneration. The remuneration report incorporates shareholder feedback on remuneration disclosure to the extent practicable.

## Process disclosures

Executive management is responsible for the preparation and presentation of the report, led by the Chief Financial Officer (CFO). The Chair of the Board, Chief Executive Officer (CEO) and Executive Committee are directly involved in reviewing and approving the reporting suite.

The following steps were taken to develop the reporting suite and ensure its integrity:

- A workshop was held in June 2021 with the Board of directors to identify areas of improvement based on developments in reporting frameworks and the disclosure expectations of stakeholders.
- Our material matters (page 56) were determined through a robust independent process involving a qualitative analysis of selected documents. The matters identified were submitted to key members of the Executive Committee for review to ensure adequate coverage, and then to the Board for approval. Our material matters, mapped to the Group's strategic priorities, informed the preparation of the integrated and ESG reports.
- Content on our strategic progress and management of our material matters, risks and opportunities was drawn from various sources; predominantly Board papers, budget presentations, governance and risk papers and interviews with the Board Chair and CEO.

- The heads of various functions reviewed content during the drafting process. A specially convened Review Panel of selected Executive Committee members and the CFO review the report when it is near completion, followed by a final review by the CEO. The panel recommended the report to the Board for approval.

## Assurance

Assurance on financial information and certain non-financial performance indicators has been obtained in line with our combined assurance model, with feedback provided to the Group's Risk and Audit Committees and the Executive Committee. Select non-financial information is assured by Internal Audit on a cyclical basis.

Independent assurance provided includes:

- **The British Standards Institution:** ISO 9001:2015 certification.
- **Empowerdex (verification):** broad-based black economic empowerment (B-BBEE) scorecard.
- **Global Carbon Exchange SA Proprietary Limited (limited assurance):** carbon emissions and energy and water usage.
- **Deloitte & Touche (unmodified assurance including a reportable irregularity):** Group annual financial statements. The summarised annual financial statements (page 188) are an extract from the audited Group consolidated annual financial statements.

The **Healthcare Information and Management Systems Society's**<sup>1</sup> Analytics Electronic Medical Record Adoption Model will be used to score our electronic medical record (EMR) system in the Hospital division in the future.

## Approval

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

The material matters and the annual financial statements of the Group for the year ended 30 September 2021 were approved by the Board on 18 November 2021 and are signed on its behalf by:



**Thevendrie Brewer**  
Non-executive Board Chair



**Dr Richard Friedland**  
Chief Executive Officer

1. A not-for-profit organisation.



# Our reporting suite

## Our strategic pillars

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

### Integrated report

Primary report to stakeholders available in print and online

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

#### Reporting frameworks applied:

- International Integrated Reporting <IR> Framework (January 2021)
- King Report on Corporate Governance for South Africa (2016)<sup>TM</sup> (King IV)<sup>\*</sup>



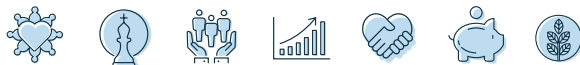
### Supplementary reports

Publications that cater to specific information needs of our stakeholders and satisfy compliance requirements, available online at [www.netcare.co.za/Netcare-Investor-Relations](http://www.netcare.co.za/Netcare-Investor-Relations)

#### Shareholder report

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

#### Reporting framework applied: King IV



#### Environmental, social and governance report

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

#### Reporting frameworks applied:

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



#### Quality report

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



#### Annual financial statements

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

#### Reporting frameworks applied:

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



#### Additional information

- King IV application register
- GRI content index
- TCFD content index
- Notice of annual general meeting and proxy form
- Hospital listing

## Feedback

We welcome your feedback to enhance the quality of our integrated report and supplementary information. Please email your feedback to [ir@netcareinvestor.co.za](mailto:ir@netcareinvestor.co.za).

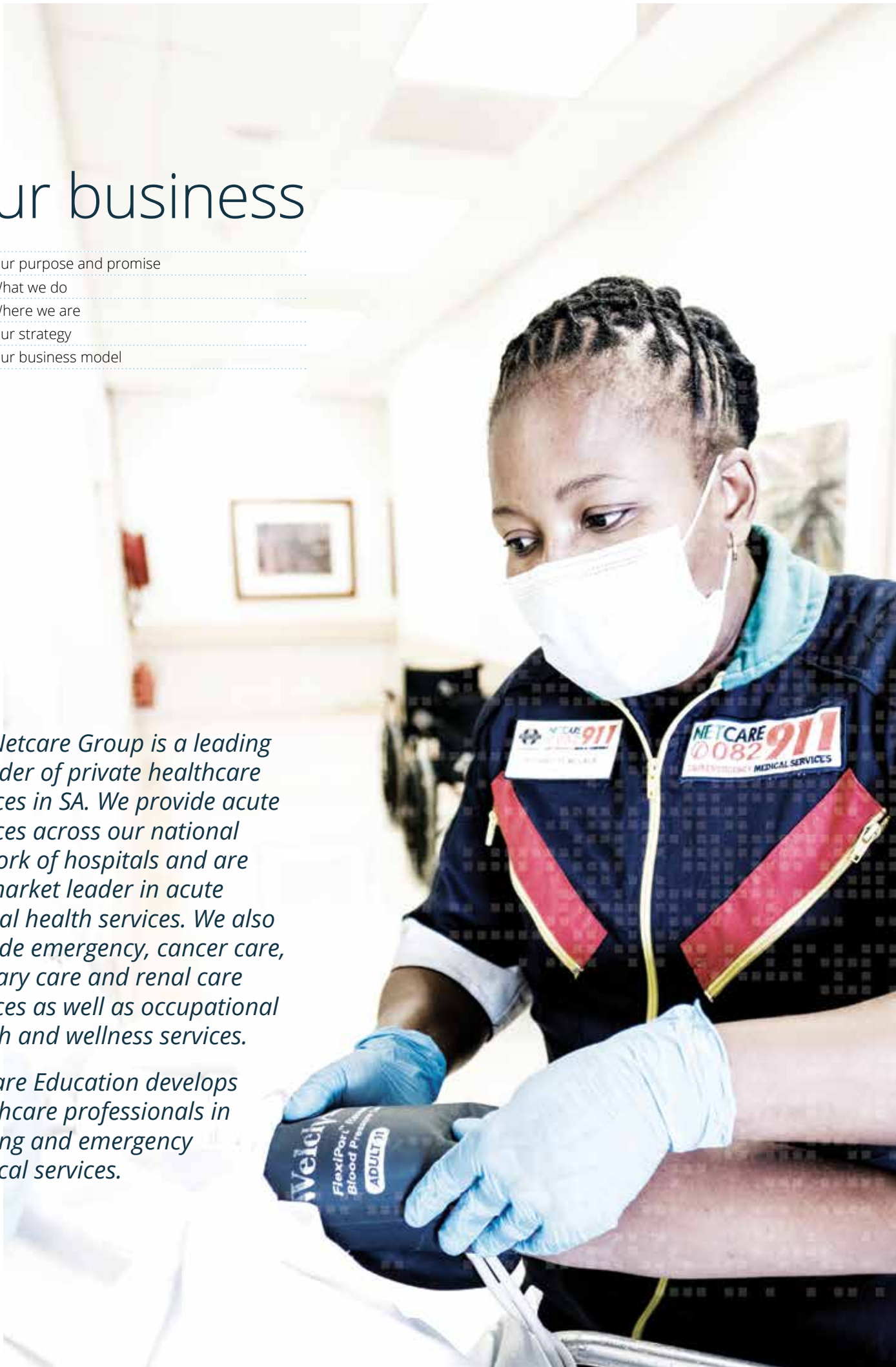
\* King IV copyright: copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

# Our business

- 03 Our purpose and promise
- 04 What we do
- 06 Where we are
- 08 Our strategy
- 12 Our business model

*The Netcare Group is a leading provider of private healthcare services in SA. We provide acute services across our national network of hospitals and are the market leader in acute mental health services. We also provide emergency, cancer care, primary care and renal care services as well as occupational health and wellness services.*

*Netcare Education develops healthcare professionals in nursing and emergency medical services.*



# Our purpose and promise

## Our purpose

Providing YOU with the best and safest care

## Our promise

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

## Our values

Our core value is **CARE**. We care about the **DIGNITY** of patients and all members of the Netcare family. We care about the **PARTICIPATION** of our people and partners in everything that we do. We care about **TRUTH** in all our actions. We engage everyone with empathy and respond with acts of **COMPASSION** in all interactions with our patients and their families.

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

**Our purpose matters to our people, our patients and society**  
 Our people have lived our purpose and our values even under the hardship, exhaustion and loss we have faced due to COVID-19. Patients and the public alike have recognised their critical contribution, alongside all healthcare workers, to the safety, health and wellbeing of individuals and communities. This has served to reaffirm for healthcare workers their calling and purpose. In a time of unprecedented difficulty, this affirmation has bolstered our confidence that our strategy is appropriate, and our purpose never more meaningful and inspiring.

**We serve people in their time of need**  
 We combine compassion, expertise and technology to provide each and every patient with the best and safest quality care, giving them the confidence they need when they need it most and helping them make good health decisions at every stage of their life journey. We call it person-centred health and care, digitally enabled and data driven.

**We are committed to pushing out the boundaries of healthcare**  
 Our strategy aims to reinvent our business, to create a world-class healthcare ecosystem, home to the biggest hearts and brightest minds and deepest expertise in the country, and able to play a meaningful role in the lives of more South Africans, more often.

**We are dedicated to providing a consistent standard of exceptional care**  
 Our values and our strategy make caring for people and society intrinsic to all our decisions and actions. This is how we create value for our stakeholders and for the healthcare system of which we are an integral part, now and for the future.

# What we do



## PRIVATE HOSPITALS ▶



**53** acute hospitals  
**10 005** beds  
**15** cancer care centres  
**12** day clinics  
**12** mental health hospitals  
**891** beds



### Services

- Multi-disciplinary acute medical institutions, including centres of excellence, rehabilitation, day clinics for non-acute procedures and care, and emergency and trauma departments.
- Institutional pharmacies for direct supply, management and dispensing of medicine.
- >10 000 appointments facilitated through Netcare **appointmed**<sup>TM1</sup>.
- Dedicated acute mental health facilities.

### Differentiators

- A number of accredited facilities, with 29 accredited trauma units. Netcare Milpark, Netcare St Anne's and Netcare Union hospitals are the only accredited Level I<sup>2</sup> trauma hospitals in SA<sup>3</sup>.
- Netcare Rehabilitation Hospital (our first fully digitised hospital).
- An integrated multi-disciplinary approach to mental healthcare focusing on dialectical behavioural therapy.

1. Netcare **appointmed**<sup>TM</sup> is our free telephonic appointment service.  
 2. Capable of providing leadership and total care for every aspect of injury, from prevention through rehabilitation, and have 24-hour availability of all major specialties with a trauma surgeon as director. Our trauma units are accredited by the Trauma Society of South Africa.  
 3. The full list of our accredited facilities can be found in the Quality report.



**EMERGENCY SERVICES** ▶



**82** emergency bases  
 .....  
**223** ambulances and emergency response vehicles, including helicopters  
 .....  
**>470 000** calls a year managed by the Emergency Operations Centre (EOC)

**Services**

- Pre-hospital emergency services, including specialised helicopter ambulances, intensive care unit (ICU) ambulance service (patient transfer between medical facilities) and an ICU-configured jet ambulance service (national and international patient transfer).
- National EOC with geolocation capabilities.
- Contracted services to industrial clients and corporates for health, safety and risk management.
- Contracted to manage the emergency services of client medical schemes.

**Differentiator**  
 The only emergency service in Africa that is fully digitised.

**PRIMARY CARE** ▶



**68** primary healthcare facilities  
 .....  
**>111 000** lives covered by occupational health services

**Services**

- Family medical and dental clinics providing access to general practitioners (GPs), dentists, radiology, pathology, pharmacy and allied healthcare practitioners.
- Sub-acute facility.
- Occupational health, travel and wellness services to contracted employer groups.
- >3 000 appointments facilitated through Netcare **appointmed™**.

**Differentiator**  
 The largest primary healthcare provider in the private sector with a national footprint, and providing a comprehensive basket of primary care services.

**RENAL CARE** ▶



**69** renal dialysis facilities  
 .....  
**956** dialysis stations

**Services**

- Dialysis services to patients with compromised kidney function.

**Differentiator**  
 Largest provider of dialysis services in SA.



**>1 080** partner GPs  
 .....  
**>170** optometrists

**Products**

- Prepaid vouchers for GPs, optometrists and dentists.
- Prepaid all-inclusive in-hospital procedures.
- Accident and trauma cover and gap cover.

**Differentiator**  
 Trusted partner network of healthcare practitioners across the country supporting NetcarePlus vouchers.

**EMPLOYEES WELLNESS** ▶



**>1 000** clients  
 .....  
**>1 700 000** lives covered

**Services**

- A holistic offering of people-focused solutions, preventative care and counselling services that mitigate risks and puts business and employee wellbeing first.

**Differentiator**  
 Leading provider of employee health and wellness programmes.

**TRAINING FACILITIES** ▶



**5** nursing education colleges  
 .....  
**2** emergency and critical care colleges  
 .....  
**4** National Renal Care training academies  
 .....

**13** National Renal Care facilities accredited to train clinical technology students.  
 .....  
**18** National Renal Care facilities accredited to train nephrology nursing students

**Differentiator**  
 The largest private provider of training for healthcare workers in SA.



# Where we are



## Netcare Hospitals

PROVINCE	FACILITIES	BEDS
Eastern Cape	2	489
Free State	4	408
Gauteng	29	5 699
KwaZulu-Natal	10	2 031
Limpopo	1	200
North West	1	211
Western Cape	6	967
<b>Total</b>	<b>53</b>	<b>10 005</b>
<b>New development</b>		
Netcare Alberton Hospital		

 Hospital listing.



## Netcare 911

PROVINCE	FACILITIES
Eastern Cape	2
Free State	2
Gauteng	26
KwaZulu-Natal	9
Limpopo	9
Mpumalanga	19
North West	10
Western Cape	5
<b>Total</b>	<b>82</b>

NETCARE  
cancer care

## Netcare Cancer Care

PROVINCE	FACILITIES
Gauteng	8
KwaZulu-Natal	3
Western Cape	4
<b>Total</b>	<b>15</b>

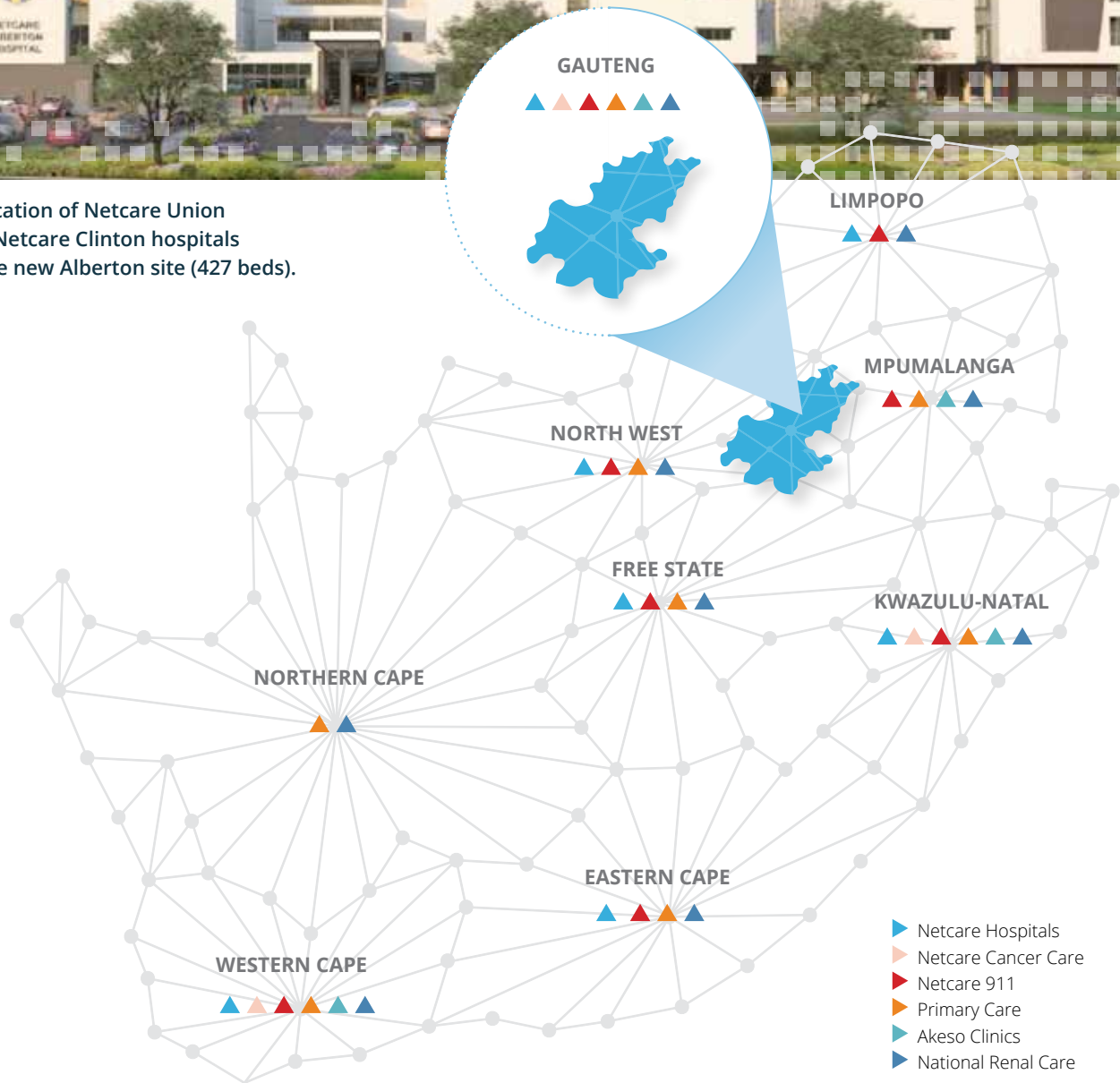


## Primary Care

PROVINCE	FACILITIES
Eastern Cape	6
Free State	1
Gauteng	22
KwaZulu-Natal	14
Mpumalanga	2
North West	2
Northern Cape	2
Western Cape	19
<b>Total</b>	<b>68</b>



Relocation of Netcare Union and Netcare Clinton hospitals to the new Alberton site (427 beds).



## Akeso Clinics

PROVINCE	FACILITIES	BEDS
Gauteng	4	415
KwaZulu-Natal	2	140
Mpumalanga	1	75
Western Cape	5	261
<b>Total</b>	<b>12</b>	<b>891</b>

### New developments

- Akeso Clinics Gqeberha
- Akeso Clinics Polokwane
- Akeso Clinics Richards Bay

 Hospital listing.

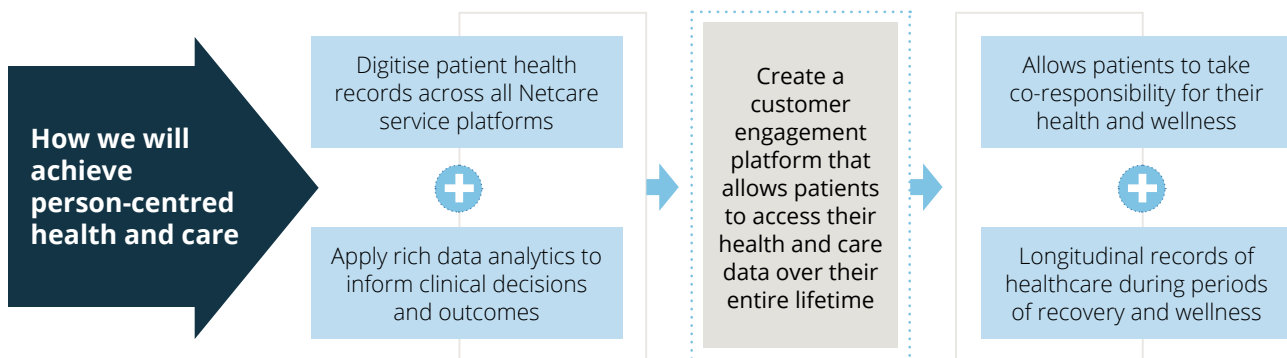
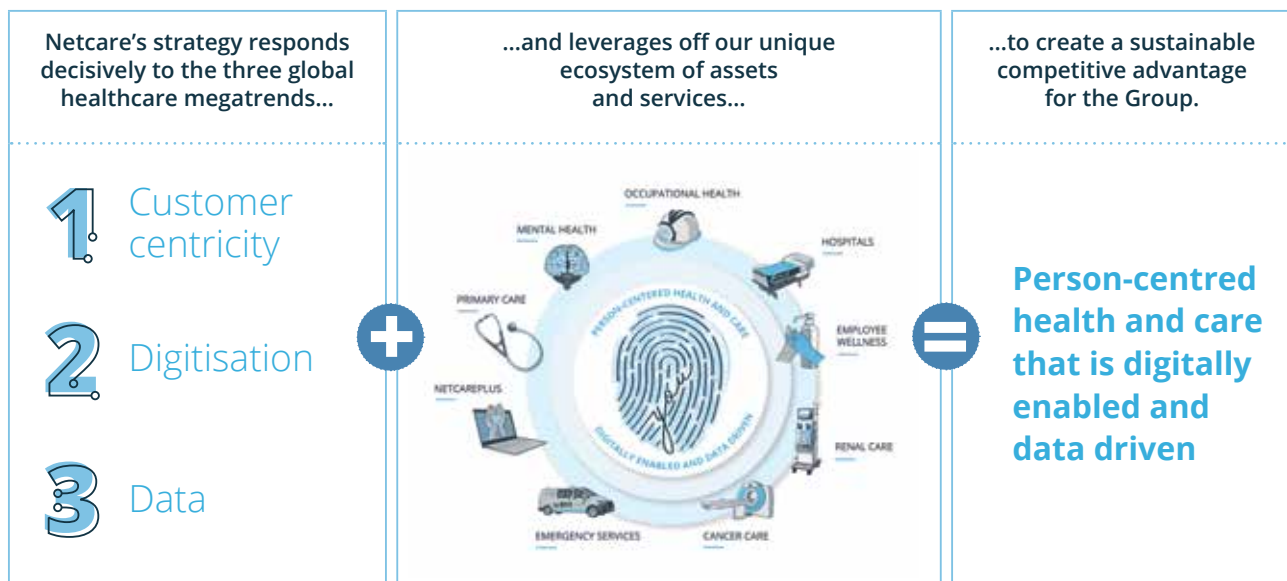


## National Renal Care

PROVINCE	FACILITIES	DIALYSIS STATIONS
Eastern Cape	11	189
Free State	3	22
Gauteng	22	302
KwaZulu-Natal	14	206
Limpopo	3	31
Mpumalanga	1	12
North West	2	19
Northern Cape	1	10
Western Cape	12	165
<b>Total</b>	<b>69</b>	<b>956</b>

# Our strategy

We are reinventing how we deliver health and care; moving Netcare from the siloed and episodic approach typical of traditional healthcare to providing seamless and integrated services across all our platforms, enabled by digitisation and informed by rich data. Over the medium term, we expect to achieve a care offering that is highly differentiated in SA, driving above market growth and earning enhanced returns for our shareholders. Achieving our strategy will also deepen the socioeconomic and environmental value we create for our stakeholders and society in the long term.



## Intended strategic outcomes

Medium-term outcome

### Grow market share

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

Medium-term outcome

### Deliver differentiated products and services

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

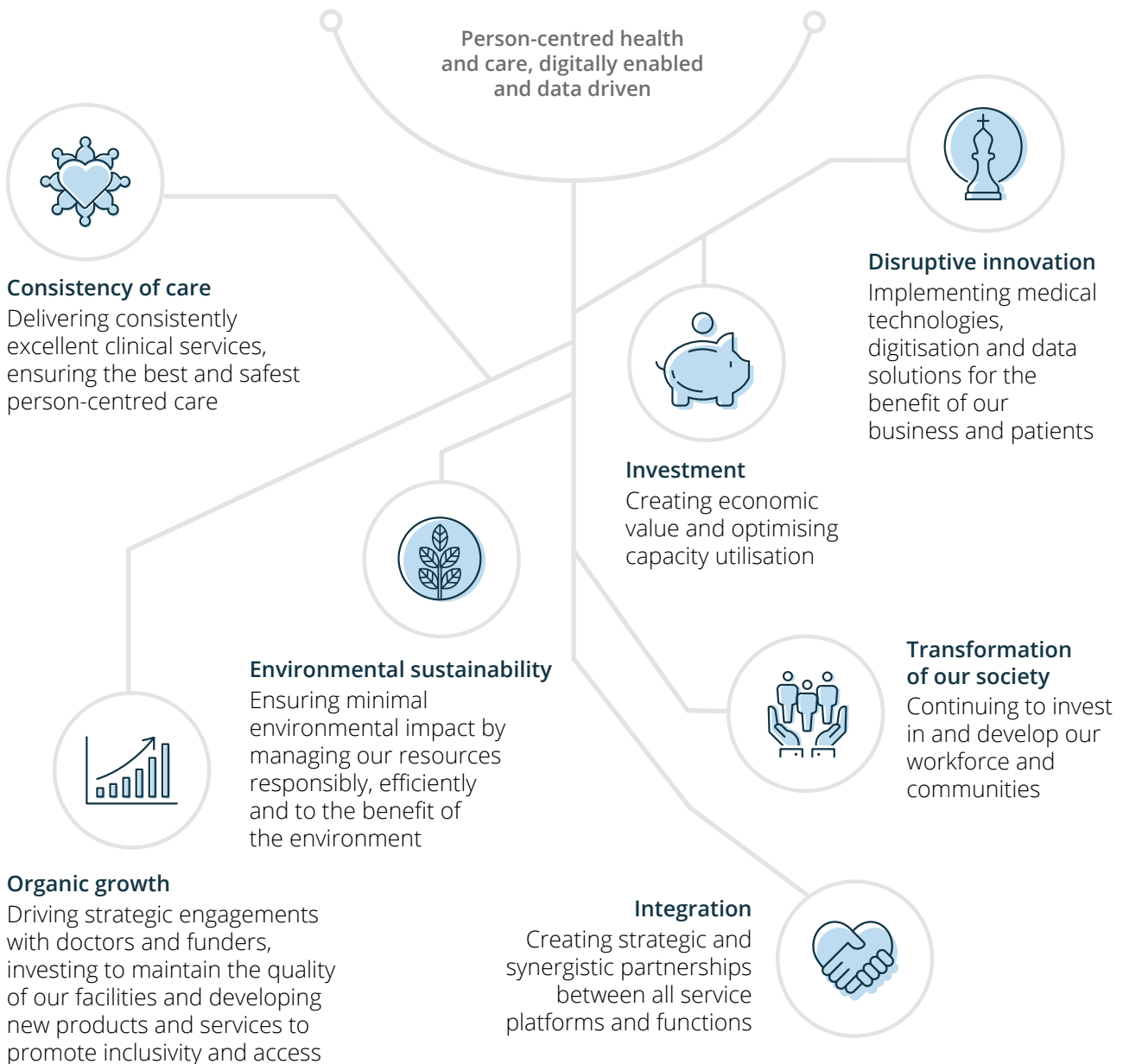
Medium-term outcome

### Retain patients within our ecosystem of integrated services

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

### Our strategic pillars

Each of our strategic pillars has clearly defined objectives, plans and projects that in combination will achieve our intended strategic outcomes. Leading our sector in environmental sustainability has become core to our approach and has now been elevated to a standalone pillar, aligned to the criticality of this aspect of ESG for global wellbeing.



**Medium-term outcome**

**Improve margins and returns**

Meet our internal targets for ROIC<sup>1</sup>, EBITDA<sup>2</sup> margin, net debt/EBITDA, EBITDA/net interest and occupancy.

**Medium- to long-term outcome**

**Maintain social licence to operate**

Contribute meaningfully to the national healthcare system, improve our B-BBEE scorecard in FY2022, meet our environmental sustainability targets for FY2030 and maintain a high level of stakeholder engagement and communication.

1. Return on invested capital (ROIC).

2. Earnings before interest, tax, depreciation and amortisation (EBITDA).

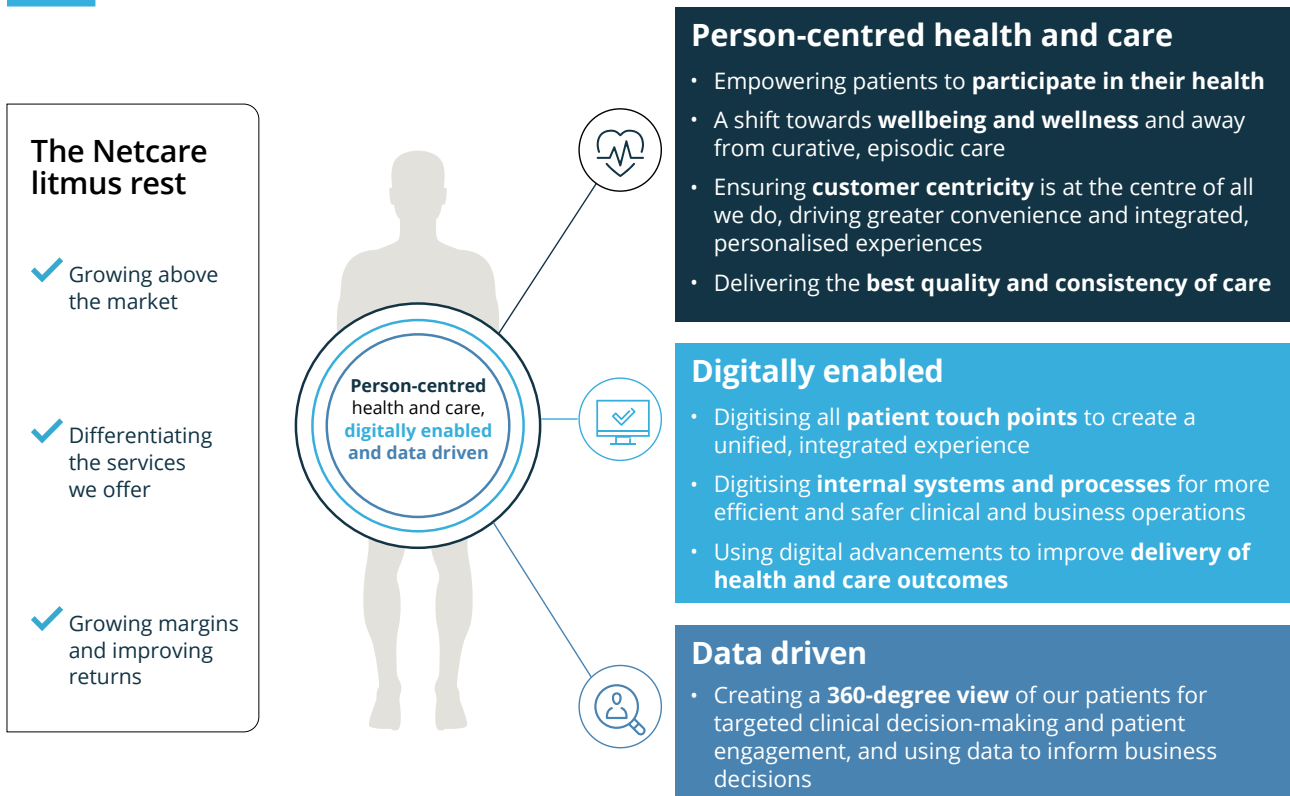
Our strategy continued

# What are we solving for

	1 Global	2 South Africa	3 Netcare
The problem	<ul style="list-style-type: none"> <li>Fragmented, episodic healthcare</li> <li>Not participatory</li> <li>Not individualised</li> <li>Costly versus outcomes achieved</li> </ul>	<ul style="list-style-type: none"> <li>Large inequity in access</li> <li>Fiscal constraints</li> <li>Healthcare worker shortages</li> <li>Challenging societal issues</li> </ul>	<ul style="list-style-type: none"> <li>World-class care within private sector but patient experiences often disjointed and variable across healthcare providers</li> <li>No significant differentiation</li> </ul>
The potential solutions	<ul style="list-style-type: none"> <li>Integrated, multi-disciplinary healthcare approach across the continuum of care</li> <li>Participatory healthcare</li> <li>Person-centred health and care</li> <li>A focus on wellness</li> </ul>	<ul style="list-style-type: none"> <li>Universal access</li> <li>CC HMI<sup>1</sup> recommendations</li> <li>Corporate SA must lead transformation across sector</li> <li>Focus on ESG practices</li> <li>Force for social good</li> <li>Innovating for access and affordability</li> </ul>	<ul style="list-style-type: none"> <li>Embrace solutions achieved by leading global players in integrated healthcare</li> <li>Create a differentiated business offering and sustainable competitive advantage – <b>the Netcare moat</b></li> </ul>

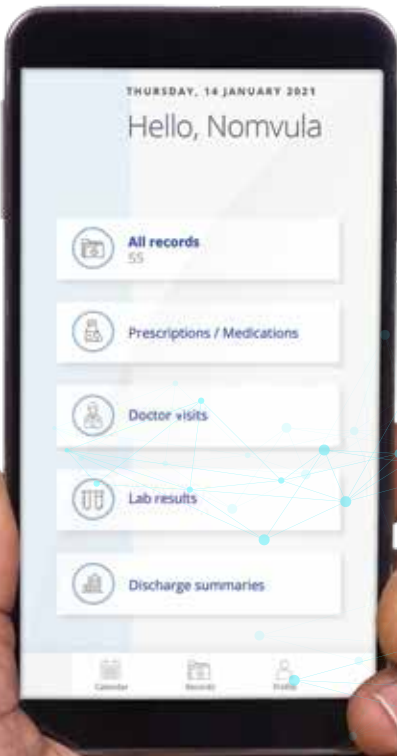
1. Competition Commission Healthcare Market Inquiry (CC HMI).

# The Netcare moat





# The result? Putting a patient's health and care in the palm of their hand



1

**Access to information** on any interaction in the Netcare ecosystem in the **palm of patients' hands** (available in 2022)

2

**Continuity of care** – reduced duplication of diagnostic tests and procedures, and seamless engagement between healthcare professionals in the Netcare ecosystem

3

**Better quality of care** – healthcare professionals will have a full view of their patient anywhere and anytime

4

Patients can actively **participate in their health** and focus on their full healthcare journey, including wellness

Partnering with global IT giants to deliver our strategy



# Our business model

## Our inputs

(elements of financial and intellectual capital are embedded within each of the capitals outlined below)




### Social and relationship capital

- Maintaining trusted relationships with key stakeholders – especially our patients, people, healthcare professionals, funders and suppliers – in the private healthcare value chain, and developing constructive relationships within the public healthcare sector and with regulators and government.
- Our management approaches, processes and procedures, increasingly enabled by digitisation and data, and our values-driven culture, support quality stakeholder relationships.

#### Key constraints:

- Ensuring consistent quality of care across our network.
- Balancing key stakeholder interests.
- Ability of local suppliers to provide specialised equipment.
- Aligning the interests of funders and healthcare providers.
- Finding healthcare models that increase access to healthcare.

 **Social and relationship capital:** PG 112.




### Human and intellectual capital

- An experienced leadership team.
- Investment in employee training and development (including nurse education), as well as change management initiatives.
- Data, systems and management to deliver quality outcomes.
- Our systems, processes and procedures to develop and monitor quality outcomes to ensure the best and safest care.
- Investment in digitisation and data analytics.

#### Key constraints:

- Attracting and retaining scarce talent in a competitive environment, exacerbated by emigration and limits on the number of nurses that we can train.
- User acceptance of digital offerings.
- Maintaining focus on innovation while prioritising disaster management to save lives during the pandemic.
- Regulatory impediments and challenges associated with innovation and new business development.

 **Human and intellectual capital:** PG 138.




### Manufactured capital

- Investment in specialised healthcare facilities, advanced medical equipment, and intangible assets.
- Investment in expansionary projects.
- Nurse and paramedic training facilities.

#### Key constraint:

- Balancing asset heavy and asset light service provision.

 **Manufactured capital:** PG 156.




### Natural capital

- Investment in environmental sustainability.
- Energy and water consumption, including from renewable sources.

#### Key constraints:

- Unstable supply of electricity and water as a result of ailing national infrastructure.
- Capital required to install solar photovoltaic (PV) plants and water recycling systems.

 **Natural capital:** PG 160.






















































### Financial capital

- Equity capital from shareholders.
- Cash and debt facilities, including capital raised in SA's first Green Bond.

#### Key constraints:

- Recovering profitability in a tough economic environment.
- The impact of COVID-19 on elective surgery and non-essential hospitalisation, as well as patient visits to primary care facilities.
- Rising costs relative to tariffs.
- Retaining long-term support of providers of capital.

 **Financial capital:** page 170.

<p><b>Our promise</b> PG 03</p>	<p>To provide YOU with the best and safest care.</p>																								
<p><b>Our context</b> PG 40</p>	<p><b>COVID-19</b>    <b>Operating environment</b>    <b>Stakeholder expectations</b></p>																								
<p><b>Our material matters</b> PG 56</p>	 Deliver outstanding person-centred health and care	 Recognise, protect and invest in our employees and healthcare practitioners	 Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns	 Recover, defend and grow long-term profitability	 Continue to develop visionary and effective leadership																				
<p><b>Our strategy</b> PG 08</p>	<p><b>Person-centred health and care</b></p> <p style="text-align: center;">← DIGITALLY ENABLED →</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>EMRs across all service platforms</td> <td>Improved IT infrastructure and architecture</td> <td>Integrated and centralised systems</td> <td>Person-centred engagement channels</td> </tr> </table> <p style="text-align: center;">← DATA DRIVEN →</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Customer engagement platform</td> <td>Modernised data infrastructure</td> <td>Predictive analytics tools</td> <td>Data Council</td> </tr> </table> <p style="text-align: center;">← DISRUPTIVE AND INNOVATIVE →</p>					EMRs across all service platforms	Improved IT infrastructure and architecture	Integrated and centralised systems	Person-centred engagement channels	Customer engagement platform	Modernised data infrastructure	Predictive analytics tools	Data Council												
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<p><b>Our outputs and activities</b></p>	<p><b>Care pathways supported by ongoing wellness initiatives</b></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td> Need for primary, acute, mental health or emergency care</td> <td> Book an appointment or call an ambulance</td> <td> Choose facility</td> <td> Pre-admission</td> <td> Admission</td> </tr> <tr> <td colspan="5" style="background-color: #003366; color: white; text-align: center;"><b>Access to care</b></td> </tr> <tr> <td> Diagnosis</td> <td> Treatment</td> <td> Recovery</td> <td> Discharge</td> <td> Follow-ups</td> </tr> <tr> <td colspan="3" style="background-color: #003366; color: white; text-align: center;"><b>Consistency of care</b></td> <td colspan="2" style="background-color: #003366; color: white; text-align: center;"><b>Guided care</b></td> </tr> </table>					 Need for primary, acute, mental health or emergency care	 Book an appointment or call an ambulance	 Choose facility	 Pre-admission	 Admission	<b>Access to care</b>					 Diagnosis	 Treatment	 Recovery	 Discharge	 Follow-ups	<b>Consistency of care</b>			<b>Guided care</b>	
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<b>Consistency of care</b>			<b>Guided care</b>																						
<p><b>Governance and risk management (capital inputs)</b></p> <p>How we performed PG 110</p> <p>Governance overview PG 30</p>	<p style="text-align: center;">← OPERATING MANAGEMENT SYSTEMS →</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>People management </td> <td>Consistency of care leadership </td> <td>Asset management </td> <td>Environmental sustainability </td> <td>Capital management </td> </tr> </table> <p>Governance, risk management and compliance frameworks, policies and controls, which align to King IV and best practice, are well embedded at enterprise and operational levels to support our ability to fulfil our purpose, and conduct our business ethically, responsibly and efficiently.</p>					People management 	Consistency of care leadership 	Asset management 	Environmental sustainability 	Capital management 															
People management 	Consistency of care leadership 	Asset management 	Environmental sustainability 	Capital management 																					
<p><b>Outcomes aligned to the Quadruple Aim<sup>1</sup></b></p> <p>Value outcomes PG 88</p>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td>Best patient experience</td> <td>Most cost effective</td> <td>Best clinical outcomes</td> <td colspan="2">Development and wellbeing of employees, leaders and healthcare practitioners</td> </tr> </table> <p><small>1. The Quadruple Aim aims to optimise the performance of healthcare systems through the integration of four critical objectives. Our adoption of this international framework enables us to balance the value of our services with their cost to society, recognising that our people and partnerships are fundamental to achieving this balance.</small></p>					Best patient experience	Most cost effective	Best clinical outcomes	Development and wellbeing of employees, leaders and healthcare practitioners																
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# Our leadership

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*Netcare has an experienced Board and leadership team with the drive to disrupt and innovate, and continually enhance our operational management systems and patient care pathways.*





OUR BUSINESS

OUR LEADERSHIP

OUR VALUE STORY

HOW WE PERFORMED

ADMINISTRATION



# Board Chair's review



**“Tireless service on the frontline of this pandemic, which too often demands that they make the highest sacrifice, is undeniably taking a heavy toll on our people. Despite this, they remain strong and dedicated, inspired by our purpose and in answer to our higher calling.”**

**Thevendrie Brewer, Board Chair**

## Introduction

Our 25th year since listing has been extremely challenging for the people of Netcare – battling the greatest public health emergency of our generation while trying to implement transformational strategic projects. Despite the need to sacrifice strategic momentum to focus on managing this unfolding disaster, Netcare is now showing a steady recovery in profitability and is at the cusp of bringing our strategy to fruition over the next two years.

## Answering the highest call

Our people have shown enormous resilience and embodied grace under pressure in this year of immense adversity, which has been punctuated by deep sorrow. Netcare has withstood three waves of the COVID-19 pandemic, each stronger than the one before, and we stand braced for the fourth.

Over the last year, we have celebrated every recovery and shared the sadness of every family of patients who succumbed to the virus in our hospitals. We have commemorated the lives of 34 Netcare healthcare professionals who lost their lives to COVID-19, and also had to mourn the deaths of four medical professionals and a pilot in the Netcare 911 helicopter crash. But, despite this extraordinary pressure and loss, our people have stayed true to their calling and continued to serve in honour of the colleagues who answered the highest call in their service to society.

## The indisputable case for vaccination

Netcare's response to COVID-19 is rooted in evidence-based medicine, and the scientific evidence for vaccination safety and efficacy is overwhelming. Vaccination is a highly effective way of protecting our people, patients, doctors and other stakeholders from severe COVID-19 illness, hospitalisation and death.

The majority of our staff have a positive attitude to vaccination with some 85% taking up the vaccines voluntarily. We expect this to move higher, supported by targeted initiatives, including awareness campaigns, counselling and convenient pop-up vaccination sites for employees.

We embraced the opportunity to participate in the national vaccination drive from the early planning phase. Senior management and expert members of the Netcare team were integrally involved in developing the national vaccine rollout strategy, and we are honoured to have contributed meaningfully to this unprecedented collaborative effort between social partners. We continue to guide and capacitate four national vaccination sites.

The benefits of vaccination are not restricted to the individual patient. The efficacy of the vaccination rollout strategy, coupled with a booster strategy, will be a key determinant in SA's socioeconomic recovery.

Netcare welcomes the national debate on the constitutionality of mandatory vaccination and its potential role in raising SA's pandemic preparedness. Netcare is participating in this debate, to inform our stance on this complex issue. We are cognisant that it requires deft balancing of the individual human right to physical integrity with the primary right to life and its corresponding duty not to endanger others.

**The complexity of public private partnership**

Netcare's forced departure from Lesotho was disappointing as we viewed the public private partnership (PPP) between the Government of Lesotho and the Tšepong Consortium as a model for improved health service delivery in Africa's most resource-restricted areas. Netcare led the design, development and operationalisation of the Queen 'Mamohato Memorial Hospital and provided all the management and clinical services required to operate the hospital and the primary care clinics on behalf of the consortium.

The Lesotho PPP undoubtedly demonstrated improved access to quality health services for the people of Lesotho. However, the project was beset from the outset by an unstable political landscape and inconsistent settlement by government of their contractual payment obligations resulting in ongoing shareholder disputes. After a prolonged period of no payment for services rendered, the Government of Lesotho terminated the PPP agreement on 31 August 2021.

Despite our disappointment, we believe PPPs remain the preferred modality to establish stronger relationships between the public and private sectors to increase health service capacity and improve quality of care and better access to healthcare for under-served populations. However, providing the best and safest care for the lowest possible cost, which the private sector is capable of and ready to provide, is not possible without adequate, sustainable and predictable funding. Our experience in Lesotho highlighted challenges that we believe are difficult to avoid in large PPPs.

I want to reiterate that Netcare fully supports the introduction of universal health coverage that achieves progressive realisation of South Africans' health rights in line with the Constitution. However, we remain concerned that the National Health Insurance (NHI) Bill, as it reads, will fall short of this ambition.

In conjunction with other private hospital groups, under the auspices of the Hospital Association of South Africa (HASA), we remain concerned about the concentration of systemic risk associated with a single NHI Fund. HASA has proposed a multiple fund framework, which will allow appropriate risk pooling across funds, as a more sustainable approach to social solidarity and closing the inequality gap, as opposed to making the whole population solely dependent on the fiscus.

Netcare will continue to **build future resilience and relevance**, to invest in positioning our Group to respond to the needs of patients and a society living with the long-term implications of COVID-19, in addition to SA's already heavy burden of disease. We are absolutely determined to **lead in the provision of sustainable, high-value healthcare services in a South African context.**

In our experience, clearly defined partnerships and shared responsibility are critical for realising our strategic ambitions and our commitment to being a force for social good. Our approach will continue to be defined by the principle of solidarity, the only way for SA to mount a realistic and consolidated challenge to the country's various socioeconomic challenges, including our burden of disease and limited healthcare resources.

**Regaining strategic momentum**

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

Under stop-and-go disaster management principles, the short gaps between pandemic waves have impeded our ability to maintain the momentum of our strategic programmes, and to deliver against our initial expectations. The Board and the management team have; however, continued to focus on our strategic plans with agility and deep consideration. We have had to make careful trade-offs to deal with immediate constraints in an environment of scarce resources and exhausted people, while making determined progress towards the strategic outcomes we have promised to our stakeholders.

## Board Chair's review continued

Given the impact of COVID-19 on our operating performance and the time we expect it will take to recover fully to pre-COVID-19 levels of profitability, the Board conducted a full financial review of our Hospital division's digitisation project, CareOn. We re-examined the expected costs and benefits, both quantifiable and unquantifiable, and sought ways to accelerate the project without significant further investment. The review confirmed that the strategic rationale for CareOn remains a sound response to the global healthcare mega trends, which have gained in importance and pace during the pandemic. CareOn still meets our internal rate of return and the risks associated with the programme have eased considerably.

The Board remains convinced that our strategy – with digitisation and data, and the associated process re-engineering, being its fundamental enabler – will generate sustainable competitive advantage, realise balanced value for all our stakeholders, and contribute meaningfully to the wellbeing of our patients.

Our confidence is supported by the capital management and cash preservation measures that have become a matter of course for the Group. They underpinned a resilient Group performance despite the conditions, and the interruptions in strategic momentum. Most importantly, Netcare's financial position is strong, allowing ongoing investment in our key

strategic projects. Consequently, the Board was also able to resume dividend payments and declared a final dividend of 34.0 cents per share for the year.

As we regain our strategic momentum, maintaining an optimal capital structure supported by disciplined capital allocation and measurement of returns will remain a priority. Netcare will continue to build future resilience and relevance, to invest in positioning our Group to respond to the needs of patients and a society living with the long-term implications of COVID-19, in addition to SA's already heavy burden of disease. We are absolutely determined to lead in the provision of sustainable, high-value healthcare services in a South African context.

### Protecting our people

We recognise that healthcare system improvement – better health and care outcomes delivered most efficiently – depend on the professional and personal resilience of healthcare professionals. It is our duty to protect them as they adopt new ways of delivering patient-centred health and care that is digitally enabled and data driven.

It is essential to make the lives of our people and partners on the frontline easier, to ensure we can achieve better patient experiences and national wellbeing at a sustainable cost – the interrelated outcomes of the **Quadruple Aim** that



our strategy is designed to deliver. Netcare introduced additional psychosocial support this year to provide our frontline workers with a comprehensive care programme. This programme complements our existing employee wellbeing programme, a cornerstone of our employee value proposition, which also helps us retain nursing staff at a time of chronic shortage of nursing skills.

For the same reason, over the past year, we reviewed our incentive schemes with the help of experts to ensure we reward our leaders in line with the latest trends and practices. The new Single Incentive Plan moves beyond standard measurement criteria that focus too narrowly on financial performance without compensating for a volatile environment. It gives balanced weighting to financial and non-financial measures to ensure executives and senior management are held to appropriate pay-for-performance standards without being penalised unduly for factors outside their control.

### Staying responsive

The pandemic is a potent reminder that healthcare institutions and professionals do not only serve people who need medical care, but society as a whole. Netcare's commitment to be a powerful agent of socioeconomic change is clear, and the human, intellectual and socioeconomic value we protect and create as healthcare providers is anecdotally obvious but difficult to quantify.

However, I encourage you to read our comprehensive ESG report for a detailed and transparent assessment of our aspirations, targets and activities, aligned to global accountability frameworks, and the measurable progress we are making against these.

Specific engagement with key investors in the last year highlighted their expectation for more detailed disclosure on our ESG performance, which is consolidated and easy to find. They also asked for enhanced remuneration disclosure on which to base their non-binding advisory vote on the remuneration policy and its implementation. We have responded to both these expectations in this year's suite of reporting publications.

### Board matters

Over the past year, internationally recognised experts measured and confirmed the Board's efficacy and independence. The composition of the Board responds well to Netcare's current needs and combines the technical acumen needed to guide the implementation of our strategy with the measured insight a pandemic demands and only experience can provide. 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.

Dr Thabi Leoka and Dr Rozett Phillips will add to the Board's strength as new independent non-executive directors from 1 January 2022. Dr Leoka will contribute extensive experience in global commerce, economics and emerging markets and will serve on the Social and Ethics, and Audit Committees. Dr Phillips' experience in digital and large-scale technology implementation, as well as human capital and culture transformation, will be invaluable in implementing our strategy. She will serve on the Consistency of Care, and the Social and Ethics Committees.

### Appreciation

Words fall short in conveying the depth of the Board's gratitude to our people. The Board acknowledges and admires the passion, dedication and sacrifice shown by the management team and the people of Netcare, and the extraordinary work they have done under extremely challenging circumstances since the onset of the pandemic. We are particularly grateful for Dr Richard Friedland's inspirational and undaunting leadership, in the interests of our company and our country.

I am honoured to lead a team that is not only capable, but deeply committed to giving of our best in fulfilment of our purpose, in answer to our calling and in honour of those we have lost.



**Thevendrie Brewer**  
Non-executive Board Chair

# Board of directors

## Non-executive directors

(C) ■ ■ ■ ■



### T (Thevendrie) Brewer | 49

BCom, PGDA, CA(SA)

**Board Chair**

**Appointed:** 24 January 2011

**Tenure:** 10 years

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

**Board attendance:** 4/4

(C) ■ ■ ■



### MR (Mark) Bower | 66

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

**Independent non-executive director**

**Appointed:** 23 November 2015

**Tenure:** 6 years

**Skills:** Governance, general business management, global commerce, financial services, human resources, compensation.

**Board attendance:** 4/4

(C) ■ ■ ■



### B (Bukelwa) Bulu | 44

BBusSci Hons, PGDA, CA(SA)

**Independent non-executive director**

**Appointed:** 23 November 2015

**Tenure:** 6 years

**Skills:** Governance, general business management, investment banking, financial services.

**Board attendance:** 4/4

#### KEY

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

■ ■ ■ ■



### L (Lezanne) Human | 52

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

**Independent non-executive director**

**Appointed:** 13 May 2019

**Tenure:** 2 years

**Skills:** Governance, digital, general business management, global commerce, financial services.

**Board attendance:** 4/4

(C) ■ ■ ■



### D (David) Kneale | 67

BA

**Independent non-executive director**

**Appointed:** 1 January 2020

**Tenure:** 2 years

**Skills:** Governance, healthcare, general business management, global commerce, financial services, compensation.

**Board attendance:** 4/4

(C) ■ ■ ■



### MJ (Martin) Kuscus | 66

BA Cur, EDP

**Independent non-executive director**

**Appointed:** 1 July 2008

**Tenure:** 13 years

**Skills:** Governance, healthcare, general business management, global commerce, human resources, public policy.

**Board attendance:** 4/4



### Non-executive directors continued



**Dr T (Thabi) Leoka** | 42  
 BA (Hons) MA, MSc Economics and Economic History and PhD in Economics  
**Independent non-executive director**  
**Appointment effective:** 1 January 2022

**Skills:** Governance, economist, general business management, emerging markets economics, columnist, global commerce.



**Adv KD (Kgomotso) Moroka** | 67  
 BProc, LLB  
**Independent non-executive director**  
**Appointment effective:** 23 July 2006  
**Tenure:** 15 years

**Skills:** Governance, healthcare, general business management, financial services, legal, human resources, public policy.  
**Board attendance:** 4/4



**Dr R (Rozett) Phillips** | 51  
 MBChB, MBA, Dip Future Studies (USB)  
**Independent non-executive director**  
**Appointment effective:** 1 January 2022

**Skills:** General business management, strategy consulting, digital, large-scale technology implementation, human capital transformation.

### Executive directors



**Dr RH (Richard) Friedland** | 59  
 BvSc, MBBCh (Cum Laude), Dip Fin Man, MBA  
**Chief Executive Officer**  
**Appointed:** 15 May 1997  
**Tenure:** 24 years

**Skills:** Governance, healthcare, digital, general business management, global commerce, financial services, human resources, compensation, environmental and sustainability management.  
**Board attendance:** 4/4



**KN (Keith) Gibson** | 51  
 BAcc, CA(SA)  
**Chief Financial Officer**  
**Appointed:** 10 November 2011  
**Tenure:** 10 years

**Skills:** Governance, healthcare, general business management, global commerce, investment banking, financial services, human resources, compensation.  
**Board attendance:** 4/4

**KEY**

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

# Chief Executive Officer's review



**“Despite all we have endured during the COVID-19 pandemic, particularly over the past year, we look to the future with greater resolve; never before has our purpose as healthcare workers been clearer or more inspiring!”**

**Dr Richard Friedland, CEO**

## Introduction

This year, the 25th anniversary of the Group's listing on the JSE, was both gruelling and deeply distressing. Although there is much to celebrate about Netcare's development over this quarter century, there has been little time to reflect. Two devastating waves of COVID-19 posed immediate priorities that, unavoidably, interrupted our momentum in implementing our strategic projects. However, we have adjusted to the rhythm of the pandemic and know how to better limit its impact on our operations, and we are regaining momentum in implementing our strategy and are well underway to realising its benefits.

We had expected FY2021 to be a year of recovery and that FY2022 and FY2023 would be normal post-COVID-19 growth years. Two waves in 2021 and a further one on our doorstep have delayed these expectations. Although our stride has been interrupted, we know we are on the right road to a sustainable future for Netcare, despite the fundamental challenges in our sector and our country. Unbowed by our circumstances, we are intensely focused on making up the execution time lost to the pandemic.

## From post-traumatic stress to post-traumatic growth

Our key strategic projects are bringing person-centred health and care that is digitally enabled and data driven to life in our organisation and our sector. Our transformational strategy will create a sustainable competitive advantage for Netcare. It will drive growth above the market, enhance returns and differentiate us substantially; by providing quality care that actively engages our patients, improves safety and delivers better outcomes.

While the pandemic slowed our strategic progress, it accelerated and affirmed the healthcare megatrends around which we built our strategy. As in most sectors, digital technology, data and customer centricity are emerging as the flywheels of renewal and revolution; in our case, they will enable far more effective and efficient, evidence-based treatment protocols and measurably better health and care outcomes. Never more needed than now.

As we end 2021, we face the emergence of a new variant, Omicron, and a fourth wave spreading from Gauteng. It is too soon to draw definitive conclusions, but the latest variant appears highly transmissible and can evade immunity from previous vaccinations or infections. While it is causing mild to moderate disease, at this very early stage there is little evidence that it causes a severe form of the disease resulting in hospitalisation and potentially death. This will become clearer as the wave progresses although unvaccinated people, those that are elderly and patients with co-morbidities are still considered to be at significant risk.

Most distressingly, and unsurprisingly, the last 18 months have taken their toll on our healthcare workers – those on the frontline and also behind the scenes. There is concerning evidence of burnout and significant fatigue. But in all of this, there is a silver lining; the pandemic has reminded society that healthcare workers are our everyday heroes. For the first time in generations, the public recognises their sacrifice and understands the sense of purpose that drives their determination.

This is an encouraging affirmation of their purpose and their calling, which is to provide the best and safest care to each of our patients and do the sacred work of saving lives.

It makes the relentless pressure and the loss suffered by so many far more bearable and motivates healthcare workers to keep going and to do even better.

As we face a fourth wave and potentially more to follow, we are focused on transforming our healthcare workers' experiences; to move our organisation from post-traumatic stress to post-traumatic growth. This means being equipped and enabled to do our work better than ever before, because of our hard-won experience, but with far less cost to the people who dedicate themselves to this fundamental service to society.

For example, our CARE4YOU programme for our frontline workers equips them to compassionately acknowledge their experiences, and to bring this experience and compassion to bear in caring for their patients. I urge you to read the Our people section of our human and intellectual capital report (from page 138), for a detailed look at the many initiatives we have put in place to support the resilience and wellbeing of our people and our partners in the healthcare ecosystem.

While COVID-19 poses an immediate danger, SA's quadruple burden of disease – maternal, newborn and child health; HIV/Aids and tuberculosis; non-communicable diseases; and violence and injury – will be no less deadly, destructive and complex to manage in the long run and will continue to exacerbate the demand for quality healthcare. Adding pressure, the healthcare and socioeconomic implications of COVID-19 have weighed on our revenues and returns, while scarce healthcare skills and regulatory uncertainty remain perennial potential constraints to our growth.

Securing our resources, strengthening our relationships and guarding our reputation in this environment require careful allocation and sequencing of our focus areas and investment priorities.

As we brace for the years ahead, we are giving acute and equal attention to three top priorities:

- To protect our people, partners and society from pandemic threat – not only to limit loss of life and suffering, but also to guard the human skill and productivity we can ill afford to lose;
- To return our profitability to pre-COVID-19 levels as quickly as possible to limit and recover the shareholder value eroded over the course of the pandemic, and grow it faster from there; and
- To continue investing in our key strategic projects to create the digital platforms and data competencies for growth, innovation, differentiation and shared value over the long term.

### Planning for volatility

Early successes in the fight against COVID-19 had buoyed our spirits at the end of last year. However, by late 2020, national and global uncertainty demanded a reassessment of our projections. Through detailed scenario planning, we reconsidered the international and national environments in the wake of COVID-19, as well as contextual factors that pertained explicitly to Netcare over the next three years. We readjusted our planning in September to account for the July political unrest and other developments.

Globally, we were concerned that early political promises of global solidarity in the fight against the virus might fail in the face of vaccine nationalism. That expectation materialised, and the world is living with the consequences. Vaccine hoarding in highly developed nations kept vaccination rates dangerously low in most parts of the developing world.

As a result, this clear division between vaccine haves and have-nots may divide the world into two camps of economic recovery. Those with high vaccination rates can still expect to bounce back rapidly. Recovery in SA and other resource-restricted countries may be slower and less certain. Added constraints are likely from political instability, low social cohesion and a challenging economic environment.

SA is facing real shortages of nursing professionals and training opportunities for nurses are not keeping pace with growing demand, retirement and emigration. Although the private healthcare sector is willing and highly capable of supporting the training of urgently needed nursing professionals, resistance and delays from government are letting this capacity go untapped.

### Regaining momentum

The operational impact of the pandemic, challenging operating environment and costs associated with implementing our strategy weighed heavily on our ability to get back to pre-pandemic levels of profitability. Revenue grew 11.5% to R21.0 billion, EBITDA by 24.8% to R3.2 billion, and adjusted headline earnings per share rose by 107.4% to 67.4 cents. Our net debt to EBITDA ratio strengthened to 1.7 times versus 2.5 times last year, and our cash conversion ratio improved to 118.8% from 58.3% in FY2020. Our cash reserves remain healthy, and we have cash and undrawn committed facilities available to the Group of R5.6 billion. We will continue to invest in strategic projects in FY2022 and FY2023, and the strength of the balance sheet should allow the continuation of dividend payments. Our acute hospitals and all of our other divisions are expected to return to pre-COVID-19 levels of profitability over the medium term, depending on the evolution of the COVID-19 pandemic. Our FY2022 forecast provides for two pandemic waves in 2022. EBITDA margins in the underlying operating divisions are expected to strengthen. However, the Group margin is expected to remain unchanged due to planned operating costs of R273 million associated with the implementation of our strategy.

Pandemic demands continued to have a marked and severe effect on both non-surgical and surgical procedures, particularly elective procedures. Over the year, medical admissions declined by 0.7%, while surgical admissions dropped by 7.9%. It was notable that surgical patient days dropped less sharply, indicating that surgical patients were sicker and required more extended hospital care – likely the result of delays in accessing care due to the pandemic. Whereas elective surgery typically accounts for 28% of our admissions, it declined sharply during all three waves. With 77% of Netcare's beds concentrated in Gauteng and KwaZulu-Natal, and given that these regions bore the brunt of the pandemic waves, we were faced with the tough decision to suspend elective surgery during the surges.

## Chief Executive Officer's review continued

Besides the pressure on our operations, implementing our strategic projects under stop-and-go disaster management conditions was challenging. Notwithstanding the increase in cases with each wave of COVID-19, incremental experience and scientific advances allowed us to reduce the allocation of beds to COVID-19 patients from 80% at the peak of the first wave to 60% in the second and 52% at the height of the third wave. Despite the inevitability of further waves we have the experience and the tools to regain our strategic momentum and sustain it in FY2022. We expect to fully implement several of our digitisation projects in the coming year.

Beyond the pandemic, our strategy to offer patient-centric, value-based care services will allow us to lead our sector in implementing a global health and care delivery model that responds to SA's disease burden. The benefits of the projects that are currently underway will be significant. Our new customer engagement management (CEM) tool will allow for data aggregation across our service delivery platforms and provide patients with a single patient record in a user-friendly transactional website and mobile application.

Digitisation is allowing us to re-engineer our service platforms' internal systems and processes to make their clinical and business operations more efficient. The introduction of EMRs across all service platforms will give clinicians access to real-time, accurate information anytime and anywhere. It will allow patients access to their records and results, to make informed decisions and participate actively in their healthcare. It will also provide us with rich clinical data to inform more efficient treatment pathways and, most importantly, improve the safety of care.

As an example, research has shown that up to 60% of all medication errors in hospitals arise from the misinterpretation of doctors' handwritten scripts. The provision of electronic scripting eliminates errors of legibility or misinterpretation. The South African Pharmacy Council approved our digital eScript solution in 2020, a first in the country and now the gold standard. In addition, with the aid of IBM Watson Health's Micromedex, all drug dosages, interactions, duplications and allergies are now electronically checked. As a result of our digital solution, potential medication errors will be reduced by up to 60%.

We are applying the principles of behavioural economics to accelerate end-user adoption of several of the projects currently being rolled out. Behavioural economics allow us to study and appreciate the psychological, cognitive, emotional, cultural and social factors that motivate or obstruct the adoption of new processes and technologies. It allows us to match our implementation with the needs of the people who must adopt them. We expect behavioural economics to expedite adoption dramatically and bring us more quickly to optimal patient outcomes and compliance with our clinical and operational governance standards, in step with the best healthcare providers in the world.

We remain focused on keeping our capital expenditure tight as we increasingly shift away from bricks and mortar to an 'asset lighter' investment model with a greater weighting on

information technology and systems. We have provided for the construction of the new Netcare Alberton Hospital and Akeso Clinics as well as essential maintenance of our facilities. Together, these account for a capital expenditure budget of R1.4 billion.

The pandemic has had a severe impact on the mental health of many South Africans, with community service programmes reporting sharp increases in mood disorders and suicide ideation. Responding to increased demand, Akeso Clinics is expanding its footprint and exploring opportunities to offer services on a day and outpatient basis. Footprint expansion will see a 4% increase in Akeso Clinics bed numbers in FY2022.

### Architects of our own future

We understand that technology alone cannot solve all our challenges, but as the primary enabler of our cohesive strategy, learning from the best examples of the digital revolution in healthcare around the world and adapting them to our own context, it can drive a landmark shift in the outcomes we achieve for our patients, partners and society.

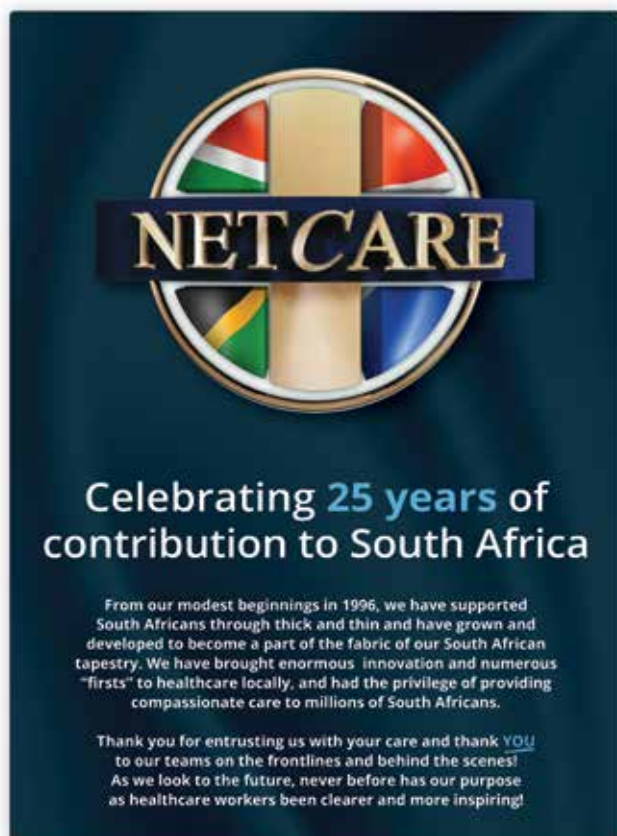
The core of our digitisation strategy is this: we are not simply replacing equipment but implementing enabling digital technology that allows us to reshape our entire offering, which will keep people returning to our ecosystem of services over their lifetimes. It is enabling us to restyle the way we interact with them in line with what they have come to expect from a modern provider of services. Over time, it will enable us to radically improve patient outcomes, safety and efficiency, and the way they experience our care – the direction in which global consumer expectations shifted during the pandemic.

Our digital and data strategies are already beginning to transform how our operations work. Our digital patient monitoring systems are gathering data that our highly skilled people are translating into actionable knowledge. Where EMRs were in operation during COVID-19 waves, doctors could limit their presence in wards while still managing patients remotely, timeously and effectively. Though costly, our implementation programmes are familiarising our people and partners with new technology and inducting them into ways of working that yield tangible and lasting individual health and health system improvements.

As these benefits accrue, we will be in a position to reward our shareholders' patience with sustainable above-market growth in patient days, improved margins and higher returns.

We are introducing technology that will make every patient interaction with Netcare seamless, and which will give them the information and tools they need to take co-responsibility for their health in lifelong partnership with us. Our new infrastructure amalgamates and unifies data from across our digital infrastructure in a single 360-degree view of a patient in real time. That wealth of data also powers predictive analytics and targeted marketing strategies, enabling personalised health and care experiences for our patients.





The digital transformation and data section in our human and intellectual capital report (on page 146) details our continuing progress in establishing infrastructure and systems that will transform Netcare’s offering to our patients, partners and society. This will also support our new business developments, such as NetcarePlus’ online products which are accessible to more people in SA, both from a cost and convenience perspective.

Our application of new technology extends beyond enabling new ways of service provision. We are also seeing the benefits of new technologies in securing the utilities we need to deliver uninterrupted care and align Netcare to the global move to address the existential threat of climate change far more decisively. Our 2023 environmental sustainability strategy began in FY2013. Since then, we have invested in new technology such as water recycling plants and solar PV systems, which have enabled Netcare to reduce energy intensity by 28%, and we are on track to lift this to 30% by FY2023. The significant benefits of our 2023 environmental sustainability strategy will continue to grow over the next 10 years and beyond.

Given our progress and the technological innovations and legislative changes that characterise this global imperative, we have developed an even bolder environmental sustainability strategy extending to FY2030. Based on global best practice, it takes an integrated approach to addressing climate change-related risks, regulatory changes and scarcity of resources. Our overarching goal is to achieve carbon neutrality by FY2050, although much of this work should

be completed by FY2030. We believe our 2030 environmental sustainability strategy is achievable and will continue to set us apart as a leader in healthcare sustainability. You can read more about our ambitions and activities in this space, in our natural capital report (from page 160).

More broadly, our investment in the governance and management systems that earn the trust of our stakeholders as a credible agent of positive change and force for social good, will secure our licence to operate.

### Saluting our everyday heroes

The past year tested every healthcare worker’s commitment to their calling. That calling has too often come at great risk to their own physical and mental health during this pandemic. Their dedication and self-sacrifice have gone beyond the call of duty. Risking their own lives to care for and save others makes them heroes – every day, 365 days a year.

Since the advent of the pandemic, Netcare has lost 63 healthcare workers on the frontline to the disease they were battling on behalf of our patients and, indeed, broader society. And on 21 January 2021, on the darkest day in our 25-year history, we lost five brave colleagues in a helicopter accident when they were racing to save the life of a person dying of COVID-19.

Never have we carried a heavier burden of sorrow than this year, and never have we had more reason to lose hope. But never have we been more inspired to live up to our calling as healthcare workers and, despite the challenges we face, to rise and rise again in the service of others. The courage of our healthcare workers, both on the frontline and those in support behind the scenes, to return again and again to the sacred work of saving lives and caring for people’s health, gives us all hope for a better future.

I am grateful to our Chair, Thevendrie Brewer, and our Board for their unwavering support and wise counsel throughout the last, extraordinarily challenging 18 months. In particular, I remain appreciative of the incredible efforts of our Executive Committee members and senior managers throughout Netcare for their steadfast commitment, dedication and exceptional efforts over this period. As our integrated report shows, there is ample reason to believe that Netcare will bounce back stronger and better than before and that we will live up to the promise of our purpose and the commitments we have made to all our stakeholders.

Despite all we have endured over the past year, we look to the future with greater resolve; never before has our purpose as healthcare workers been clearer or more inspiring!

**Dr Richard Friedland**  
Chief Executive Officer





**Boniswa Kama** | 40  
 BCoM; BCoM (Hons)  
**Chief Data Officer**  
 Joined in September 2012  
 Appointed August 2021



**Shannon Nell** | 61  
 PhD; MBA; B(Cur) Ed and CNS;  
 Dipls. Midw., Paeds, Critical  
 care; fANSA  
**Group Director – Nursing  
 and Nursing Education  
 for Netcare**  
 Joined January 1999  
 Appointed August 2021



**Charles Vikisi** | 46  
 BA, BA (Hons) (Clinical  
 Psychology), LLB, BTh PDip in  
 compliance management  
**General Counsel and  
 Group Secretary**  
 Joined in September 2020

**KEY**

**Board committee**

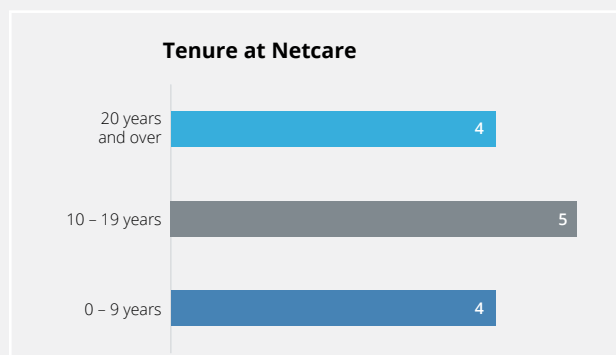
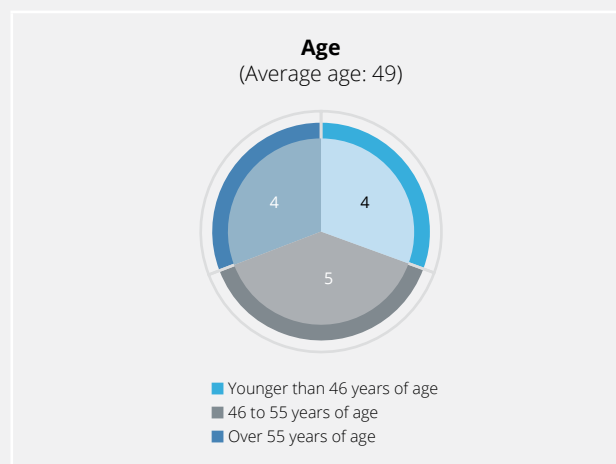
- Risk Committee
- Social and Ethics Committee
- Consistency of Care Committee

**Operating committee**

- Finance and Investment Committee
- Combined Assurance Committee
- Working Capital Committee
- Operational Transformation Committee
- Sustainability Committee
- IT Steering Committee
- CareOn Digitisation Project Steering Committee
- Tariff Committee
- Health Partner for Life Board Meeting
- C Chair

**Executive Committee composition**

(at 30 September 2021)



**Diversity**

**38%**  
 of members are black  
 (FY2020: 42%)

**31%**  
 of members are women  
 (FY2020: 17%)

**Changes**

- **Resigned:** S Mhlongo (March 2021)
- **Joined:** Shannon Nell (1 August 2021)  
 Boniswa Kama (1 August 2021)

# Our value story

30	Governance overview
40	Our context
40	COVID-19
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62	Our risks and opportunities
72	Our strategic objectives
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88	Value outcomes
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100	Remuneration overview

## How are we different to our competitors?

- *More than just hospitals, an ecosystem*
- *Better technology and more innovative*
- *Highly specialised centres of excellence*
- *Highly skilled people*
- *The best trauma care in the country*
- *A force for social good*





OUR BUSINESS

OUR LEADERSHIP

**OUR VALUE STORY**

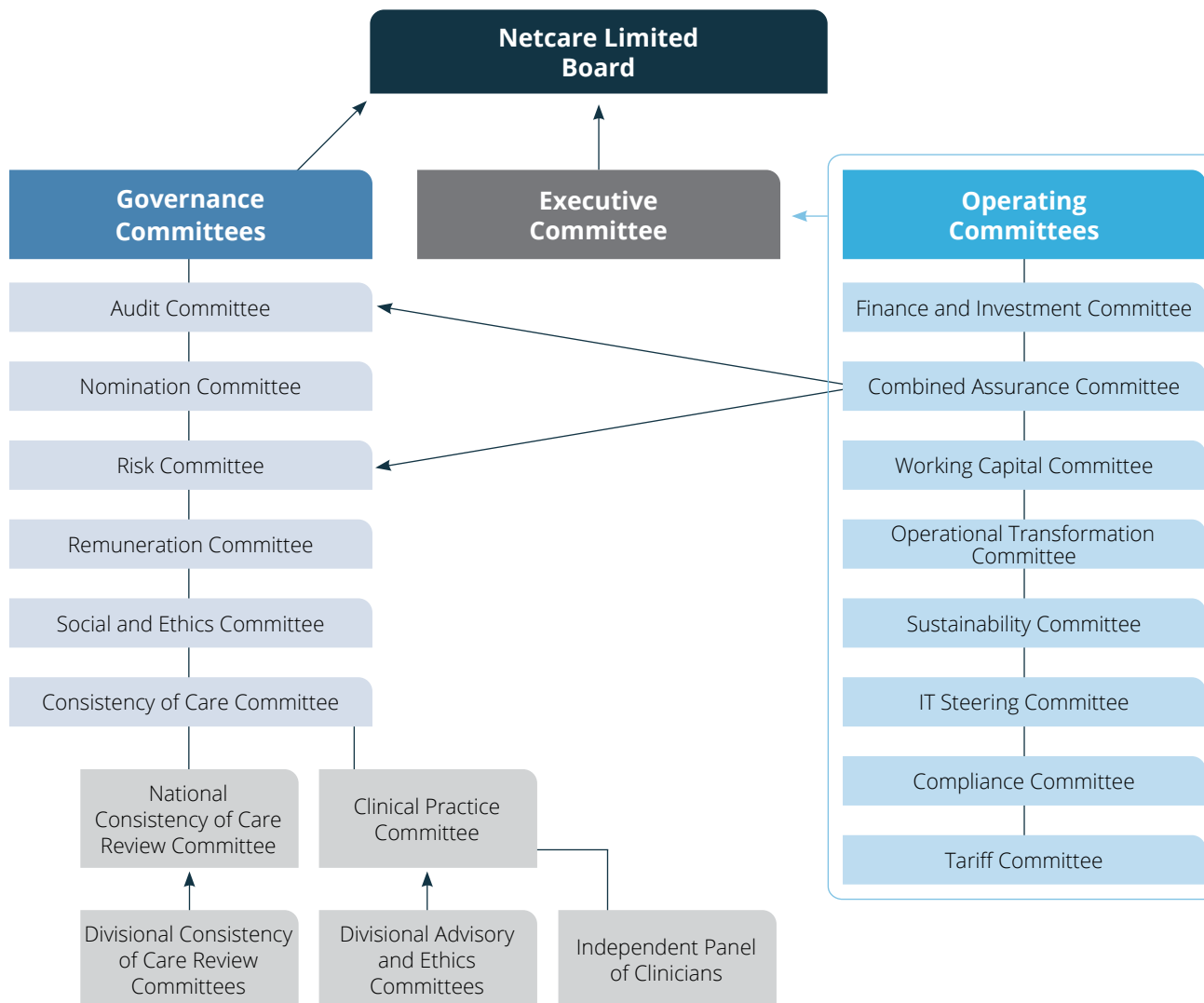
HOW WE PERFORMED

ADMINISTRATION

# Governance overview

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, people 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 integrated application of the principles and recommended practices of King IV aims to ensure that we achieve the intended governance outcomes of an ethical culture, good performance, effective control and legitimacy.

## Governance and delegation of authority framework





## Ethical culture

We are committed to high moral, ethical and legal standards, and all our employees are expected to fulfil this commitment, including our policy of fair dealing and integrity when conducting Netcare’s business. We take a zero-tolerance approach to theft, fraud and corruption, as well as discrimination and racism. Every incident reported through our whistle-blowing hotlines is investigated.

A number of initiatives and mechanisms are in place to support an ethical culture

Our <b>values, policies and Code of Ethics</b> , which provide the framework for ethical leadership and behaviour.	The <b>Clinical Practice Committee</b> , which sets guidelines on clinical conduct and monitors compliance with clinical governance criteria.	Our <b>ethics management programme</b> , which includes our annual ethics survey, and our ethics training and awareness raising initiatives.	Our <b>incident management system</b> , which logs clinical (e.g. patient falls or incorrect medication given) and forensic incidents.
Our <b>mechanisms that support the reporting of unethical behaviour</b> , including Group Forensics and the Fraud and Ethics Hotline (supports anonymous reporting for employees, patients, suppliers and the public).	The anonymous toll-free <b>SHOUT line</b> for employees to report alleged or perceived discriminatory or racist action or behaviour.	Our <b>remuneration policy</b> , which aligns our corporate strategy, performance and the values and behaviours we expect of our people. It also ensures fair, equitable and consistent reward.	Our <b>supplier policies and assessments</b> , where all new suppliers are required to complete a declaration confirming their compliance to fair labour practices, human rights and environmental criteria.

<b>Fraud and ethics reporting</b>	<b>2021</b>	2020	2019
Incidents of alleged fraud and irregularities	<b>182</b>	228	208
Incidents of alleged unethical medical behaviour	<b>0</b>	2	0
<b>Total incidents of alleged misconduct</b>	<b>182</b>	230	208

At the time of reporting, 89% of the incidents of alleged misconduct had been investigated and closed, with the remainder still under investigation. 12% of reports were received through the fraud and ethics hotline.

## Governance overview continued



### Ethics survey

Over 2 049 employees (FY2020: 384) participated in the annual ethics survey, representing all regions. Non-managerial participation increased to 62% (FY2020: 41%).

Some key insights from our ethics survey include:

- More than 88% of respondents agreed that they are encouraged to do the right thing and that senior management can be approached on ethical matters. Respondents felt that consistency is needed in how offenders are disciplined and that we could improve how we communicate on ethics.
- 78% of respondents felt that they are treated with dignity and respect, and that a safe and healthy environment and regulatory compliance are material matters for Netcare.
- 99% of respondents said that they were willing to report unethical behaviour and incidents, 94% were aware of the mechanisms in place to report misconduct and of those that said they had noted misconduct, 44% did not report out of fear of being victimised, fear that their report would not be anonymous or they relied on someone else to report it.

In response to these results, we will:

- Introduce a quarterly ethics information newsletter focusing on the issues raised in the survey.
- Ensure that ethics is discussed at management forums.
- Address the perception of unfairness in the disciplinary process.
- Roll out ethics training and awareness, and clearly convey our commitment to confidentiality and anonymity in reporting misconduct.





## Board responsibility

The Board is responsible for governing the Group’s approach to ethics and ensuring awareness around Netcare’s commitment to doing business ethically. The Board’s commitment to best practice governance drives us to constantly improve the way the business is managed, ensure decisions are taken openly and transparently within an ethical framework, and to deliberately improve our socioeconomic and environmental outcomes. All governance committees assist the Board in this responsibility. The Board’s annual assessment of its performance and that of its committees, directors and executives includes a review of ethical outcomes.



### FY2021 performance

- **Social and Ethics Committee:** considered the results of the ethics survey and the action plans to respond to areas highlighted for improvement.
- **Audit, Risk, Consistency of Care and Social and Ethics Committees:** reviewed the defalcation register, fraud trends and material incidents.
- **Risk Committee:** reviewed the Group’s environmental sustainability and ESG practices.
- **Social and Ethics Committee:** reviewed the Group’s B-BBEE plans and progress towards improving its B-BBEE scorecard.
- **Social and Ethics Committee:** reviewed the Group’s compliance with the TCFD framework.
- **Consistency of Care Committee:** monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare’s values and behaviours.

### Key outcomes

- Refresher training on ethics will be delivered to the Board and the Executive Committee.
- Achieved an improved B-BBEE score of 88.09 (Level 4).
- A new five-year employment equity plan to FY2026 has been approved.
- Netcare continued to perform well in all ESG indices.

### Board opinion

The Board is satisfied with the Group’s implementation of the King IV principles and recommended practices as they relate to ethics, as well as the best practice risk mitigating approaches undertaken by management. In FY2022, a key focus will be to monitor implementation of ethics improvement initiatives.

## Governance overview continued



# Performance and value creation

## Board responsibility

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. The Board applies its diverse and relevant mix of skills and knowledge to deliberations and constructively challenges and holds executive management to account. In delivering our strategy, the Board critically assesses acquisitions, potential mergers and capital expenditure for expansion. All governance committees assist the Board in its responsibility to ensure that our strategy and decision-making drive value creation. The Remuneration Committee plays a particular role by setting performance goals and ensuring that our remuneration policy supports value creation.

Key areas of focus for the Board in FY2021 were our digital transformation strategy, stakeholder engagement strategy, regulatory and policy changes, and a more granular review of our clinical initiatives.



## FY2021 performance

- **Board:** reviewed the impact of the COVID-19 pandemic on the Group's strategy and approved updates where necessary, monitored various initiatives to mitigate the spread of the virus and engaged with certain stakeholders on the impact of COVID-19 on the business. It also reviewed a three-year view of global, South African and Netcare-specific scenarios.
- **Board:** continued to assess the Group's business model and strategy to deliver person-centred health and care that is digitally enabled and data driven, and supported management's objective to develop strategic partnerships to deliver on our strategy, including a partnership between Netcare and a market leader in IT solutions.
- **Board:** decided to apply for a secondary listing on A2X Markets, which was approved with trade commencing on 15 December 2021. The listing does not affect our share capital.
- **Risk Committee:** approved the Group's top business risks, oversaw the implementation of the digitisation strategy and our interventions to manage cybersecurity, information management and data security.
- **Consistency of Care Committee:** reviewed our strategic initiatives to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care and close efficiency gaps.
- **Consistency of Care Committee:** reviewed systems to enhance measurable improvements in quality of care outcomes.
- **Remuneration Committee:** commissioned a review of our short- and long-term incentive schemes, particularly given the difficulties in setting stretch yet realistic and achievable targets in an uncertain environment brought about by COVID-19. The committee also approved the annual salary increase criteria and incentive payments.
- **Remuneration Committee:** approved the King IV-aligned remuneration report, which can be found in the shareholder report.

### Key outcomes

- An agile risk management process able to quickly identify and put controls in place to manage multiple risks relating to COVID-19.
- The 2030 environmental sustainability strategy was approved.
- Raised Africa's first sustainability-linked bond in partnership with Standard Bank.
- A new Single Incentive Plan was approved, which links financial and ESG performance to remuneration, for implementation in FY2022.

### Board opinion

The Board is satisfied that the Group's business model and strategy are appropriate and resilient given Netcare's agility in managing COVID-19, and that it will generate a sustainable competitive advantage, realise balanced value for all our stakeholders, and contribute meaningfully to the wellbeing of our patients. It is also of the view that the strategic rationale for the Hospital division's EMR project, CareOn, remains a sound response to global healthcare mega trends. The key focus for FY2022, will be to oversee the Group's recovery plans and progress towards normalising business operations. Focus will also be placed on the implementation of key strategic projects delayed due to COVID-19, and the implementation of projects to support the environmental sustainability pillar.



## Governance overview continued



# Adequate and effective controls

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. The Nomination Committee manages director rotation to ensure that appropriate capabilities are represented and new experience and perspectives are included, while maintaining continuity and retaining valuable knowledge, skills and experience.

During FY2021, the Board met four times, with an additional four special meetings convened to consider updates relating to various strategic projects. All Board directors have an excellent attendance record.

An appropriate system of internal controls is maintained to safeguard and manage Netcare's assets, minimise losses arising from fraud and/or other illegal acts, and fairly present financial and operational information. Internal Audit fulfils an assurance and consulting function and is mandated to provide independent and objective assurance over this system of internal controls. Internal Audit's activities provide assurance to our stakeholders that Netcare operates in a responsible manner.

## Board responsibility

The Board is required to debate matters that are material to the business or stakeholder interests, and to ensure the integrity and transparency of information. Other aspects relating to effective controls include ensuring compliance to changing regulation, overseeing the governance of IT and information management, and setting performance goals. The Audit and Risk Committees play a critical role in supporting the Board in its oversight of controls and IT governance.

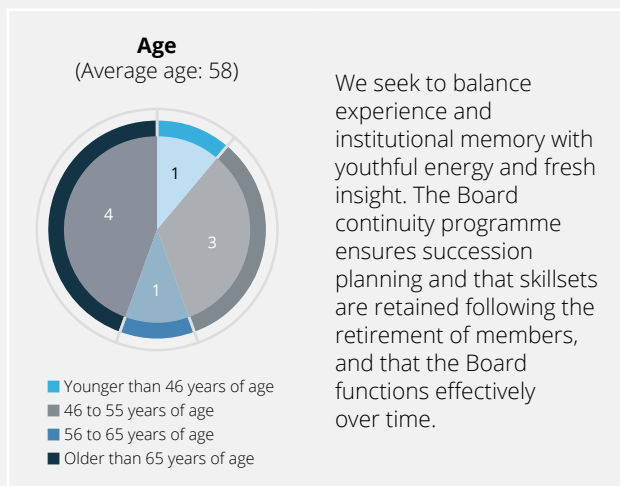
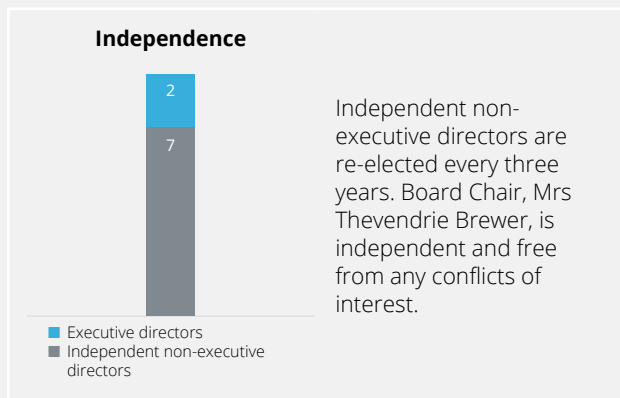


### FY2021 performance

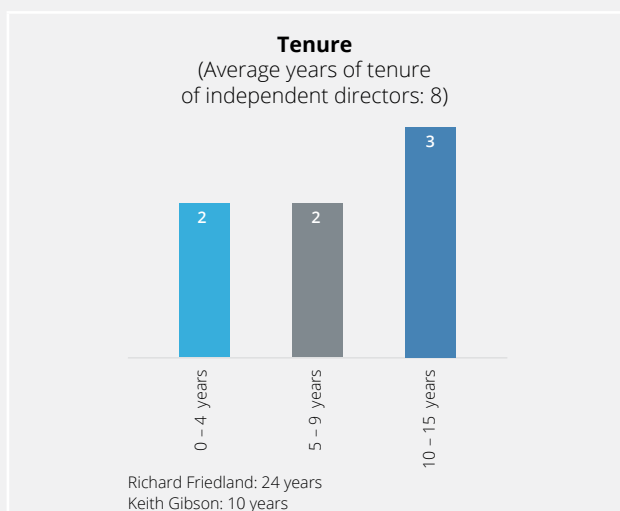
- **Board:** engaged the services of an external service provider to assess the Board's effectiveness and independence.
- **Nomination Committee:** reviewed the composition of the governance committees, updating membership and appointing new Chairs, where required.
- **Nomination Committee:** identified high-potential leadership talent for development and succession planning.
- **Nomination Committee:** reviewed the performance and the skillset of each Executive Committee member as well as the succession plans for each Executive Committee member.
- **Board:** conducted a full financial review of CareOn, re-examining the expected costs and benefits.
- **Board:** reviewed the results of our data integrity assessments and the initiatives to improve data quality.
- **Board:** considered and approved the Group's material matters for the integrated report and oversaw the fair presentation of the Group's annual financial statements and other shareholder information.
- **Board:** oversaw the roll out of the electronic governance tool to monitor compliance with the Companies Act, King IV and JSE Listings Requirements, and ensured that partnerships and strategic initiatives comply with applicable legislation.
- **Audit Committee reviewed:**
  - Critical accounting judgements, estimates and assumptions, mindful of 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.
  - Impairment of investments in PPPs.
  - CEO and CFO disclosure statement attestation.
- **Risk Committee:** reviewed our compliance with the Protection of Personal Information Act (POPIA).



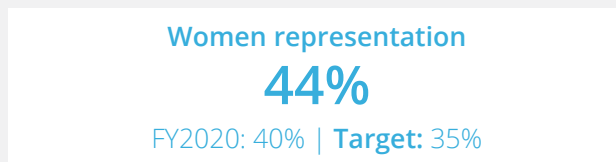
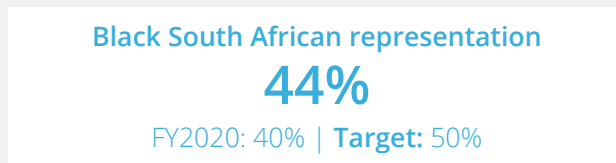
### Board composition (at 30 September 2021)



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 specialised guidance. 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. The Board has appointed Dr Thabi Leoka and Dr Rozett Phillips as independent non-executive directors with effect from 1 January 2022. Future appointments to replace directors who will retire in the next 12 to 15 months, will consider the above criteria with due consideration given to our diversity policy.



### Diversity



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.

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.

In the FY2021 independent assessment of the Board's effectiveness and independence, the results indicated a score well above average on the assessed dimensions.

## Governance overview continued

### Board opinion

The Board is satisfied that:

- Board succession plans are adequate, including interim measures in the event of an unforeseen loss of expertise or COVID-19 infection.
- The Group's risk management systems and processes support its business model and strategy, and the appetite for risk is appropriate and risks are managed accordingly.
- The Group annual financial statements for FY2021 fairly present the Group's operational results and financial position.
- The integrated report provides a fair and balanced account of the Group's performance in relation to our material matters.
- The assurance results indicate an adequate and effective control environment and integrity of reporting for better stakeholder decision-making.
- IT governance is properly managed and aligned with business needs and strategy, and the disaster recovery programme will support the continuity of critical business processes.
- There is no current or pending legal action that will materially affect the Group's operations.
- The Group complies with the Companies Act, JSE Listings Requirements and other applicable legislation.
- The Group's conflicts of interest management process is robust.

For FY2022, the Board will implement the recommendations of the effectiveness and independence review, and appoint new directors, where required. It will continue to monitor the implementation of key strategic IT projects and ensure that potential cost and schedule overruns are avoided.

### Key outcomes

- Two new Board members were appointed with effect from January 2022, both are black women.
- The external review found that the composition of the Board responds well to Netcare's current needs and combines the technical acumen, experience and skill needed to guide the implementation of our strategy.
- The Group's annual financial statements for FY2021 were unqualified.
- The Group is in a sound financial position with access to sufficient borrowing facilities to meet its funding requirements for the foreseeable future.
- No material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations were incurred during FY2021.
- No key governance or control failures were experienced in the period under review.



# Legitimacy

Our stakeholder engagement strategy ensures a comprehensive and inclusive approach, with a key goal to prioritise effective, proactive and consistent engagement across all stakeholder groups. The strategy links stakeholder concerns and expectations to Netcare’s top business issues, risks and strategic priorities. It considers the appropriate methods of engagement to meet differing stakeholder needs. Engagement methods vary and have been amplified by significantly enhanced digital communication channels. An independent review undertaken this year found that most of our engagement methods are robust.

## Board responsibility

The Remuneration, Social and Ethics, and Consistency of Care Committees assist the Board in ensuring that we adopt an inclusive stakeholder engagement approach. Relationship owners within Netcare are held responsible for ensuring that their engagement with stakeholders is appropriate, sufficiently frequent and aligned to our strategic objectives.



### FY2021 performance

- **Board:** monitored our engagement with regulators and government on matters relating to healthcare policy.
- **Board:** engaged directly with various stakeholders on matters of governance and remuneration.

#### Key outcomes

- The development of an enhanced stakeholder engagement strategy.

In FY2022, the Board will ensure that the principles, policies and protocols in the enhanced stakeholder engagement model are implemented.



# Our context

## COVID-19

We weathered a significant second wave of COVID-19 over the December 2020 to February 2021 period due to the novel Beta variant, followed by a third wave which started in May 2021, brought about by the highly transmissible Delta variant. As a result, Netcare operated under disaster management principles for most of FY2021. The short intervals between COVID-19 surges resulted in a stop-start pattern that challenged our capacity to operate effectively and impeded our strategic momentum. At the time of reporting, after the Omicron variant had been identified by South African scientists, a surge in the rate of infections indicated the start of the fourth wave.

Without ignoring or diminishing the enormity of the pain, suffering, exhaustion and loss for our employees, particularly nurses and paramedics, the healthcare profession is being recognised for the extraordinary role it has played, and continues to play, in society. This positive affirmation and acknowledgment allows for a positive reframing of the COVID-19 experience and affirms our purpose and strategic objectives.

The pandemic has confirmed the soundness of our strategic focus on digital enablement and data analytics. Our implementations to date were critical in the unpredictable operating environment brought about by COVID-19, not only in improving engagement among stakeholders and driving efficiencies, but also in utilising relevant data to inform new ideas.



### Employee analysis

from 9 March 2020 to 30 November 2021

**5 130 (28%)**

employees tested positive for COVID-19

48% wave 1 | 22% wave 2 | 19% wave 3

**597**

employees hospitalised  
for COVID-19

**98.7%**

employee  
recovery rate

**49**

of our **colleagues** succumbed to the virus

**14**

of our **doctors** succumbed to the virus

### Patient analysis

from 9 March 2020 to 30 November 2021

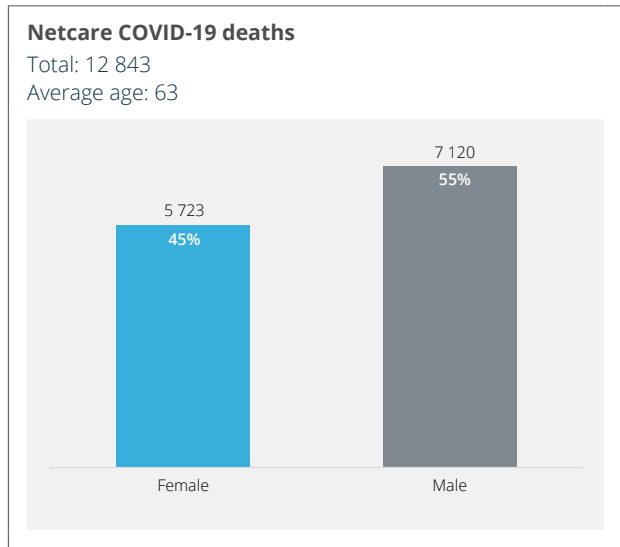
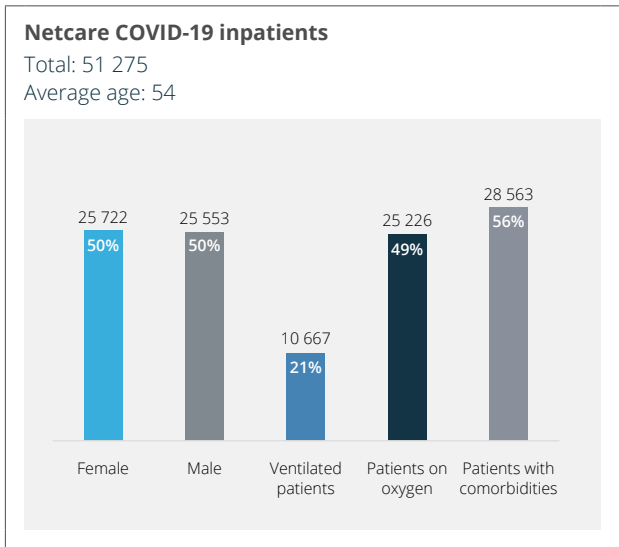
**14%**  
of **patient days** were attributable to COVID-19 positive patients

COVID-19 admissions increased  
**220%**  
compared to FY2020

**>126 000**  
COVID-19 patients treated, of which ~51 300 were **admitted** to our hospitals

**~24%**  
of COVID-19 patients admitted were treated in **high care** or **intensive care**

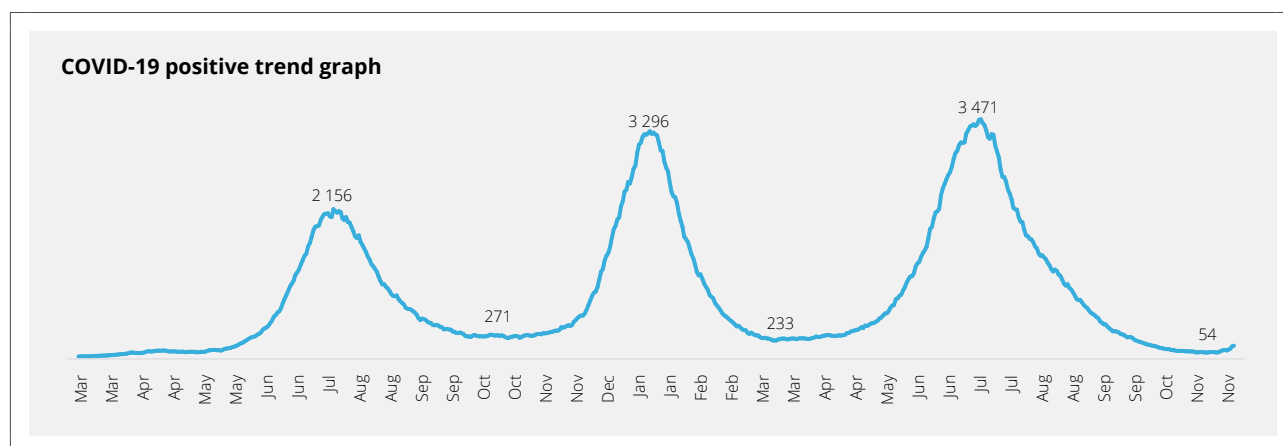
**10 days**  
the average hospital **length of stay** for a positive COVID-19 patient





## Our context | COVID-19 continued

After the first wave, COVID-19 admissions settled at around 271 patients per day. In the second wave, SA experienced a rapid recovery with our admissions reducing to around 233 patients per day by 18 March 2021, lower than the 'maintenance' COVID-19 admissions after the first wave. For three weeks in November 2021, admissions were comparatively low at less than 100 patients per day. As can be seen from the graph below, each wave has peaked at higher levels.



### Financial analysis

When comparing this year's financial performance to FY2019, the impact of COVID-19 is clearly visible. Across the healthcare sector, hospital admissions for non-COVID-19 patients have declined since the start of the pandemic in March 2020, with the decline in medical admissions being more pronounced than that of surgical admissions. We have had to absorb these lower levels of activity together with higher costs to retain staff, protect lives and ensure a safe hospital environment. The impact of a COVID-19 wave is felt both in the months leading up to and following a peak, affecting patient and doctor behaviour, demand for elective surgery, and ward and bed capacity.

With 77% of our beds located in Gauteng and KwaZulu-Natal, and both provinces experiencing high numbers of hospital admissions in the second and third waves, elective surgery and non-COVID-19 activity was severely impacted during surges. Elective surgery, except for medically necessary and time sensitive surgery, was suspended from December 2020 until February 2021 and again between June and August 2021.

The **decline in patients days**  
impacted EBITDA by  
**~R1.5 billion**

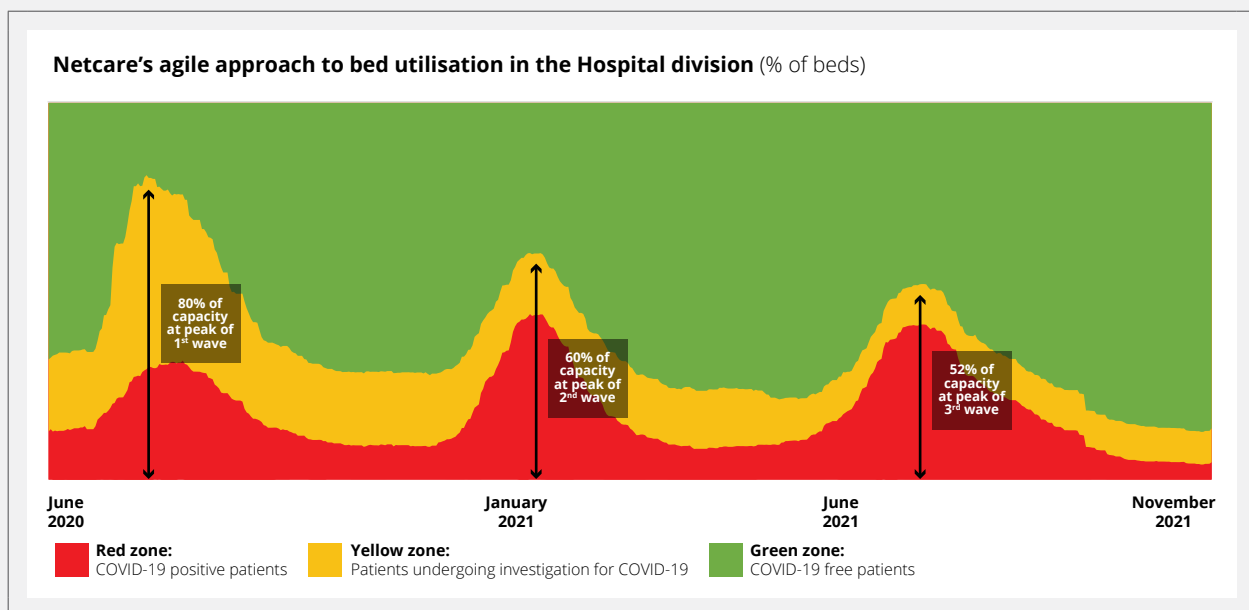
**R80 million**  
COVID-19 related capital expenditure

Total expenses of  
**R521 million**  
largely due to personal protective equipment  
(PPE) expenses

A stratified risk approach, based on  
international best practice, informs PPE use  
in our hospitals

### Bed utilisation

Using the learnings from prior COVID-19 waves, we implemented more nuanced responses to localised demand in the third wave. This improved the balance in bed utilisation between red, yellow and green zones, to manage patients with severe COVID-19 symptoms and patients requiring care unrelated to COVID-19. The introduction of the rapid COVID-19 antigen tests at the start of the second wave meant we were able to better manage the allocation of beds for persons under investigation (PUIs), more quickly freeing up beds for COVID-19 patients. In August 2021, the number of beds in the green zone was around 5 900 – higher than the approximate 4 000 beds at the same point during the second wave (around the beginning of February 2021); a 32% improvement. More effective treatment regimens have also reduced the length of stay for COVID-19 patients. During times of unprecedented demand, a number of solutions were implemented to ensure that no patients were refused or denied treatment.



The graph above demonstrates Netcare's agile approach to bed utilisation in the Hospital division: red beds (dedicated for COVID-19 positive patients), yellow beds (PUIs) and green beds (COVID-19 negative patients). At the peak of the first wave, 80% of our beds were dedicated to COVID-19 patients and in the peaks of the second and third waves, 60% and 52% of beds were dedicated to these patients respectively, improving our financial and operational resilience.



### Netcare 911

Similarly, Netcare 911 applied its learnings from the first and second COVID-19 surges to efficiently manage higher dispatch volumes and longer hospital drop-off times in the third wave to ensure patient safety. Tight risk mitigation meant that Priority 3 patients (not as seriously ill) could be identified and treated onsite rather than being transported to a hospital. This enabled us to responsibly reduce the burden on hospitals and improved fleet availability.

While industrial operations remained largely unaffected, there was an increase in utilisation on capitation schemes by Netcare 911 and external service providers. This is due to long distance transfers, aeromedical transfers and greater advanced life support intervention related to COVID-19 cases.



## Our context | COVID-19 continued



### Akeso Clinics

While the third wave negatively impacted Akeso Clinics' activity in the third quarter of the financial year, by September 2021 COVID-19 related stress, anxiety and trauma had begun to increase demand for mental health services.



### Primary Care

Medicross continued to support Netcare VirtualCare, a secure platform for virtual doctor consultations, contributing to patient visits increasing 1.5% compared to FY2020.



### National Renal Care

The COVID-19 infection rate among chronic dialysis patients increased faster during the second and third waves than in the first wave, with increased demand for continuous renal replacement therapy, which is the recommended treatment for critical patients with COVID-19. However, the third wave saw a higher mortality among chronic patients. National Renal Care has also been impacted by increased costs to treat patients in a COVID-19 environment.



## Vaccination analysis

(at 30 November 2021)

Vaccination remains the most effective way to contain the virus. We stand squarely behind efforts to vaccinate as many people as possible to overcome the pandemic and flatten the curves of any future waves. We have already witnessed the positive effects of vaccination during the third wave with a significant reduction in the number of staff infections, hospitalisation and deaths from COVID-19 compared to the previous two waves. We played a significant role in supporting the Sisonke J&J vaccine rollout programme for healthcare workers, with over 65 000 vaccines administered at Netcare sites during phase 1. We operate vaccination sites at Netcare Lakeview, Netcare Milpark and Netcare St Augustine’s hospitals as well as at a site in Cape Town in partnership with Old Mutual. Netcare Occupational Health has developed a vaccination programme for its clients. In addition, Netcare 911 has provided assistance at multiple vaccination sites.

### Recovery

During the first three COVID-19 waves, the rate of hospital admissions rose in step with the positivity rate of the number of people testing positive (community transmission). Significantly, all of COVID-19 patients admitted required some form of oxygen therapy. The high admission rate together with the high percentage of patients requiring ICU or high care was indicative of the severity of cases during these waves. At 8 December 2021, of the 337 COVID-19 positive patients in our care, around 10% required some form of oxygenation.

Early trends in the fourth wave indicate a far less severe form of COVID-19 and a probable decoupling of the rate of community transmission and the rate of hospital admissions. It is our view that should this trend continue, COVID-19 may be effectively managed at a primary care level, with only certain cases requiring admission to tertiary facilities.

For the period 15 November 2021 to 8 December 2021, 75% of the 800 COVID-19 positive patients treated in our hospitals were unvaccinated. Four deaths were ascribed to COVID-19, in patients ranging from 58 years to 91 years of age and all four had significant co-morbidities. Of these patients, three were not vaccinated. Most COVID-19 patients admitted in this period were younger than 50.

The timing, intensity and geographical spread of future waves is unknown. We see the possibility of another COVID-19 wave in FY2022. The Group’s financial recovery will depend on the efficacy of the vaccine against new variants, and the extent of vaccine uptake in SA. Costs related to COVID-19 will remain into FY2022 but at lower levels.

It is therefore unlikely that we will return to pre-COVID levels of activity and profitability in FY2022, and we expect recovery to FY2019 levels in FY2023 for most of our service platforms. However, Netcare will still be able to operate profitably and generate sufficient cash flows to allow for investment in our critical strategic projects, which will realise higher rates of growth over the medium term.

## Our context continued

# Operating environment

### Our strategic pillars



Consistency of care



Disruptive innovation



Transformation of our society



Organic growth



Integration



Investment



Environmental sustainability

## A challenging economic environment and its impact on medical scheme membership

The International Monetary Fund's (IMF) July 2021 World Economic Outlook indicates a divergence of economic prospects across the globe. SA gross domestic product (GDP) outlook is lacklustre with growing unemployment. In SA, accelerated structural reform is needed to stimulate economic growth.

### Key takeaways

- **IMF (October 2021):** forecasts annual growth for SA at 5.0% in 2021 and 2.2% in 2022.
- **Statistics South Africa (October 2021):** headline inflation has been above the midpoint (4.5%) of the SARB's monetary policy target range for five consecutive months. Unemployment is estimated at 34.9% in the third quarter of 2021, and expanded unemployment, which includes discouraged job seekers, increased to 46.6%.
- Record high fuel prices (which have a ripple effect through value chains) and higher electricity prices continue to impact struggling households and businesses.
- The July riots in Gauteng and KwaZulu-Natal claimed more than 330 lives, resulted in the looting of and damage to many businesses and cost SA around R50 billion<sup>1</sup> in lost output, setting back the tentative recovery made at the beginning of 2021.
- **The Council for Medical Schemes (June 2021 quarterly report):** notwithstanding increased unemployment, medical scheme membership is proving resilient with beneficiary growth of 0.3% to 8.93 million beneficiaries for the six months to June 2021.

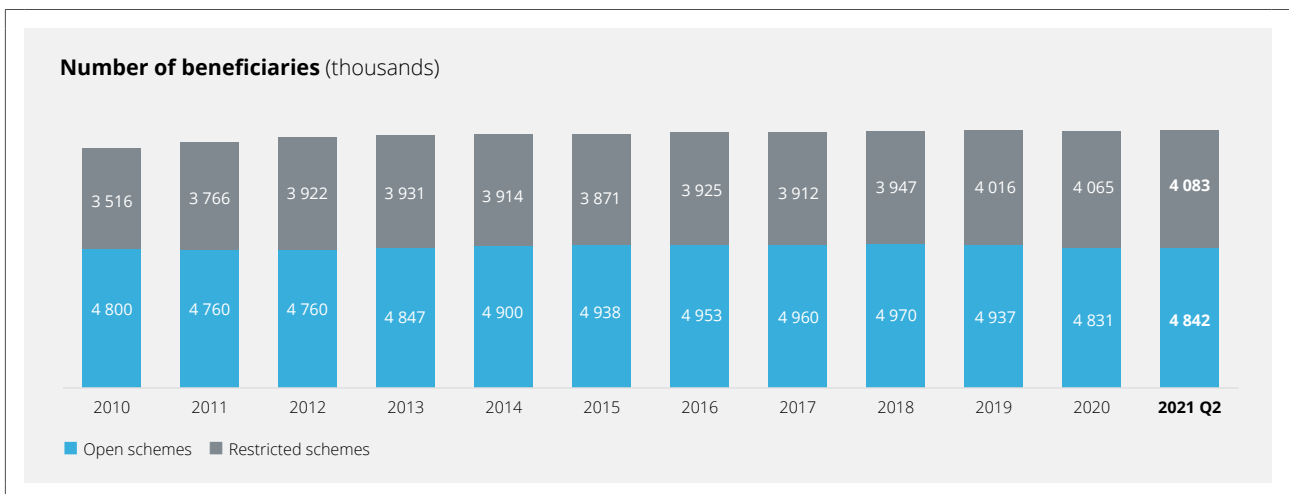
1. Estimate provided by the South African Property Owners Association.

### Additional financial pressures for the private healthcare sector

- Increased competition.
- Lower tariff increases relative to rising cost inflation.
- Regulatory challenges and uncertainty due to the NHI Bill.
- Ongoing shortage of specialists and nurses exacerbated by COVID-19.







Source: The CMS Industry Report (published in October 2021).

Top business risks	Our response	Strategic pillars
<ul style="list-style-type: none"> <li>Economic environment and demand for private healthcare.</li> <li>COVID-19 pandemic.</li> <li>Funder regime.</li> <li>Delivering consistently outstanding person-centred health and care.</li> <li>Implementation of the digital and data strategies.</li> <li>Sector regulations.</li> <li>Competitor activity.</li> <li>Availability and quality of skills.</li> </ul>	<ul style="list-style-type: none"> <li>Provide affordable products for the uninsured but employed market.</li> <li>Digitise the patient journey and create virtual patient-centred care delivery models to enhance patient experience and perception of care.</li> <li>Increase market share in funder hospital networks.</li> <li>Drive continuous improvement in clinical quality outcomes.</li> <li>Optimise capacity utilisation.</li> <li>Focus on cost efficiencies to contain private healthcare inflation.</li> <li>Build on relationships with the public healthcare sector and policymakers.</li> <li>Lobby policymakers to facilitate an increased role for private participation in the education of healthcare workers.</li> </ul>	

## Our context | Operating environment continued

### Burden of disease and its impact on healthcare affordability

Aging populations with higher disease burdens place pressure on health systems, which in SA are already over-burdened. Increasing burden of disease has negative implications for healthcare economics and resources, driving up healthcare costs. This leads to healthcare becoming more needed but less affordable both globally and locally.

#### Key takeaways

- **United Nations Department of Economic and Social Affairs (2015):** SA has the highest percentage of older people in Africa at 8.7%, which is likely to increase to 17.4% by 2050 as a result of decreasing fertility rates and increasing longevity.
- **World Health Organization (fact sheet published September 2021):** cancer is a leading cause of death worldwide, accounting for nearly 10 million deaths in 2020. Approximately 70% of deaths from cancer occur in low- and middle-income countries. COVID-19 has impacted health-seeking behaviour with marked declines in cancer screening, delayed diagnosis, missed follow-up appointments and delayed referrals, which could spark a cancer crisis in years to come.
- **Heart and Stroke Foundation South Africa (Stroke 2017-2020):** approximately 240 people suffer a stroke every day in SA and around 70 of these lives are lost. Of those who survive, some will recover fully but many are left with lasting disabilities. The burden of cardiovascular disease is expected to increase in developing countries.
- **International Diabetes Federation:** 463 million people have diabetes in the world and more than 19 million of these live in Africa. By 2045, this number is expected to be around 47 million in Africa. In SA, almost 13% of the adult population have diabetes.
- **Mental health:** ranked high on SA's burden of disease table, mental health admissions over the past decade have grown faster than admissions in other service segments, and are expected to increase further due to the prevalence of stress, anxiety and trauma brought about by COVID-19.



#### Top business risks

- Economic environment and demand for private healthcare.
- Funder regime.
- Delivering consistently outstanding person-centred health and care.
- Availability and quality of skills.

#### Our response

- Drive continuous improvement in clinical quality outcomes.
- Provide affordable products for the employed but uninsured market.
- Develop new products for key service lines such as cancer care and mental health and integrate these offerings across service platforms.
- Focus on screening programmes to aid early detection and treatment of cancer and chronic disease.
- Focus on cost efficiencies to contain private healthcare inflation.
- Lobby policymakers to facilitate an increased role for private participation in the education of healthcare workers.

#### Strategic pillars




## Digitisation and its impact on healthcare delivery

The concept of participatory health and care encourages people to participate and take co-responsibility for their health and care, thereby improving the quality of care and compliance with treatment. To realise these objectives, the digitisation of health records is a critical enabler, providing patients with easy, relevant and up-to-date information on their health and wellbeing. In addition, the rich data that digitisation provides will inform and influence better outcomes and treatment protocols. In KPMG’s 2021 Healthcare CEO Future Pulse, 200 healthcare CEOs from Australia, Canada, China, Germany, the Netherlands, Saudi Arabia, the United Kingdom and the United States were surveyed on the trends impacting healthcare. The results are summarised below.

### Key takeaways

- CEOs expect and welcome reform, with 80% believing that healthcare needs disruption and change, and 79% expecting all aspects of healthcare delivery models to be transformed in the next three years.
- COVID-19 is expected to accelerate this transformation with technology playing a vitally important role.
- The rising importance of community-based non-hospital care is welcomed by most CEOs and will require meaningful partnerships outside of the healthcare sector.
- To be a healthcare leader in the future will require new skills to navigate the digital future, diverse workforces and new ways of defining success, with key performance indicators that also include ESG factors.
- To be sustainable in the future, healthcare providers will need to engage, empower and incentivise their patients, teams and communities.

Top business risks	Our response	Strategic pillars
<ul style="list-style-type: none"> <li>• Delivering consistently outstanding person-centred health and care.</li> <li>• Implementation of the digital and data strategies.</li> <li>• Cybercrime and cybersecurity.</li> <li>• Competitor activity.</li> <li>• Availability and quality of skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver the Netcare strategy of person-centred health and care that is digitally enabled and data driven.</li> <li>• Continue to support employees and doctors to manage the change to digital technologies.</li> </ul>	



Our context continued

# Stakeholder expectations

**Material matters**



Deliver outstanding person-centred health and care



Recognise, protect and invest in our employees and healthcare practitioners



Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns



Recover, defend and grow long-term profitability



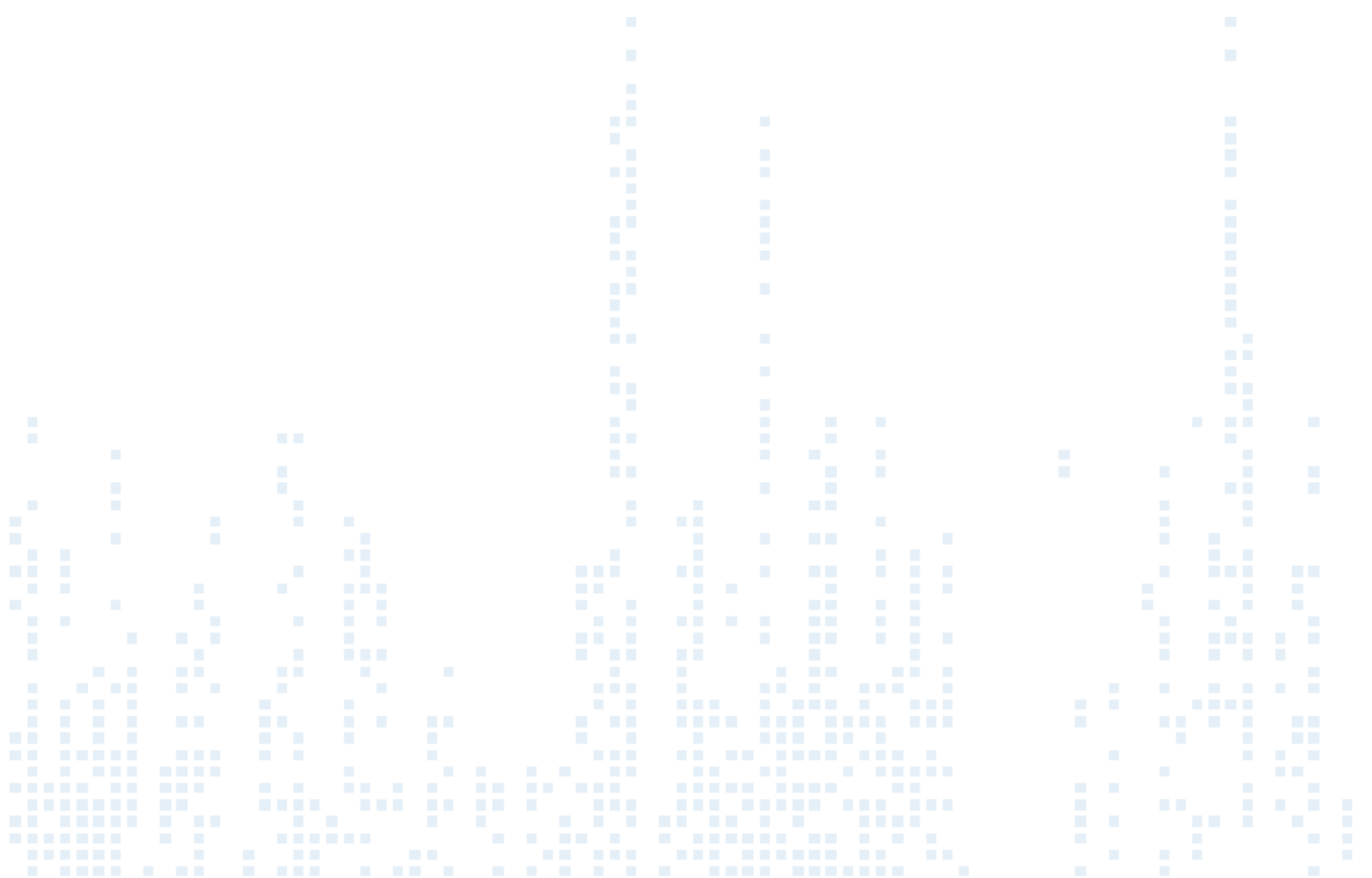
Continue to develop visionary and effective leadership

Our stakeholder engagement focuses on the stakeholder groups most likely to have an impact on our ability to deliver on our strategic priorities.

Relationship owners within Netcare are responsible for ensuring that their engagement with stakeholders is relevant, meaningful and sufficiently frequent so that we are able to understand their expectations and concerns. This enables us to address issues facing Netcare in an inclusive manner and align stakeholder needs with our strategic priorities. Our digital strategy is already starting to redefine how we engage with our patients, healthcare practitioners and funders, with improved engagement expected when all EMR projects across our service platforms are completed.



**Shareholder report.**



## Patients

Engaging with our patients and their loved ones in a meaningful, caring and understanding way, empowers them to be involved and partner with us on their journey to health. We are dedicated to ongoing improvement in this care dimension.

### Material matters



### Covers

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

### Topics of discussion, and their concerns and expectations

- Seamless and continuous access to high-quality and safe healthcare, uninterrupted by resource constraints and service disruption.
- An excellent patient experience and consistent quality of care delivered by competent and professional nurses who provide the best and safest care.
- Access to world-class doctors and services across all our operations.
- Fully funded and/or affordable healthcare services.
- Data privacy and protection, ensuring that their highly sensitive personal data is secure.

### Where to find our responses

- **Our patients, including initiatives to improve patient engagement:** PG 112.
- **Doctor partnerships:** PG 121.
- **Our people:** PG 138.
- **Cybersecurity:** PG 151.
- **New business development:** PG 152.
- **Environmental sustainability:** PG 160.

- **Quality report** (for detailed disclosure).
- **Privacy protection policy.**

## Our people

We place considerable importance on employee engagement and development to empower our people and encourage innovation, critical thinking, proactiveness, continuous development and lifelong learning.

### Material matters



### Covers

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

### Topics of discussion, and their concerns and expectations

- Psychosocial support during and post COVID-19 surges.
- A safe workplace and onsite health and safety procedures.
- Protection from COVID-19 infection, including access to vaccination.
- Appropriate remuneration, reward and recognition.
- Engagement on career advancement.
- Platforms to engage with the leadership team.
- An inclusive workplace that is free from racism, sexism and all forms of discrimination, and provides equal opportunities for growth and development.
- Organisational diversity and transformation in alignment with employment equity plans.
- Working for a well-governed, ethical and socially responsible organisation.
- Trusted and supportive leadership and management.
- Labour unions: job preservation and fair labour practices.
- Received positive feedback on the consumer-friendly terminology used in our quality of care reporting.

### Where to find our responses

- **Occupational health and safety:** PG 118.
- **Our people:** PG 138 (detailed disclosure in the ESG report).
- **Society, including transformation:** PG 128 (detailed disclosure in the ESG report).
- **Ethics survey results:** PG 32.



## Our context | Stakeholder expectations continued

### Healthcare practitioners

Engaging with our healthcare practitioners is critical. As this stakeholder group is key to our organic growth, it is imperative that we understand and meet their needs to improve our value proposition to them.

#### Material matters



#### Covers

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

#### Topics of discussion, and their concerns and expectations

- Protecting the sustainability of the private healthcare sector.
- Netcare's inclusion in restricted provider networks.
- Access to cutting-edge medical equipment and advanced technology and treatment protocols.
- Clinical quality leadership.
- Quality and properly maintained facilities and medical equipment.
- Availability of beds.
- Professional development and training.
- Uninterrupted utilities enabling the best and safest patient care.

#### Where to find our responses

- **Board Chair's review:** PG 16.
- **Doctor partnerships:** PG 121.
- **Funders:** PG 124.
- **Society:** PG 128 (detailed disclosure in the ESG report).
- **Estate and medical equipment:** PG 156.
- **Environmental sustainability:** PG 160 (detailed disclosure in the ESG report).

- **Quality report** (for detailed disclosure).

### Private medical funders

Engagement with funders ensures we are able to present competitive proposals to secure our participation in identified network opportunities, which in turn enables us to preserve patient volumes and retain doctors.

#### Material matters



#### Covers

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

#### Topics of discussion, and their concerns and expectations

- Quality, cost-effective care provided to members.
- Participation in scheme options with restricted hospital networks.
- Ongoing engagement on quality and efficiency initiatives.
- Measurable clinical and patient experience outcomes.
- A balanced service offering to satisfy member needs.

#### Where to find our responses

- **Our patients:** PG 112.
- **Funders:** PG 124.

- **Quality report** (for detailed disclosure).

## Suppliers

Our suppliers are a critical underpin of the quality of care we provide – we engage with them to understand and mitigate against potential supply chain risks, ensure that product quality is of the highest standard and we can procure products that meet the needs of our clinical teams.

### Material matters



### Covers

Companies that provide medicines, equipment and consumables, IT systems, digital products and services and outsourced services, including consultants and construction companies.

### Topics of discussion, and their concerns and expectations

- Support for enterprise and supplier development.
- Preferential procurement with B-BBEE compliant and black suppliers.
- Local procurement.
- Netcare's procurement policies.
- Suppliers' social and environmental impacts.

### Where to find our responses

- Suppliers:** PG 126.
- Transformation:** PG 130 (detailed disclosure in the ESG report).

## Regulators, government and associations

Engaging with these stakeholders enables us to proactively inform new healthcare regulations, ensure compliance with existing healthcare regulations, deliver new products and maintain our licence to operate. Part of our strategy is to play a key role in improving access to healthcare for more South Africans.

### Material matters



### Covers

Authorities that regulate healthcare providers and funders, and the sector and business associations of which we are members.

### Topics of discussion, and their concerns and expectations

- Increased pressure on the public health system.
- The shortage of healthcare practitioners and nurses.
- Cost of and access to private healthcare.
- Universal healthcare for SA.
- Addressing the public risk of COVID-19 at national and provincial levels.
- Socioeconomic reconstruction, recovery objectives and youth employment.
- Performance against employment equity targets.
- Compliance, especially in terms of COVID-19, protection of personal information and environmental legislation.

### Where to find our responses

- COVID-19:** PG 40.
- Occupational health and safety:** PG 118.
- Society, including transformation:** PG 128 (detailed disclosure in the ESG report).
- Cybersecurity:** PG 151.
- New business development:** PG 152.

- Shareholder report.**
- Privacy protection policy.**

## Our context | Stakeholder expectations continued

### Investors

Transparent engagement with investors earns their trust and enables us to gain their support for our strategy while understanding their expectations for value creation. Balancing our objectives with their expectations, strengthens our access to capital.

#### Material matters




#### Covers


Shareholders and the investment community.

#### Topics of discussion, and their concerns and expectations

- Financial recovery to pre-pandemic levels.
- Growth in medical scheme membership and sustainability.
- Patient day growth.
- Investment in new service lines.
- Margin trajectory.
- Appropriate levels of capital investment.
- Capital allocation and sustainable dividend payments.
- Ethical leadership and depth of expertise.
- Costs related to COVID-19.
- Strong governance underpinning sustainable value creation.
- ESG impact on financial performance and ESG ratings.
- How ESG performance links to remuneration.
- The public reporting of our quality of care outcomes has been welcomed.

#### Where to find our responses

 **Operating environment:** PG 46.  
**Governance overview:** PG 30.  
**ESG rating performance:** PG 98.  
**Remuneration overview:** PG 100.  
**New business development:** PG 152.  
**Financial capital:** PG 170.

 **Shareholder report.**  
**ESG report.**

### Society

We engage with society to understand how we impact communities, how we can contribute to addressing critical societal concerns and to ensure that our social and environmental programmes provide meaningful positive outcomes for society.

#### Material matters



#### Covers

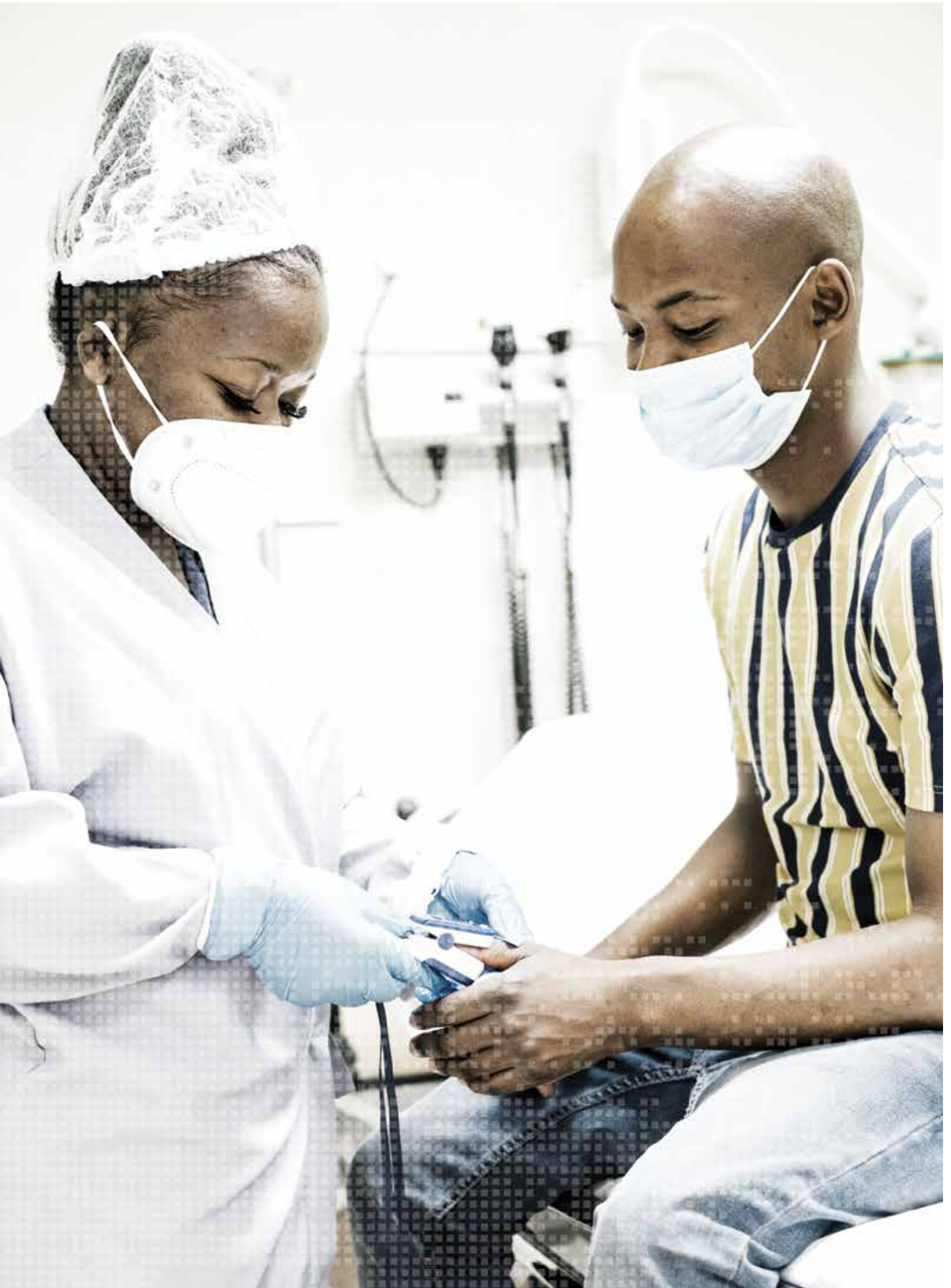
The aggregated interests of current and future generations (media and academia being proxy for these interests), communities, sponsorship partners and non-profit organisations.

#### Topics of discussion, and their concerns and expectations

- Affordability of and access to quality healthcare.
- Healthcare support for communities.
- The impact of specialised skills shortage in SA on healthcare quality.
- Socioeconomic support for communities, particularly skills development and job creation.
- Our role in delivering vaccinations to South Africans.
- Support for survivors of sexual assault.
- The impact of water and electricity disruptions on the quality of care.
- Minimising negative environmental impacts.

#### Where to find our responses

 **Society:** PG 128 (detailed disclosure in the ESG report).  
**Environmental sustainability:** PG 160 (detailed disclosure in the ESG report).



OUR BUSINESS

OUR LEADERSHIP

OUR VALUE STORY

HOW WE PERFORMED

ADMINISTRATION

# Our material matters

Our material matters are the issues that influence the conclusions stakeholders may draw about Netcare's ability to create, preserve or erode value for them in the short, medium and long term.

## Our strategic pillars



Consistency of care



Disruptive innovation



Transformation of our society



Organic growth



Integration



Investment



Environmental sustainability

## Determination process

### Inputs

- Board reports and strategy documents.
- Transcripts of interviews with key members of the Netcare team, and the Board Chair.
- Input from relationship owners on key stakeholder expectations.
- Sector trends and scenario planning.
- Risk reports.

These documents were selected as they provide information that executive management and Board committees had chosen for elevation to the Board. They were therefore likely to include matters deemed most material to the governance and operation of the business in the context of economic, social and environmental realities.

### Classification

Due to the role played by Netcare in managing the ongoing COVID-19 pandemic and its compounding impacts, we have split the matters into immediate and ongoing priorities to reflect the impact of the pandemic on this year's matters.

### Scope and review

The proposed material matters were submitted to key members of the Executive Committee for review to ensure adequate coverage.

### Approval

The Board reviewed, deliberated and approved the material matters for the 2021 reporting cycle.



1



## Deliver outstanding person-centred health and care

### Immediate priorities

- Ensure the highest standards of safety across our facilities.
- Provide the best and safest care for patients with COVID-19 by allocating flexible, demand-driven capacity at each site and ensuring consistent best practice aligned with COVID-19 guidelines, tailored to the South African context.
- Implement innovative digital, data-led solutions to support patient health and wellness during the pandemic, including facilitating remote communication between patients and their loved ones when visitation is restricted, and making allowance for visitation in compassionate or end-of-life situations.
- Remain adaptive, focusing on long-term solutions while maintaining a fast response to the pandemic and associated disruptions.
- Facilitate COVID-19 vaccine access, for our employees and others, to aid in preventing further COVID-19 surges in SA.
- Regain momentum in rolling out strategic and digital initiatives interrupted by the pandemic to better meet patients' needs and allow Netcare to become the architect of our own future.

### Ongoing priorities

- Digitise and re-engineer processes to drive integrated and efficient person-centred health and care.
- Achieve strategic differentiation through consistent and measurably better quality of care.
- Publish clinical outcomes to benchmark ourselves against local and global peers.
- Improve data utilisation and integration to enhance patient experiences, care and clinical outcomes.
- Improve patient experience across all stages of our care pathways by enhancing patient centricity and engagement.
- Progress environmental sustainability objectives to ensure uninterrupted delivery of quality patient care despite unstable national utilities.

#### Where to find more information:

- Our strategy:** PG 08.
- Social and relationship capital:** PG 112.
- Human and intellectual capital:** PG 138.
- Environmental sustainability:** PG 160.

- Quality report.**
- ESG report.**

Link to strategic pillars



## Our material matters continued

2



### Recognise, protect and invest in our employees and healthcare practitioners

#### Immediate priorities

- Protect our employees and healthcare practitioners from infection and care for those who are exposed or ill.
- Acknowledge the heavy psychosocial toll the pandemic has had on our frontline, managerial teams and healthcare practitioners and provide appropriate support to ensure targeted operational and psychosocial support.
- Urgently respond to the nursing skills shortage in SA, the effects of which have been intensified by the enormous pressure exerted on our workforce by COVID-19.
- Identify and develop leadership talent to build a strong succession pipeline for key management and leadership positions.
- Enhance our doctor engagement framework.

#### Where to find more information:



**Our strategy:** PG 08.

**Chief Executive Officer's review:** PG 22.

**Our people:** PG 138.

**Doctor partnerships:** PG 121.



**Quality report.**  
**ESG report.**

#### Ongoing priorities

- Retain, attract and develop highly skilled and specialised employees and doctors to provide the highest levels of care.
- Recognise and communicate the value our people and partners bring to Netcare.
- Invest in employee engagement, effectiveness, wellbeing and resilience to support the shift towards person-centred health and care.
- Ensure that our employees and healthcare practitioners understand the value of our digital initiatives and are well-equipped to meet the demands and achieve the benefits associated with increasing digitisation.
- Foster diversity and inclusivity across all levels of the organisation.
- Maintain a good working relationship with organised labour.
- Enhance, differentiate and communicate our value proposition to doctors.

Link to strategic pillars



3



## Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns


### Immediate priorities

- Work with government and regulators to enhance cooperation and facilitate broader access to care.
- Address the national youth unemployment crisis through focused internships, learnerships and workplace-based experiential learning programmes that support employability.
- Manage the impact of social unrest on our suppliers and supply chain.
- Improve our skills development spend and the negative impact on our B-BBEE scorecard of the lower intake of nursing students at Netcare Education campuses, COVID-19-related programme disruptions and amendments to the Department of Trade, Industry and Competition's B-BBEE Codes of Good Practice (dtic Codes).
- Maintain our focus on supply chain diversification and local enterprise development to support local economies and mitigate the effects of disrupted global supply chains.
- Broaden participation in our economy, particularly of black and black women-owned micro enterprises.

### Ongoing priorities

- Manage regulatory change and uncertainty and participate in evidence-based and multi-lateral advocacy for stakeholder interests.
- Innovate to deliver more affordable products and services to broaden access to quality healthcare to more South Africans.
- Deepen the value of our service to society by making defensible decisions to balance financial and social returns over time.
- Prioritise good corporate citizenship, actively participate in SA's economic recovery and create inclusive growth opportunities.
- Strengthen private-public relationships through positive engagements that build trust and underpin more effective collaboration.

#### Where to find more information:

-  **Our strategy:** PG 08.
- **Board Chair's review:** PG 16.
- **Chief Executive Officer's review:** PG 22.
- **Society:** PG 128.
- **Our people:** PG 138.

-  **ESG report.**

Link to strategic pillars



## Our material matters continued

4



### Recover, defend and grow long-term profitability

#### Immediate priorities

- Recover from the impact of COVID-19 to previous levels of activity and profitability.
- Continue to implement learnings gained from managing prior COVID-19 waves to ensure we retain our ability to quickly adapt to situational demands.
- Ensure substantial progress on key strategic initiatives to rebuild momentum and grow.
- Leverage digitisation to keep pace with the demand for digital and remote products and services (including telehealth) intensified by the pandemic.
- Manage the impact of the termination of our PPPs.
- Expand access to healthcare through our NetcarePlus offering to the employed but uninsured market.

#### Where to find more information:



**Our strategy:** PG 08.  
**Doctor partnerships:** PG 121.  
**Funders:** PG 124.  
**Estate and medical equipment:** PG 156.  
**Environmental sustainability:** PG 160.  
**Financial capital:** PG 170.



**Quality report.**  
**ESG report.**

#### Ongoing priorities

- Anticipate and prepare for the risks and opportunities associated with a protracted and uneven global economic recovery, and high unemployment, anaemic GDP growth and insufficient implementation of structural reforms in SA.
- Retain sufficient liquidity and access to funding.
- Maintain our strong balance sheet.
- Ensure efficient capital management, disciplined cost management and optimal asset utilisation.
- Integrate high-quality data and analytics to allow predictive and proactive management of operational and strategic priorities.
- Leverage data driven and digitally enabled service offerings to extend our service range and capture new market segments.
- Balance investment in asset heavy and asset light revenue streams (driven by digitisation) to meet the needs and expectations of our stakeholders.
- Ensure that short-term market demands are not prioritised over long-term sustainable profitability.
- Strengthen relationships with doctors and funders to, respectively, drive efficiencies, and support volumes and fair reimbursement.
- Implement the updated environmental sustainability strategy to maintain our leadership position, achieve sustainable efficiencies and contribute to global efforts to reduce carbon emissions.
- Align our ESG measurement and disclosure to the United Nations (UN) Sustainable Development Goals (SDGs) and credible global frameworks to facilitate comparability with other entities.

Link to strategic pillars



5



## Continue to develop visionary and effective leadership

### Immediate priorities

- Drive compassionate, empathetic and ethical leadership to build resilience, maintain our high-performance culture and support our recovery.
- Ensure continued organisational agility and retain effective governance procedures, including those implemented during the pandemic.
- Ensure a careful balance of remuneration principles to ensure employees and executives are not unduly prejudiced by COVID-19 impacted financial performance.

#### Where to find more information:



**Our strategy:** PG 08.  
**Board Chair's review:** PG 16.  
**Governance overview:** PG 30.  
**Remuneration overview:** PG 100.  
**Our people:** PG 138.  
**Financial capital:** PG 170.



Shareholder report.

### Ongoing priorities

- Ensure Board and executive responsiveness to stakeholders.
- Maintain the open and vigorous dynamic between the executive team and the Board.
- Continue to increase diversity at leadership level while retaining institutional memory.
- Ensure adequate representation of and succession planning for strategically relevant skillsets such as digital and actuarial skills.

Link to strategic pillars





# Our risks and opportunities

The Board is ultimately responsible for the management of risk. It oversees the level of risk that the Group is willing to accept in pursuing its strategy and creating sustainable value for stakeholders, including their economic, social, environmental and governance expectations.

Our risk management framework – embedded in our business activities and decision-making processes at all levels of the Group – ensures that the actions we take to achieve our strategic objectives fall within our appetite for risk, which varies depending on the specific risk. The framework defines how we identify, understand and mitigate risks, and realise their related opportunities.

## Five levels of assurance

Level 1 assurance	Level 2 assurance	Level 3 assurance
<b>Assurance provided to the Board by governance committees</b>	<b>Non-independent assurance</b>	<b>Non-independent assurance</b>
<ul style="list-style-type: none"> <li><b>Risk Committee</b></li> <li><b>Audit Committee</b></li> <li><b>Social and Ethics Committee</b></li> <li><b>Consistency of Care Committee</b></li> </ul>	<p>Executive management, including elements of strategy implementation, performance measurement and continuous monitoring mechanisms.</p> <p><b>Management</b> All major service platforms, business units and operational and administrative business areas complete quarterly statements of assurance and conduct at least three management self-assessments each year</p>	<p>Specialist functions independent from management, which facilitate and oversee risk management and compliance.</p> <p><b>Risk Management function</b></p> <p><b>Quality assurance reviews</b> All Netcare facilities and services are reviewed against comprehensive clinical quality and risk management criteria</p> <p><b>Data Council</b> Ensures data integrity and continuous data monitoring</p>
Level 4 assurance	Level 5 assurance	
<b>Independent assurance</b>	<b>Independent assurance</b>	
<p>Independent internal assurance provider.</p> <p><b>Internal Audit</b></p>	<p>Independent external assurance provider.</p> <p><b>British Standards Institution</b> Conducts annual surveillance audits to ensure Netcare remains compliant with ISO 9001:2015 certification standards</p>	

*Note: not all assurance providers are covered here. However, more detail on internal and independent assurance is provided per top business risk starting on page 65.*

The Combined Assurance Committee coordinates the efforts of all assurance providers to avoid duplication and optimise value. It assesses the skills and experience of the assurance providers and the nature and extent of the assurance work provided.



### Identifying our top business risks

Our systems and processes for managing risk consider the following:

- Changes in the external and internal operating context.
- Organisational resilience.
- Nature and potential impact of risks and the likelihood that they may materialise.
- Extent and categories of risks regarded as acceptable.
- Ability to reduce the incidence and impact on the business if risks materialise.
- Effectiveness of risk response plans.
- Cost of risk response plans and processes relative to the exposure and benefits obtained.
- Expectations and concerns of key stakeholders.

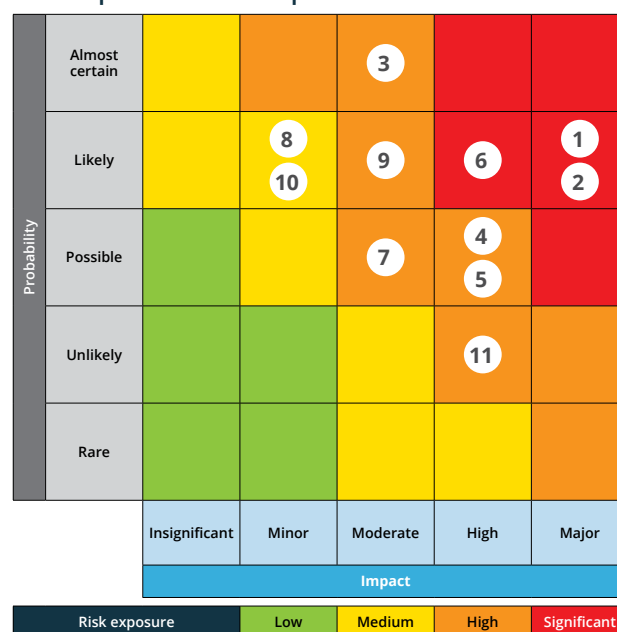
The Risk Management function engages with operational and executive management across the Group to identify key risks and the processes and plans to manage them. Risks are evaluated based on their causes, sources, impacts, likelihood and materiality as well as their potential exposure (low, medium, high and significant) and the resultant impact on our ability to achieve our strategic priorities. We also consider the attention required from the Board, its committees and executive teams to manage a risk.

Our top business risks have a medium to significant risk exposure based on:

- The challenges and uncertainties facing the Group, and their impact on the successful delivery of our strategy and our ability to create a sustainable competitive advantage.
- The severity of the potential impact on our most important intangible assets, which impact our reputation – the skills and commitment of our management and employees, the competitive strength of our brands and stakeholder perceptions.

Top business risks are managed in accordance with our appetite for each risk and in tandem with our strategy, not only to mitigate impact but also to optimise competitive advantage. The Risk Committee reviews and approves our top business risks, which are also presented to the Audit Committee. These inter-related risks include matters over which we exert limited influence.

### Risk exposure heat map



Our operating environment: PG 46.

### Overview of our top business risks

Top business risk	2020 rating	Residual risk exposure		PG
		Change	Overall	
1 Economic environment and demand for private healthcare	1	→	■	65
2 COVID-19 pandemic	2	↑	▲	66
3 Funder regime	3	↑	■	67
4 Delivering consistently outstanding person-centred health and care	4	→	▲	67
5 Implementation of the digital and data strategies	5	→	▲	68
6 Cybercrime and cybersecurity	6	↑	▲	68
7 Sector regulations	7	→	■	69
8 Competitor activity	8	→	■	69
9 Availability and quality of skills	9	↑	■	70
10 Availability of electricity supply	10	→	■	71
11 Water security	11	→	■	71

#### Change

→ Risk exposure remained constant compared to FY2020 reporting.

↑ Risk exposure escalated since FY2020 reporting.

#### Overall risk exposure

■ Not fully mitigated as mitigation measures are not entirely within our control.

▲ Mitigation measures are largely within our control, and are being explored or implemented to minimise the risk exposure.

Note: appropriately maintained plant and equipment is no longer considered a business risk following the successful implementation of the asset management improvement project.

## Our risks and opportunities continued

In addition to our top business risks, two key business risks were also considered during the year, namely fire safety, particularly given the water security concerns and failing water infrastructure in SA (see page 162), and civil unrest fuelled by socio-political factors as well as inequality and high unemployment (see page 113). Our tested major incident plan makes provision for both risks and sets out the activities and procedures to be followed in the event of a major disruption.

### Board opinion

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

The Board is confident that:

- Our risk management systems and processes support our strategy and business model.
- Our appetite for risk is appropriate and risks are managed accordingly.
- Our risk-aware culture enables relevant, informed and consistent decision-making relating to risk.
- In the event of a disastrous incident, the documented and tested major incident plan, pandemic preparedness plan and disaster recovery programme support the continuity of critical business processes.

### Material matters



Deliver outstanding person-centred health and care.



Recognise, protect and invest in our employees, and healthcare practitioners.



Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns.



Recover, defend and grow long-term profitability.



Continue to develop visionary and effective leadership.

### Our strategic pillars



Consistency of care



Disruptive innovation



Transformation of our society



Organic growth



Integration



Investment



Environmental sustainability

### Capital icons



Social and relationship capital



Human and intellectual capital



Manufactured capital



Natural capital



Financial capital

# 1 Economic environment and demand for private health care

## Description

COVID-19 and the related response measures have exposed the interconnectedness of healthcare systems and societies and economies, and the negative impacts when healthcare systems become stretched. Weak economic growth in SA, heightened unemployment, particularly among the youth, and reduced affordability across income segments could place traditional medical scheme membership at risk; however, this may not be an immediate impact as members might fear opting out during the pandemic. In addition, the COVID-19 crisis has deepened inequalities in our society, and together with other socio-political factors in SA, this has increased the risk of social unrest, which could further hamper economic recovery. Declining affordability presents the following risks:

- Lower patient day growth rates from declining medical scheme membership.
- Members converting to cheaper restricted provider network options with limited choice or hospital plans, impacting our margins.
- Declines in out-of-pocket spend on co-payment and ancillary healthcare services.

### Capitals at risk



### Strategic pillars



### Material matters



## Opportunities and mitigation

- Grow high-demand service lines.
- Launch innovative funding solutions.
- Deliver our strategy, which is designed to create a sustainable competitive advantage that protects and grows market share (digitisation and new products that reach new markets and promote inclusivity, reducing our reliance on the traditional medical aid market).
- Strict working capital discipline, and cost and debt management.
- Doctor recruitment and retention.

## Our response

- Our strategy: PG 08.
- Doctor partnerships: PG 121.
- Digital transformation and data: PG 146.
- New business development: PG 152.

## Governance and assurance

### Board oversight

- Audit and Risk Committees.

### Non-independent assurance

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

### Independent assurance

- Financial Sector Conduct Authority.

## Our risks and opportunities continued

### 2 COVID-19 pandemic

#### Description

The COVID-19 pandemic continued to dominate the global landscape in FY2021 with new variants emerging, including the Omicron variant towards the end of 2021. At 30 November 2021, over 262 million cases had been recorded globally (SA: close to 3 million infections), resulting in more than 5.2 million deaths (SA: more than 89 000 deaths)<sup>1</sup>. In SA, deaths due to the pandemic may be much more severe, with between 85% and 95% of the more than 260 000 excess deaths recorded between May 2020 and September 2021 considered to be related to COVID-19<sup>2</sup>.

More than 7.96 billion doses of vaccine had been administered worldwide at 30 November 2021; however, the distribution has been uneven with higher income countries getting vaccinated more than 20 times faster than poorer countries. At the same date, 25 million doses had been administered in SA with around 14.4 million people being fully vaccinated (around 24.6% of the population)<sup>1</sup>. High levels of global immunity remain a long way off.

COVID-19 gives rise to multiple risks in our environment, namely the spread of infection through our facilities, doctor and nursing shortages brought about by the need to self-isolate, psychological distress and mental fatigue, healthcare worker mortality and the availability of oxygen and medical supplies. We monitor key metrics daily for early signals of a resurgence. Our tested COVID-19 pandemic preparedness plan and clinical governance framework will ensure that the operational and clinical risks associated with COVID-19 continue to be appropriately identified and managed in any coming surges.

#### Capitals at risk



#### Strategic pillars



#### Material matters



#### Opportunities and mitigation

- Deliver consistently excellent, person-centred health and care.
- Work with the government and all other stakeholders to assist in containing and treating COVID-19.
- Continually improve our clinical governance and health and safety capacity.

#### Our response

- COVID-19: PG 40.
- Our patients: PG 112.

#### Governance and assurance

##### Board oversight

Risk and Consistency of Care Committees.

##### Non-independent assurance

- Executive Committee.
- Netcare National COVID-19 Operational Strategy Meeting (Gold Command).
- National Joint Operations Committee.
- COVID-19 Clinical Committees and Surgical and Ethical Sub-committees at facility level.
- Central COVID-19 clinical team.
- COVID-19 Clinical Liaison Officers, infectious diseases specialists and epidemiologists.
- Risk Management team.

##### Independent assurance

- National Institute for Communicable Diseases.
- National and Provincial Departments of Health.
- Department of Employment and Labour.

1. Source: Johns Hopkins University & Medicine.

2. Source: South African Medical Research Council and University of Cape Town.



## 3 Funder regime

### Description

Funders are contending with the financial impact of COVID-19 and a weak economy on members, as well as the ongoing rise in adverse risk in scheme risk pools as younger and healthier scheme members opt out and the elderly and unhealthy take up cover, resulting in increasing utilisation and healthcare costs. To contain the increases in membership fees, funders implement restricted provider networks<sup>1</sup>, stringent hospital admission protocols, targeted interventions to manage utilisation, collective negotiations to drive lower tariff increases and criteria around quality outcomes. This places increasing pressure on our margins; threatens patient volumes, market share and doctor retention if we have limited or no participation in restricted hospital networks; and may result in increasing participation in discounted restricted network options without the commensurate volume uplift.

#### Capitals at risk



#### Strategic pillars



#### Material matters



### Opportunities and mitigation

- Digitise Netcare to enhance engagement with funders on quality of care, patient safety and other data, and to improve efficiencies.
- Develop new products and strategic partnerships to reach new markets and promote inclusivity, reducing our reliance on the traditional medical aid market.

### Our response

- Funders: PG 124.
- Digital transformation and data: PG 146.
- New business development: PG 152.

### Governance and assurance

#### Board oversight

- Audit, Risk and Consistency of Care Committees.

#### Non-independent assurance

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

#### Independent assurance

- Internal Audit.
- External auditors.

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

## 4 Delivering consistently outstanding person-centred health and care

### Description

Delivering care that consistently achieves the best outcomes, and meets patients' expectations underpins our competitiveness in a fast-changing healthcare sector. Our reputation, employee morale and long-term sustainability will be adversely impacted if the care we provide is perceived negatively. COVID-19 presents new challenges to providing the highest standards of care. COVID-19, the risk of further pandemics and the overuse of antibiotics can negatively impact clinical outcomes and result in higher morbidity and mortality rates in hospitals and communities. We manage this risk by adhering to strong clinical governance and occupational health and safety (OHS) controls across all our service platforms to ensure we maintain our capacity to treat and care for those who need it most.

#### Capitals at risk



#### Strategic pillars



#### Material matters



### Opportunities and mitigation

- Leverage digitisation, accurate data and best practice care interventions to enhance patient safety, experience and perception of care, and inform our clinical improvement interventions.
- Support the wellbeing of our healthcare workers, providing them with the skills and resources needed to provide the best care even when there are large numbers of people who are very ill.

### Our response

- Our patients: PG 112.
- Our people: PG 138.
- Digital transformation and data: PG 146.

### Governance and assurance

#### Board oversight

- Risk and Consistency of Care Committees.

#### Non-independent assurance

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

#### Independent assurance

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

## Our risks and opportunities continued

### 5 Implementation of the digital and data strategies

#### Description

Digitally transforming the Group's ecosystem of products and services is a large scale undertaking, necessary to secure our competitive advantage in a rapidly changing healthcare environment. The key risks to our successful transformation are doctor adoption and disruption to stakeholders and our business operations. COVID-19 also poses a risk to the digital strategy should further outbreaks lead to surge periods that impact the roll out. Projects of this size require disciplined capital investment, robust governance practices and new skillsets, among others.

#### Capitals at risk



#### Strategic pillars



#### Material matters



#### Opportunities and mitigation

- Sustainable competitive differentiation.
- Enhanced clinical outcomes and patient safety, accurate and relevant clinical data, improved patient experience, strengthened relationships with doctors and funders, and integrated services.
- Predictive analytic capability from accurate financial, clinical and patient data that supports anticipatory and proactive decision-making.
- As a result of COVID-19, people are now more willing to embrace virtual healthcare services.

#### Our response

- Digital transformation and data: PG 146.

#### Governance and assurance

##### Board oversight

Audit and Risk Committees.

##### Non-independent assurance

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

##### Independent assurance

- Internal Audit.

### 6 Cybercrime and cybersecurity

#### Description

COVID-19 has amplified the cybercrime threat with breaches becoming more complex and escalating magnitudes of related brand, reputation and financial impact. Other risks include our increasing reliance on third-party service providers to support our digital transformation and data enablement, and a greater legal and regulatory exposure associated with new privacy laws. Failure to secure our systems and data could result in business disruption, litigation, penalties and fines for non-compliance, and reputational damage. To effectively manage this risk requires extreme vigilance and a proactive approach.

#### Capitals at risk



#### Strategic pillars



#### Material matters



#### Mitigation

- Maintain our approach to continually improve our cybersecurity framework.

#### Our response

- Digital transformation and data: PG 146.

#### Governance and assurance

##### Board oversight

- Audit and Risk Committees.

##### Non-independent assurance

- Executive Committee.
- IT Steering Committee.
- Compliance Committee.
- Information Security Management Committee.
- Protection of Personal Information Act Steering Committee.
- Risk Management team.
- IT Governance Risk and Compliance team.
- Automated access management system.
- Privileged account management system.

##### Independent assurance

- Internal Audit.
- External consultants.

## 7 Sector regulations

### Description

Focus on universal health coverage has resumed and public hearings on the NHI Bill are underway. More broadly, declining disposable income will mean that some medical scheme members will not be able to afford contributions and additional taxes to fund NHI, potentially leading to a decline in the covered population, and placing a greater burden on the public healthcare system. New regulations relating to certificates of need for health establishments and health agencies are also expected. Changes to the health system create uncertainty and may impact how we operate.

#### Capitals at risk



#### Strategic pillars



#### Material matters



### Opportunities and mitigation

- Using private sector capacity to alleviate public sector backlogs under the NHI, increasing volumes albeit at potentially lower national tariffs.
- Collaboration with regulators and government to provide constructive input on health policy formulation, emerging legislation and the realisation of a sustainable NHI.

#### Our response

- Society: PG 128.

### Governance and assurance

#### Board oversight

- Audit and Risk Committees.

#### Non-independent assurance

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

#### Independent assurance

- No independent assurance required.

## 8 Competitor activity

### Description

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

#### Capitals at risk



#### Strategic pillars



#### Material matters



### Opportunities and mitigation

- Attract and retain specialists by providing them with access to quality nursing services and healthcare infrastructure, and increasing our participation in hospital networks.
- Digitise to strengthen doctor, funder and patient relationships through enhanced clinical outcomes, more accurate and relevant clinical data and improved patient experience.
- Develop new products and strategic partnerships to reach new under-served markets.

#### Our response

- Doctor partnerships: PG 121.
- Funders: PG 124.
- Our people: PG 138.
- Digital transformation and data: PG 146.
- New business development: PG 152.
- Estate and medical equipment: PG 156.

### Governance and assurance

#### Board oversight

- Risk Committee.

#### Non-independent assurance

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

#### Independent assurance

- No independent assurance required.

## Our risks and opportunities continued

### 9 Availability and quality of skills

#### Description

COVID-19 has highlighted the magnitude of SA's nursing shortage, triggering fierce competition for nursing professionals in both the public and private sectors. Additional pressures include SA's limited capacity to train doctors, an aging specialist population, the escalating cost of professional liability insurance for specialists, increasing rates of emigration among the skilled population and uncertainty around the implementation of NHI. During FY2021, around 25% of the 45 specialists who left our acute hospital network emigrated.

Securing required skills is critical to our ability to provide consistently optimal care, deliver on our strategic objectives as well as doctor proposition, develop our succession pipeline, deliver our transformation initiatives, and expand into new service lines which are aimed at increasing access to healthcare.

#### Capitals at risk



#### Strategic pillars



#### Material matters



#### Opportunities and mitigation

- Digitise to attract and retain specialists, reduce medico-legal risk and reduce the administrative burden on nurses, enabling them to spend more time providing care.
- Provide employees with an attractive working environment that is caring, inclusive and ethical, and rewards outstanding contributions to the business and the delivery of person-centred health and care.
- Develop our people and ensure their wellbeing.
- Collaborate with government to find solutions that enhance healthcare skills in SA.

#### Our response

- Doctor partnerships: PG 121.
- Our people: PG 138.
- Digital transformation and data: PG 146.

#### Governance and assurance

##### Board oversight

- Risk and Social and Ethics Committees.

##### Non-independent assurance

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

##### Independent assurance

- South African Nursing Council.

## 10 Availability of electricity supply

### Description

Eskom, SA's power utility, is unable to meet electricity demand from its old and poorly maintained plants, and has recently warned that load shedding will remain for another five years as SA faces an electricity supply shortfall of 4 000 megawatts (MW). Resolving SA's energy challenges is urgent and fundamental to investor confidence and economic recovery. Welcome steps taken by government this year include the appointment of eight bidders to supply 2 000MW of emergency power to address the gap in capacity (although the award is being challenged and is likely to be delayed), a request for proposals for the procurement of 2 600MW of renewable energy (solar and wind) and an increased threshold to 100MW for companies to produce their own electricity without a licence.

Electricity is needed to provide care to patients 24 hours a day, 365 days a year. An unstable power grid can result in disruption to normal business operations, sub-optimal quality patient care and increased operating costs to maintain care levels. Our environmental sustainability strategy responds to these risks.

#### Capitals at risk



#### Strategic pillars



#### Material matters



### Opportunities and mitigation

- Implement solutions (emergency generation capacity and alternative energy sources) to secure the supply of electricity, ensuring our ability to operate and deliver high-quality care during electricity outages.

#### Our response

- Environmental sustainability: PG 160.

### Governance and assurance

#### Board oversight

- Risk and Social and Ethics Committees.

#### Non-independent assurance

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

#### Independent assurance

- No independent assurance required.

## 11 Water security

### Description

SA is ranked as the 30th driest country in the world. In addition to being a water-stressed country, SA has an uneven rainfall distribution and evaporation rates that often exceed precipitation. Drought conditions continue in certain districts of Limpopo and the Eastern Cape. There are also short-term concerns relating to an aging and fragile municipal water infrastructure and long-term concerns relating to the design of SA's water system and the impact of climate change on the country's rainfall and water supply.

We depend on a secure and stable water supply to provide care to patients 24 hours a day, 365 days a year. Without a consistent water supply, our normal business operations can be disrupted, patients could receive sub-optimal quality care and SA would be faced with severe public health threats, resulting in an increased need for healthcare. Our environmental sustainability strategy responds to these risks.

#### Capitals at risk



#### Strategic pillars



#### Material matters



### Opportunities and mitigation

- Implement solutions to secure the supply of water, ensuring our ability to operate and deliver high-quality care during shortages.

#### Our response

- Environmental sustainability: PG 160.

### Governance and assurance

#### Board oversight

- Risk and Social and Ethics Committees.

#### Non-independent assurance

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

#### Independent assurance

- No independent assurance required.



# Our strategic objectives

Our strategy to deliver a differentiated service offering of person-centred health and care fundamentally redesigns our approach to healthcare, in particular influencing the behaviours that underpin our service delivery and leveraging digitisation and data to improve patients' experience and their navigation through our ecosystem of services.

The CARE4YOU project (see page 142) will be a critical barometer of the behavioural change we seek to achieve, and the roll out of EMRs across our service platforms (see page 148) will empower our patients to partner with us on their health and care journeys. Below we assess our progress towards our intended strategic outcomes.


 **Our strategy:** PG 08.

## Key takeaways for FY2021

The interim targets we set towards our three-year strategic objectives were based on our initial expectation that FY2021 would be a year of recovery. However, the two waves of COVID-19 in FY2021 delayed many of our strategic projects.

FY2022 will be a critical year to ensure we regain momentum and make substantial progress on completing these projects.

By the end of FY2022, most of the major projects required to operationalise our strategy will be completed or substantially on track for their scheduled completion dates in FY2023.

 **Chief Executive Officer's review:** PG 22.

## Key strategic projects for FY2022

### 1

#### Person-centred health and care...

- Care4YOU in the Hospital division.
- New patient feedback measuring tool in all hospitals.
- Digital enhancements to improve communication with patients' loved ones.
- Improved engagement with doctors to meaningfully involve them in person-centred health and care.

### 2

#### ...that is digitally enabled...






- Implementation of EMRs in the hospital network, Akeso Clinics, National Renal Care and Medicross.
- An interactive, transactional website for patients and the broader public.
- Availability of discharge summary, prescriptions and care notes for patients in digitised hospitals and Akeso Clinics facilities, and care summary from Netcare 911.

### 3

#### ...and data driven

- Ensure the quality and integrity of data.
- Improve and re-engineer internal operational processes in digitised hospitals.


### Our material matters

	Deliver outstanding person-centred health and care
	Recognise, protect and invest in our employees and healthcare practitioners
	Partner with the public sector and civil society to accelerate transformation in SA and prioritise higher social returns
	Recover, defend and grow long-term profitability
	Continue to develop visionary and effective leadership

### Capitals impacted

	Social and relationship capital
	Human and intellectual capital
	Manufactured capital
	Natural capital
	Financial capital

### Our strategic pillars



**Consistency of care**

**19.0% of Exco scorecard**

**Key performance indicators for FY2021**

- Patient reported experience measures
- Coding quality
- Compliance with surgical and drug formulary

**Objectives**

- 01 Improve patient satisfaction and perception of care delivered.
- 02 Drive cost efficiency and quality of care outcomes using the personalised clinical information (PCI) tool to engage with doctors.
- 03 Improve and strengthen the regulatory framework governing clinical practice.

**Capitals impacted**




**Material matters**



**Integrated report**  
 Our patients: PG 112  
 Doctor partnerships: PG 121  
 Funders: PG 124

**Quality report. ESG report.**



**Disruptive innovation**

**18.5% of Exco scorecard**

**Key performance indicators for FY2021**

- The status of the EMR projects across service platforms

**Objectives**

- 01 Digitise the entire Netcare healthcare platform and provide science-based treatment guidelines.
- 02 To rapidly execute on business cases as a proof of concept.

**Capitals impacted**













**Material matters**




**Integrated report**  
 Digital transformation and data: PG 146

**Quality report.**

## Our strategic objectives continued

 <p><b>Transformation of our society</b></p>	<p><b>16.0% of Exco scorecard</b></p>	<p><b>Key performance indicators for FY2021</b></p> <ul style="list-style-type: none"> <li>• B-BBEE rating</li> <li>• Black ownership</li> <li>• Employment equity profile</li> <li>• Preferential procurement spend</li> <li>• Enterprise and supplier development (ESD) spend</li> <li>• Corporate social investment (CSI) spend</li> </ul>	<p><b>Capitals impacted</b></p>  <p><b>Material matters</b></p>  <p><b>Integrated report</b> Society: PG 128 Our people: PG 138</p> <p> <b>ESG report.</b></p>
 <p><b>Organic growth</b></p>	<p><b>12.5% of Exco scorecard</b></p>	<p><b>Key performance indicators for FY2021</b></p> <ul style="list-style-type: none"> <li>• Hospital occupancy</li> <li>• Patient days</li> <li>• Recruitment of new doctors</li> </ul>	<p><b>Capitals impacted</b></p>  <p><b>Material matters</b></p>  <p><b>Integrated report</b> Doctor partnerships: PG 121 Digital transformation and data: PG 146 New business development: PG 152</p>
 <p><b>Integration</b></p>	<p><b>8.0% of Exco scorecard</b></p>	<p><b>Key performance indicators for FY2021</b></p> <ul style="list-style-type: none"> <li>• Doctor participation in Netcare <b>appointmed™</b></li> </ul>	<p><b>Capitals impacted</b></p>  <p><b>Material matters</b></p>  <p><b>Integrated report</b> Digital transformation and data: PG 146</p>




**Investment**

**23.0%  
of Exco  
scorecard**


**Key performance indicators for FY2021**

- EBITDA margin
- ROIC
- Net debt to EBITDA
- EBITDA to net interest
- Cash conversion
- Adjusted HEPS


**Capitals impacted**



**Material matters**




**Integrated report**  
Estate and medical equipment: PG 156  
Financial capital: PG 170

 **Full annual financial statements.**

**Objectives**

- 01 Reduce capital expenditure on bricks and mortar and focus on systems and IT.
- 02 Ensure the most efficient capital structure and enhance shareholder returns.
- 03 Ensure clear targets for gearing and ROIC.




**Environmental sustainability**

**3.0%  
of Exco  
scorecard**


**Key performance indicators for FY2021**

- Energy consumption per bed
- Scope 1 and Scope 2 emissions (combined)
- Scope 2 emissions
- Water consumption per bed
- Waste to landfill


**Capitals impacted**



**Material matters**

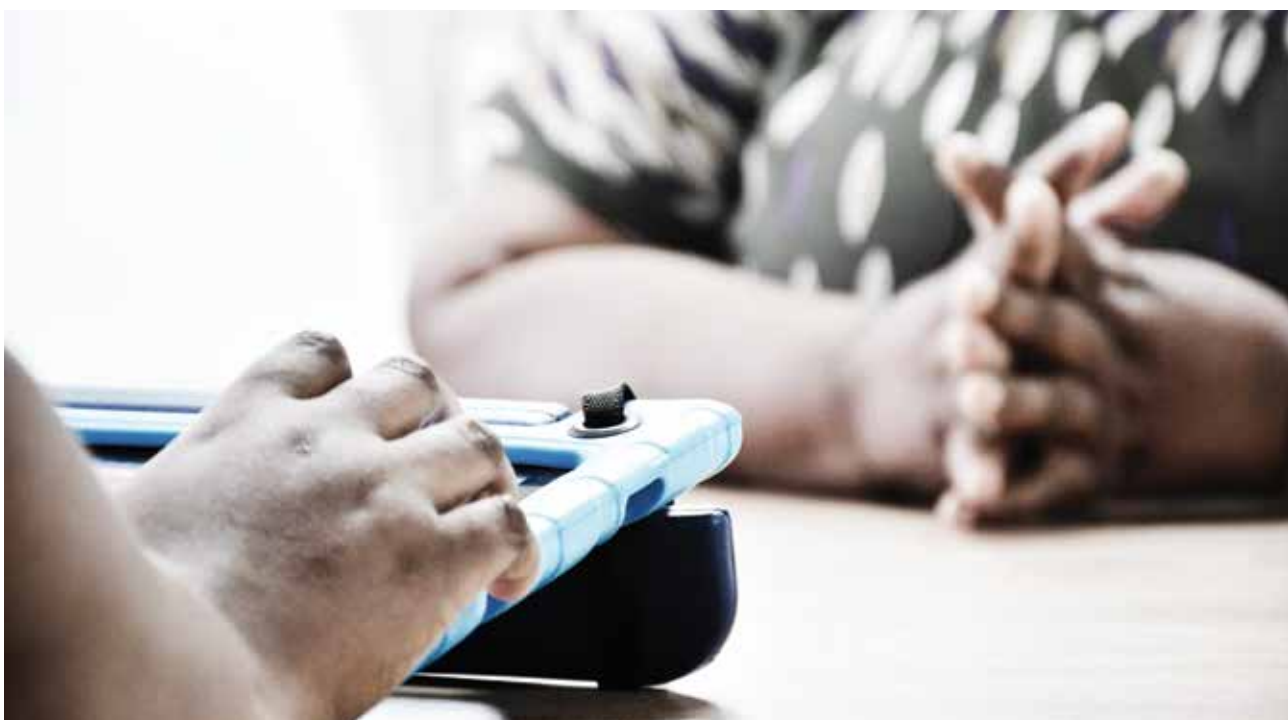


**Integrated report**  
Environmental sustainability: PG 160

 **ESG report.**

**Objective**

- 01 Maintain global and local leadership in environmental sustainability in healthcare.



## Our strategic objectives continued

### FY2021 performance overview



#### Consistency of care

● Impacted by COVID-19    ■ Linked to remuneration

Progress of our strategic initiatives in FY2021		PG
Achieved	<b>Perception of care</b> <ul style="list-style-type: none"> <li>● Developed and implemented a new externally validated patient feedback survey across all Netcare hospitals. Full roll out occurred after year-end, delayed due to COVID-19.</li> <li>■ Rolled out the patient gratitude card programme in nine hospitals, giving patients the opportunity to express their thanks to those who have cared for them.</li> <li>■ Rolled out CARE4YOU to nine hospitals accompanied with compassionomics workshops at year-end, with a further five roll outs soon thereafter.</li> <li>■ Launched the Netcare Family Connect Line to facilitate engagement between COVID-19 patients and their next of kin.</li> <li>■ Critically reviewed our doctor engagement to inform the design of a clinician engagement strategy and framework.</li> </ul>	114 142 142 114 122
	<b>Quality of care and efficiency</b> <ul style="list-style-type: none"> <li>■ Published 27 new quality of care indicators (total number of indicators published is now 85).</li> <li>■ Engaged with doctors on the cost effectiveness of their care based on PCI reports.</li> <li>■ Continued to present our quality of care outcomes and efficiency initiatives to funders.</li> </ul>	116 122 116
	<b>Safety, health, environmental sustainability and quality</b> <ul style="list-style-type: none"> <li>■ Implemented a comprehensive, digitally enabled and data driven OHS programme.</li> <li>■ Digitised the management and governance of healthcare risk waste (HCRW).</li> <li>■ Achieved ISO 9001:2015 certification for the third consecutive year (excluding Akeso Clinics).</li> <li>■ Standardised the processes and policies of a quality management system for Akeso Clinics and digitised the internal quality review tools.</li> </ul>	118
	<b>Clinical governance</b> <ul style="list-style-type: none"> <li>■ Continued to standardise our clinical governance framework and clinical contractual agreements across our service platforms.</li> <li>■ Introduced an independent panel of clinicians to inform the review of clinical cases.</li> </ul>	120
	<b>Research</b> <ul style="list-style-type: none"> <li>■ Developed a clinical research collaborative to publish peer-reviewed articles and research studies on COVID-19 clinical outcomes.</li> </ul>	120
	<b>Looking forward to FY2022</b> <ul style="list-style-type: none"> <li>● Roll out the CARE4YOU programme and associated compassionomics workshops across all Netcare hospitals.</li> <li>■ Complete the roll out of the gratitude card programme.</li> <li>■ Digitise the healthcare practitioner credentialing process.</li> <li>■ Extend the ISO 9001:2015 certification scope to include Akeso Clinics.</li> </ul>	



● Positive outcome    ◉ Neutral outcome/target partially met    ● Negative outcome/target not met

Key performance indicators		2021 target	2021	2020	2019	
<b>Patient reported experience measures</b>						
Hospital division (higher score is better)	Nurses always treat you with courtesy and respect		<b>79.1%</b>	77.2%	77.3%	●
	Nurses always listen carefully		<b>70.2%</b>	68.4%	68.5%	●
	Nurses always explain in a way you understand		<b>69.7%</b>	67.4%	67.3%	●
	Doctors always treat you with courtesy and respect		<b>91.5%</b>	90.6%	90.3%	●
	Doctors always listen carefully		<b>86.9%</b>	86.7%	86.3%	●
	Doctors always explain in a way you understand		<b>86.8%</b>	84.6%	84.2%	●
Akeso Clinics (higher score is better)	Nurses always treat you with courtesy and respect		<b>79.9%</b>	81.1%	84.4%	●
	Nurses always listen carefully		<b>77.5%</b>	78.8%	81.5%	●
	Nurses always explain in a way you understand		<b>79.2%</b>	81.0%	83.5%	●
	Doctors always treat you with courtesy and respect		<b>93.8%</b>	94.2%	94.3%	●
	Doctors always listen carefully		<b>92.8%</b>	92.7%	93.2%	●
	Doctors always explain in a way you understand		<b>92.1%</b>	92.1%	92.6%	◉
	Therapists always treat you with courtesy and respect		<b>87.6%</b>	87.3%	-	●
<b>Compliance</b>						
Group	Coding quality – proportion of cases with non-specific ICD10 <sup>1</sup> coding	<12%	<b>9.9%</b>	-	-	● ■
	Compliance with general surgical and drug formulary	>85%	<b>88.8%</b>	86.9%	85.5%	● ■
	Compliance with specialised surgical formulary	>73%	<b>71.6%</b>	77.0%	74.0%	● ■

1. International Statistical Classification of Diseases (ICD10). The electronic health code index was launched this year.  
 Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.

## Our strategic objectives continued



### Disruptive innovation

● Impacted by COVID-19    ■ Linked to remuneration

#### Progress of our strategic initiatives in FY2021

PG

Achieved	<p><b>Electronic medical records</b></p> <ul style="list-style-type: none"> <li>• <b>Hospital division (CareOn):</b> one hospital fully digitised by year-end, with a further six hospitals fully digitised by November 2021.</li> <li>• <b>Cancer Care:</b> completed the centralisation of the radiotherapy planning system.</li> <li>• <b>Akeso Clinics (CareOn Akeso):</b> launched CareOn Akeso at nine sites.</li> <li>• <b>Netcare 911:</b> developed a proof of concept for a solution that transmits information in real time from emergency vehicles to Emergency departments before a patient's arrival.</li> <li>• <b>Primary Care:</b> completed the development of an EMR solution for Netcare Occupational Health.</li> <li>• <b>National Renal Care (nephroOn):</b> nephroOn implemented in 62 (out of 69) sites at October 2021 in line with our project plan.</li> </ul> <p><b>Data analytics enablement</b></p> <ul style="list-style-type: none"> <li>• Assigned data ownership and data stewardship accountability to manage data quality.</li> <li>• Successfully delivered the first release of the Clinical Outcomes Index (COI).</li> <li>• Developed various business-specific use cases including an outbreak detection solution, a tool to prioritise debt collections cases and an intelligent tool for optimising the placement of Netcare 911 emergency vehicles.</li> </ul>	<p>148</p> <p>150</p>
Looking forward to FY2022	<p><b>Electronic medical records</b></p> <ul style="list-style-type: none"> <li>• <b>Hospital division:</b> roll out CareOn to a total of 20 hospitals by September 2022.</li> <li>• <b>Cancer Care:</b> integrate the radiotherapy planning system with SAP.</li> <li>• <b>Akeso Clinics:</b> complete the roll out of Akeso CareOn to all remaining clinics.</li> <li>• <b>Primary Care:</b> complete EMR roll out at 80% of GP sites and 40% of dental sites.</li> <li>• <b>National Renal Care:</b> complete the roll out of nephroOn to all remaining sites.</li> </ul> <p><b>Data analytics enablement</b></p> <ul style="list-style-type: none"> <li>• Deliver the second release of the COI.</li> <li>• Launch the outbreak detection solution.</li> <li>• Demonstrate an improvement in the data quality of critical data elements across 11 data domains.</li> <li>• Develop and implement a new reporting suite for the new patient feedback survey.</li> </ul> <p><b>Other digital projects</b></p> <ul style="list-style-type: none"> <li>• Launch the One Netcare website that will consolidate current service platform websites to provide a seamless experience for users and patients.</li> <li>• Complete the Wi-Fi upgrade project.</li> </ul>	



## Transformation of our society

● Impacted by COVID-19    ■ Linked to remuneration

### Progress of our strategic initiatives in FY2021

PG

<b>Achieved</b>	<ul style="list-style-type: none"> <li>Achieved a B-BBEE ownership score of 21.24 (target: 19.64).</li> <li>Approved a new five-year employment equity plan to FY2026.</li> <li>Piloted a diversity and inclusion programme at one Akeso Clinics facility and eight hospitals.</li> <li>Achieved a skills development B-BBEE score of 9.68 (target: 8.00)</li> <li>1 167 learners enrolled in a Netcare Youth Employment Service (YES) programme to date, against an initial target of 1 000.</li> <li>Launched the Netcare Ulusha YES Hub in Alexandra, offering business development, access to market and critical skills training opportunities.</li> <li>The My Walk Made with Soul school shoe project has produced over 63 000 pairs of shoes since its inception in 2018 (target: 100 000 pairs of shoes).</li> <li>Started developing a structured ESD support programme.</li> </ul>	■ 130 ■ ■ ■
<b>Looking forward to FY2022</b>	<ul style="list-style-type: none"> <li>Roll out the diversity and inclusion programme at 13 sites.</li> <li>Continue to collaborate and engage on advancing the implementation of NHI.</li> <li>Continue to collaborate on the Presidential Jobs Summit Initiative to produce at least 50 000 nurses for the national healthcare system.</li> </ul>	

● Positive outcome    ○ Neutral outcome/target partially met    ● Negative outcome/target not met

Key performance indicators	2021 target <sup>1</sup>	2021	2020	2019	
B-BBEE rating	Level 4	<b>Level 4</b>	Level 4	Level 4	○ ■
B-BBEE score	82.25	<b>88.09</b>	81.49	84.48	● ■
Procurement spend with >51% black-owned suppliers <sup>2</sup>	36%	<b>48.6%</b>	34.1%	40.0%	● ■
Procurement spend with >30% black women-owned <sup>2</sup>	23%	<b>28.2%</b>	21.6%	21.0%	● ■
Procurement spend with qualifying small enterprises <sup>2</sup>	8%	<b>8.0%</b>	7.6%	7.5%	●
Procurement spend with emerging micro enterprises <sup>2</sup>	7%	<b>3.1%</b>	5.6%	7.8%	●
Supplier development spend as a percentage of net profit after tax (NPAT)	2% of NPAT	<b>3.7%</b>	5.9%	1.2%	● ■
Enterprise development spend as a percentage of NPAT	1% of NPAT	<b>1.0%</b>	2.7%	1.2%	● ■
Investment in CSI as a percentage of NPAT	1% of NPAT	<b>2.3%</b>	1.8%	1.1%	● ■

1. Internal targets.

2. Calculated as a percentage of measurable spend.

Empowerdex: assured the Group's contributor rating according to the revised dtic Codes. This includes the employment equity information on the next page.

Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.

## Our strategic objectives continued



### Transformation of our society continued

● Positive outcome   ● Neutral outcome/target partially met   ● Negative outcome/target not met

#### Employment equity

(% of the workforce)

		2017	2018	2019	2020	2021	Target 2021		
Senior management	Black <sup>1</sup>	28.0	29.2	41.4	41.9	<b>43.3</b>	45.5	●	■
	Black women	12.0	16.7	24.1	25.8	<b>23.3</b>	27.3	●	■
Middle management	Black	36.1	39.9	45.2	48.9	<b>52.9</b>	51.6	●	■
	Black women	20.7	21.7	25.1	27.6	<b>30.6</b>	29.0	●	■
Junior management and skilled workers	Black	64.9	68.0	71.2	71.9	<b>72.8</b>	73.1	●	■
	Black women	56.2	58.9	61.9	61.8	<b>62.3</b>	62.6	●	■
People with disabilities	Overall	3.0	3.2	3.6	3.9	<b>4.2</b>	4.1	●	■
	Black	1.7	1.9	2.3	2.6	<b>2.8</b>	3.1	●	■
	Black women	1.1	1.3	1.6	1.8	<b>1.9</b>	2.5	●	■

Note: excludes National Renal Care.

Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.

1. Black covers African, Coloured and Indian employees.



ESG report.



## Organic growth

● Impacted by COVID-19    ■ Linked to remuneration

### Progress of our strategic initiatives in FY2021

PG

Achieved	<p><b>Increase market share</b></p> <ul style="list-style-type: none"> <li>Ongoing development of alternative reimbursement model across several service lines.</li> <li>Secured additional hospital inclusion on designated service provider networks.</li> </ul>	■ ■	124
	<p><b>New business development</b></p> <ul style="list-style-type: none"> <li>Launched a cell captive with Hollard.</li> <li>Launched additional NetcarePlus prepaid vouchers for select procedures and dentistry as well as trauma and accident cover and gap cover.</li> </ul>	■	152
	<p><b>Vaccination</b></p> <ul style="list-style-type: none"> <li>Vaccinated around 85% of permanent Netcare employees.</li> </ul>		
Looking forward to FY2022	<p><b>New business development</b></p> <ul style="list-style-type: none"> <li>Continue to resource NetcarePlus to build and sustain its viability, and drive our marketing strategy to raise brand awareness.</li> </ul>		

● Positive outcome    ○ Neutral outcome/target partially met    ● Negative outcome/target not met

Key performance indicators	2021 target	2021	2020	2019	
Full week acute hospital occupancy		<b>55.9%</b>	52.5%	66.0%	●
Week day acute hospital occupancy		<b>59.2%</b>	56.2%	71.6%	●
Total patient days		<b>6.8%</b> ▲	19.8% ▼	3.7% ▲	● ■
– Netcare hospitals patient days		<b>6.2%</b> ▲	19.6% ▼	1.4% ▼	●
– Akeso Clinics patient days		<b>12.7%</b> ▲	21.2% ▼	17.9% ▲	●
Primary Care visits		<b>1.5%</b> ▲	16.8% ▼	4.0% ▼	●
Number of doctors recruited (Netcare and Akeso Clinics)	60	<b>71</b>	113	138	● ■



## Our strategic objectives continued



### Integration

● Impacted by COVID-19    ■ Linked to remuneration

#### Progress of our strategic initiatives in FY2021

PG

Achieved	<ul style="list-style-type: none"> <li>Achieved 60% doctor participation in Netcare <b>appointmed™</b>.</li> <li>Commenced the development of the CEM platform, integrating three primary sources of data. The project is around 50% complete.</li> <li>Developed a comprehensive Group-wide marketing strategy</li> </ul>	■ ■ ■	148
Looking forward to FY2022	<ul style="list-style-type: none"> <li>Load patient discharge summaries onto the MyNetcare online platform from CareOn, Netcare 911, Emergency departments and Akeso Clinics, and streamline the user registration process.</li> </ul>		



### Investment

● Impacted by COVID-19    ■ Linked to remuneration

#### Progress of our strategic initiatives in FY2021

PG

Achieved	<ul style="list-style-type: none"> <li>Completed the build of Akeso Richards Bay Clinic.</li> <li>Inventory: managed stock days to 35 days (target: 40 days or below).</li> </ul>	■ ■	156
Looking forward to FY2022	<ul style="list-style-type: none"> <li>● Open the Netcare Alberton Hospital in April.</li> <li>● Open Akeso Richards Bay Clinic in January.</li> </ul>		

● Positive outcome    ○ Neutral outcome/target partially met    ● Negative outcome/target not met

Key performance indicators	2021 target	2021	2020	2019 <sup>1</sup>		
EBITDA <sup>1</sup> margin (Hospital and Emergency services)		<b>15.0%</b>	13.5%	20.4%	●	■
ROIC	9.8	<b>7.9%</b>	5.6%	20.1%	●	■
Net debt to EBITDA	1.4	<b>1.7 times</b>	2.5 times	1.2 times	●	■
EBITDA to net interest	4.6	<b>4.1 times</b>	2.9 times	9.1 times	○	
Cash conversion	117	<b>118.8%</b>	58.3%	111.4%	●	
Adjusted HEPS		<b>67.4 cents</b>	32.5 cents	171.2 cents	●	■

1. Pre-IFRS 16.

Note: for indicators that did not meet the target but are within 5% of the target are marked as partially met/neutral outcome.



## Environmental sustainability

● Impacted by COVID-19    ■ Linked to remuneration

### Progress of our strategic initiatives in FY2021

PG

<b>Achieved</b>	<ul style="list-style-type: none"> <li>The new 2030 environmental sustainability strategy approved by the Board.</li> <li>Installed four solar PV systems.</li> <li>Developing an implementation strategy for zero waste to landfill.</li> <li>Piloted a number of solutions to reduce our waste to landfill.</li> </ul>	<span style="color: blue;">■</span> 160
<b>Looking forward to FY2022</b>	<ul style="list-style-type: none"> <li>Roll out fresh air pre-treatment cooling units across all facilities.</li> <li>Roll out zero waste to landfill strategies across all facilities.</li> <li>Roll out greywater recycling initiatives to more facilities.</li> <li>Update all autoclaves in the Hospital division to more water efficient technology.</li> <li>Implement more water efficient reverse osmosis technology in all National Renal Care units.</li> </ul>	

● Positive outcome    ○ Neutral outcome/target partially met    ● Negative outcome/target not met

### Key performance indicators

	Target	2021	Variance	2013 baseline	
Energy	30% reduction by FY2023	<b>20 579 kWh/bed<sup>1</sup></b>	(28%)	28 442 kWh/bed	●
Scope 1 and Scope 2 emissions	Reduce by 84% by FY2030	<b>247 034 tCO<sub>2</sub>e<sup>2</sup></b>	(8%)	269 804 tCO <sub>2</sub> e <sup>1</sup>	●
Scope 2 emissions	Zero Scope 2 emissions by FY2030	<b>209 172 tCO<sub>2</sub>e</b>	(10%)	231 467 tCO <sub>2</sub> e	●
Water	20% reduction by FY2030	<b>458 litres<sup>3</sup></b>	(14%)	532 litres	●
Waste to landfill	Zero waste to landfill by FY2030	<b>9 277 tonnes</b>	(15%)	10 970 tonnes	●

1. Kilowatt hours per bed.

2. Tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

3. Litres per bed per day






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

### Link to remuneration

The Executive Committee scorecard informs short-term incentives. It gives higher weightings to projects that will have the greatest impact in driving the Group's strategy and on its financial and non-financial performance. By their nature, these projects tend to be the most complex and difficult to deliver and therefore require the greatest resources, focus and effort. The tables above indicate performance linked to the Executive Committee balanced scorecard as well as individual or service department scorecard for major projects. From FY2022, the Executive Committee scorecard will be replaced with a Group scorecard.

# Key strategic trade-offs

## Capitals impacted

 Social and relationship capital	 Natural capital	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Positive outcome</li> <li><span style="color: orange;">○</span> Neutral outcome</li> <li><span style="color: red;">●</span> Negative outcome</li> </ul>
 Human and intellectual capital	 Financial capital	
 Manufactured capital		

Netcare’s transformational strategy will enable our longer-term ability to compete, innovate and grow value, by achieving the inter-related objectives of the **Quadruple Aim** for healthcare system improvement (see page 12).

As we implement our strategy against a backdrop of a global pandemic, of constrained revenues and cost pressure, scarce healthcare and digital skills, and regulatory uncertainty, we owe it to our stakeholders to make balanced and defensible decisions in how we secure and allocate our resources to immediate and longer-term strategic priorities.

These decisions involve strategic trade-offs, which may align to the expectations of some of our stakeholders but compete with the expectations of others. Where expectations conflict, Netcare balances these, over time, to deliver positive value outcomes to all our stakeholders – to provide differentiated benefits to our patients, people and partners in the healthcare sector, to grow enterprise value for our shareholders, and to reconcile this with our commitment to be a force for good for the benefit of current and future South Africans.

Besides the trade-offs made in the ordinary course of managing a healthcare business (disclosed last year), we face two major trade-offs at this time in Netcare’s strategic renewal. We must balance the recovery of financial capital, eroded over the course of the pandemic, against protecting our human capital and maximising the intellectual capital benefits of digitising and re-engineering our processes (both of which incur higher levels of operational expenditure) and, secondly, with committing significant financial capital (capital expenditure) to our strategy, which will create value across all the capitals in the medium term – driving market share gains and profitability, strengthening our stakeholder relationships, and enhancing our reputation as a trusted, digitally enabled and data driven provider of person-centred health and care.

## Quadruple Aim



1. Source: Bodenheimer, T., & Sinsky, C. (2014). From Triple to Quadruple Aim: Care of the Patient Requires Care of the Provider. *The Annals of Family Medicine*, 12(6), 573-576.

## Key strategic trade-offs in FY2021

### 1 Protecting our patients, people, partners and society balanced against managing operating costs

As the pandemic continues, we are committed to providing the best and safest care for patients with COVID-19 by allocating flexible, demand-driven capacity at each facility and ensuring consistent best practice aligned with COVID-19 guidelines, tailored to the South African context. Most importantly, we are doing everything possible to protect our employees and healthcare practitioners from infection and to care for those who are exposed or ill. This includes ensuring a safe workplace and onsite health and safety procedures, as well as providing suitable quarantine facilities to our employees at our expense.

Initiatives implemented to protect our stakeholders include:

- Facilitating vaccine access for our employees and South African residents, to aid in preventing further COVID-19 surges in SA and reduce the burden on the country's healthcare capacity.
- Providing appropriate support, including targeted operational and psychosocial support, to help our frontline and managerial teams and healthcare practitioners manage the heavy psychosocial toll brought about by the pandemic.
- Launched #WeCare, which directs our focus on caring for the wellbeing of our clinical and non-clinical employees.

A heightened focus on OHS will continue to incur additional costs (although notably lower than FY2021) to ensure the care and safety of our patients, people and partners. These costs are unavoidable as we must continue to protect our stakeholders and society from pandemic threat – not only to limit loss of life and suffering, but also to guard the human skill and economic productivity that Netcare and SA cannot afford to lose.

Operating costs of R521 million were incurred to protect our patients, nurses, doctors, contractors and employees from COVID-19, mostly spent on PPE in line with clinical guidelines and international best practice, as well as screening, training and sanitising. We also spent R80 million on capital expenditure related to the pandemic. Other costs include managing the significantly higher volume of HCRW due to COVID-19.

Adding to the cost burden on the Group, during the July 2021 riots we had to operationalise our major incident plan to ensure uninterrupted care to patients in KwaZulu-Natal.

Besides carefully managing the costs related to COVID-19, we continue to implement strategies (like our digital strategy) that will drive new levels of operating efficiency, while delivering multi-capital benefits to our stakeholders. This includes ensuring that our services remain uninterrupted by the impact of water and electricity disruptions on the quality of care and to shield the Group from the rising cost of national utilities, which are core benefits of our environmental sustainability strategy; as an integrated approach to addressing climate change-related risks, regulatory changes and the scarcity and expense of resources. The benefits of our 2023 environmental sustainability strategy will continue to grow over the next 10 years and beyond.

#### Key trade-off decision in FY2021

Notwithstanding this context of rising costs, we had to make the difficult decision to suspend elective surgeries across our network during COVID-19 surges in infection, foregoing the related revenue and depressing our profitability further.

Historically, elective cases represented approximately 28% of our total admissions. Elective surgical cases declined rapidly in April 2020 during lockdown level 5, and again in July 2020 and January 2021 during the surge of the first two COVID-19 waves.

Our hospitals in KwaZulu-Natal and Gauteng were impacted most during the first two waves, with Gauteng absorbing the brunt of the third wave. It was necessary to suspend elective surgery in December 2020, and again in June 2021, only allowing for medically necessary and time-sensitive surgeries. After each surge, suspension was lifted, with the return of non-COVID-19 patient admissions continuing to improve.

Going forward, besides our acute focus on disciplined cost management, we continue to implement learnings gained from managing prior COVID-19 waves to ensure we retain our ability to quickly adapt to situational demands. The likelihood of further waves driven by new variants is high, as the emergence of the Omicron variant in late November 2021 indicates. Subject to a better understanding of the virulence of Omicron, we expect the severity of potential waves to wane due to higher levels of immunity from natural infection and vaccination, which should limit the risk of further suspension of elective surgeries.

## Key strategic trade-offs continued

### FY2021 outcomes



Provided continuous access to high-quality and safe healthcare to our patients despite COVID-19 risks and utility constraints.



Provided hospital treatment or suitable quarantine accommodation for employees at our expense.



Around 85% of the workforce has been vaccinated.



Introduced numerous #WeCare initiatives to support employees and healthcare practitioners.



Achieved lower water and energy usage and waste to landfill.



Estimated impact of the decline in patient days on EBITDA of approximately R1.5 billion.



EBITDA and EBITDA margins showed a steady sequential improvement from the second half of FY2021 but remain lower than before COVID-19.



The environmental sustainability strategy achieved compound savings of around R821 million, greater than originally predicted.



## 2

### Investing for long-term competitiveness and stakeholder benefit balanced against short-term recovery in profitability

In the long term, our digital transformation will provide a world-class healthcare environment that empowers our patients to participate in their health and care, with immeasurable long-term benefits for society. It will reshape the way we engage with all our stakeholders and achieve measurably better quality outcomes, experiences, convenience and efficiencies. Our digitisation programme will enable Netcare to leverage data driven and digitally enabled service offerings to extend our service range and capture new market segments. It will allow us to integrate high-quality data and analytics to allow predictive and proactive management of operational and strategic priorities.

To achieve these benefits, we are:

- Investing in state-of-the-art healthcare and enterprise systems that are accessible, available and resilient to cybersecurity threats.
- Delivering training and change management initiatives that support the implementation and adoption of our new way of doing things.
- Driving innovation, which includes medical technology and telehealth advances.

While securing the professional and personal resilience and future relevance of our workforce is a significant cost, it generates returns across all stocks of capital in the long term, and strengthens our employee value proposition in a highly competitive and shrinking market for scarce healthcare and digital skills.

Cornerstone to our digital strategy is to balance investment in asset heavy (bricks and mortar facilities) and asset light revenue streams (driven by digitisation), to meet the needs and expectations of our stakeholders. Innovation also extends to new product development that expands access to care and simplifies healthcare purchasing.

However, for the human and intellectual, social and relationship and ultimately the financial capital uplift in higher growth, margins and returns of implementing this new healthcare model, our digital transformation requires significant financial capital outlay, specifically in the next two years.

### Key trade-off decision in FY2021

Given the impact of COVID-19 on our operating performance and the trajectory to recover to pre-COVID-19 levels of profitability, we reconsidered the merits of our digitisation strategy, and how to reduce expenses and improve operating results in a shorter time. Although we have rationalised our digitisation project portfolio, we are continuing with our major implementations and the associated re-engineering of our processes and ways of working. Staying the course is the correct decision, weighed up against the longer-term value that our digital transformation will enable across all the capitals.





The full financial review of CareOn, our flagship digitisation project, conducted during the year, confirmed the soundness of our strategic approach, and the project still meets our internal rate of return hurdle.

We have suspended some modules related to predictive modelling, mostly due to the delays brought about by COVID-19 and to reallocate resources to our key projects to ensure substantial progress and rebuild momentum. No new projects were approved for FY2022 for the same reason. Our expectation is to complete most of our key projects by the end of FY2022, with the balance substantially on track.

Underpinning our decision are the cash preservation measures we have introduced to ensure our liquidity in an uncertain environment. We have maintained a strong balance sheet and have a framework in place to ensure efficient capital management, disciplined cost management and optimal asset utilisation.

Incremental growth in financial value for Netcare is expected from FY2022 as the benefits of our digital transformation begin to ramp up and efficiencies start to offset costs.

#### FY2021 outcomes

	Digital benefits starting to flow through to nurses and partners in the healthcare value chain, particularly in managing COVID-19 risk.	●
	Continued to invest in property, plant and equipment upgrades to protect our value proposition to patients and partners.	○
	User adoption risk has decreased in relation to our digitisation strategy.	●
	Training on digital implementations is improving delivery of project modules despite COVID-19 staffing constraints.	●
	Certain projects suspended (and associated benefits lost) to rationalise and focus resources on key digitisation projects.	○
	Reduced expansion capital expenditure, except for new facilities with sound demand fundamentals.	●
	Activity and profitability lagging pre-COVID-19 levels.	●
	Dividends resumed due to strong financial position and cash generation.	●



# Value outcomes

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



## Our patients

Establishing long-term relationships with our patients enables financial sustainability and deepens our contribution to socioeconomic wellbeing through improved health outcomes. As we further our digital and data strategies, we improve our value propositions to our patients, providing them with access to world-class healthcare. We also enhance our reputation as a healthcare provider that consistently delivers the highest clinical quality outcomes and outstanding levels of care at an affordable price, supporting our strategic objective to grow market share.

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

Inputs	Patient outcomes		
Access to experienced and dedicated doctors.	10	The net gain of specialists in acute hospital and mental health facilities (FY2020: 82).	●
Cared for by skilled and empathetic nurses, and interactions with compassionate employees.	14	Out of 22 patient reported experience measures improved or were maintained at FY2020 levels despite the impact of COVID-19.	●
	926	New employees received training on <b>Caring the Netcare Way</b> , focusing on how to engage with patients, as part of our induction programme (FY2020: 2 235).	●
High-quality clinical procedures and processes.	Access	NetcarePlus provides reassurance that the cost to access private healthcare is secured in full in advance.	○
Cutting-edge medical technology and specialised centres of excellence.	COVID-19	Launched the Netcare Family Connect Line to support contact between COVID-19 patients and their next of kin.	●
	85	Clinical outcomes published (FY2020: 68 <sup>1</sup> ).	●
	ISO 9001:2015	Achieved ISO 9001:2015 certification for the third consecutive year (excluding Akeso Clinics).	●
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <b>R183 million</b>                      invested in digitising our service platforms since 2018                 </div>	Digital	The most appropriate and safest care based on predictive and preventative care, and accurate records with the risk of medication-related errors minimised.	○
		Access to their real-time medical records and information, empowering patients to take co-responsibility for their health and related decisions.	○
		A digitised person-centred health and care journey at no additional cost.	○
		Improved customer complaints management.	○
		Higher accountability within the healthcare value chain.	○
	60 777	Calls and 13 202 appointments made through Netcare <b>appointmed™</b> .	●

1. Restated to only reflect the number of measures reported in the integrated report (excluding those on the website).

 **Our patients:** PG 112.

**Digital transformation and data:** PG 146.

 **Quality report.**

## Value outcomes continued


### Healthcare practitioners

Our ability to attract and retain specialists, doctors and other healthcare practitioners enables us to deliver the highest quality and safest person-centred health and care, drives revenue, supports the achievement of efficiencies and enables expansion into higher-demand disciplines, supporting our profitability.

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

Inputs	Healthcare practitioner outcomes	
Access to a world-class quality management system and excellent nursing.	<b>COVID-19</b>	Provided additional support to help healthcare practitioners manage the physical, emotional and mental strain brought about by the pandemic. ●
Our inclusion in restricted provider networks.	<b>417</b>	Professional development sessions provided (FY2020: 325). ●
Access to training and educational platforms that support continuous professional development.	<b>1 150</b>	Healthcare practitioners trained on CareOn <sup>1</sup> . ●
Clinically advanced and appropriate medical equipment, consumables and pharmaceuticals.	<b>Digital</b>	Longitudinal view of a patient's medical history across Netcare service platforms. ○
Optimal facility infrastructure and cutting-edge digital systems.		Remote access to patients during COVID-19 waves through digital enablers such as Netcare VirtualCare (telehealth platform) and CareOn. ●
<p style="text-align: center;"><b>R408 million</b> invested in new medical equipment <small>(FY2020: R494 million)</small></p> <p style="text-align: center;"><b>R469 million</b> spent on maintenance and repairs <small>(FY2020: R404 million)</small></p> <p style="text-align: center;"><b>R460 million</b> invested in expansionary projects <small>(FY2020: R227 million)</small></p>		Reduced medico-legal risk and, in time, savings on medical malpractice insurance premiums due to the availability and application of data. ○
	<b>~1 250</b>	Trusted healthcare practitioners in the NetcarePlus network with the opportunity to increase their patient volumes without additional administration costs. ●
	<b>5</b>	Continuous renal replacement therapy machines purchased to manage the impact of COVID-19 on dialysis patients (FY2020: 11). ●

1. The Hospital division's EMR system. The input cost of this training is included in total training spend reported under our people.

 **Doctor partnerships:** PG 121.  
**Digital transformation and data:** PG 146.

 **Quality report.**

## Funders

Our inclusion in restricted provider networks enhances our ability to maintain and grow patient volumes, and attract and retain specialists. We are also able to strengthen our negotiating power with funders based on measurable quality outcomes (clinical and patient).

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

Inputs	Funder outcomes
Our focused clinical improvement projects.	World-class healthcare for their members and their families. <span style="float: right;">○</span>
Access to quality of care data.	Improved safety, accurate records, reduction of medication-related errors and big data analytics to guide the most appropriate care. <span style="float: right;">○</span>
Collaboration on common objectives to achieve quality healthcare outcomes.	<div style="display: flex; align-items: center;"> <div style="background-color: #4a7c9c; color: white; padding: 5px; margin-right: 10px;">Digital</div> <div>                     Launched an electronic health code index to support accurate coding and assessment of cost per event comparisons. <span style="float: right;">●</span> </div> </div>
Appropriate utilisation and cost containment achieved through consistency of care.	Improved delivery of high-quality cost-effective care. <span style="float: right;">○</span> Minimised duplication of tests or diagnostic procedures which often occur in a fragmented system, especially in the referral from primary care to tertiary care. <span style="float: right;">○</span>

 **Funders:** PG 124.

**Digital transformation and data:** PG 146.

## Value outcomes continued

### Our people

An attractive employee value proposition bolsters our ability to attract and retain the specialised skills needed to meet our strategic priorities and drive our transition towards a digitally enabled business. It also drives an engaged workforce motivated to live the behaviours of *the Netcare Way*.

● Value created   ● Value will be created in future   ● Value preserved   ● Value eroded

Inputs	Employee outcomes		
<p>A caring and values-based culture that meaningfully encourages, recognises and rewards outstanding contributions to the business.</p> <p>Career advancement and other opportunities to improve professional development.</p> <p>Change management programmes that upskill to digitally enabled ways of working.</p> <div style="border: 1px solid #ccc; padding: 5px; margin-top: 10px;"> <p><b>R7 570 million</b> paid as salaries to our skilled employees (FY2020: R7 254 million)</p> </div>	<b>15.9%</b>	Employee turnover (FY2020: 13.9%).	●
	<b>79.7%</b>	Black representation in the workforce (FY2020: 79.0%) with 64.4% of the workforce being black women (FY2020: 64.2%).	●
	<b>81.2%</b>	Women representation in workforce (FY2020: 81.6%).	●
	<b>43.3%</b>	Black representation at senior management level (FY2020: 41.9%).	●
	<b>8</b>	Employee grievances reported and resolved (FY2020: 6).	●
	<b>4</b>	Alleged incidents of discrimination reported (FY2020: 13). All reports were investigated and, where required, action plans were implemented. All have been investigated and resolved.	●
	<b>Digital</b>	Improved nursing models in intensive care and high care units and wards.	●
		Reduced administrative burden on clinical staff.	●
	<b>Unions</b>	Current feedback indicates that CareOn is well-received by employees who report that it enables higher quality patient care, is easy to use and enhances efficiency.	●
		Successfully concluded the 2021/22 wage negotiations with three out of four unions. A wage dispute remains unresolved with the remaining trade union, as we remain steadfast in our commitment to deliver fair and sustainable terms for all our employees.	●
<b>12 731</b>		Employees trained despite COVID-19 restrictions (SDP2020 <sup>1</sup> : 15 276); however, progress is required to achieve higher B-BBEE skills development points.	●
<b>93</b>	Future supervisors, managers and leaders participated in a development programme (SDP2020: 387). Programmes were impacted by COVID-19 restrictions, which has meant that some participants will only complete their programmes in SDP2022.	●	

## Our people continued

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

Inputs	Employee outcomes		
<p>A safe clinical environment supported by comprehensive employee wellness programmes.</p> <p>Our transparent and proactive relationships with employee representatives.</p>	3 730	<p>Employees attended CareOn sessions to date, building their resilience and emotional intelligence and ability to communicate empathetically and work as a team.</p>	●
	91%	<p>Percentage of skills spend on black employees (SDP2020: 92%). 82% of training spend was invested in training black women (SDP2020: 83%).</p>	◉
<p style="text-align: center; font-weight: bold; font-size: 1.2em;">R49 million</p> <p>invested to develop employees and healthcare practitioners, prepare for digitisation and instil a caring, values-driven culture – the <b>Netcare Way</b></p> <p>(SDP2020: R66 million)</p>	COVID-19	<p>Introduced a special psychosocial support initiative, providing frontline workers with a comprehensive care programme.</p>	●
	11.1%	<p>The annualised individual ICAS<sup>2</sup> usage of core services compared to 10.6% across all ICAS client companies (FY2020: 12.8%).</p>	●
	126	<p>Wellness training webinars delivered, reaching 963 employees (FY2020: 103).</p>	●

1. Calculated for the skills period 1 April 2020 to 31 March 2021 as per the Health and Welfare SETA measurement year (SDP).  
 2. Independent Counselling and Advisory Services (ICAS).

 **Our people:** PG 138.

 **ESG report.**



## Value outcomes continued

### Suppliers

Strong relationships within our supplier base, including local suppliers, ensure a consistent supply of products and services that most cost effectively meet our demand and quality requirements. We strive to partner with suppliers who support our objective to deliver the highest quality person-centred health and care most efficiently.

● Value created  
 ○ Value will be created in future  
 ◉ Value preserved  
 ● Value eroded

Inputs	Supplier outcomes	
Fair and transparent tender and review processes and negotiated contractual terms that support supplier businesses.  Preferential procurement practices and ESD initiatives aimed at advancing black businesses.	<b>R12.3 billion</b>	Total procurement spend (FY2020: R11.7 billion). <span style="float: right; color: green;">●</span>
	<b>108%</b>	Of our procurement spend that was measurable under the dtic Codes was with B-BBEE compliant suppliers, and totalled R12.3 billion (FY2020: 86%; dtic target: 80%). <span style="float: right; color: green;">●</span>
	<b>R62 million</b>	Invested in our ESD programme (seed and growth capital and business development support), equating to 8.2% of NPAT (FY2020: R71 million, dtic Codes target: 3%). <span style="float: right; color: green;">●</span>

 **Suppliers:** PG 126.  
**Transformation:** PG 130.

 **ESG report.**

## Society

Our sector and business association memberships provide an additional platform to engage with regulators to advocate for an enabling policy environment and with government to collaborate on solutions that could effectively broaden access to quality healthcare. These relationships as well as our socioeconomic transformation and environmental initiatives protect our legitimacy and social licence to operate, and drive our contribution to an inclusive society, economy and labour market.

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

Inputs	Social and environmental outcomes	
Our ability to serve the needs of employed citizens (easing the burden on public healthcare providers).	<b>18 346<sup>1</sup></b>	People employed who contribute to the economies where they live and work and pay personal tax (FY2020: 19 214). The 4.5% decrease in headcount is mostly as a result of natural attrition, and only replacing critical and clinical positions. <span style="float: right;">◉</span>
We enhance national healthcare infrastructure.	<b>554</b>	Nurses and paramedics who are not Netcare employees trained, supporting their employability and helping to address some of SA's healthcare skills shortage (FY2020: 667). <span style="float: right;">●</span>
We train healthcare workers.	<b>R618 million</b>	Taxes paid to government (FY2020: R601 million). <span style="float: right;">●</span>
Our collaboration with government and business associations to find solutions that broaden access to quality healthcare in SA.	<b>Access</b>	NetcarePlus reaches under-served healthcare markets, promoting inclusive quality private healthcare services. <span style="float: right;">○</span>
	<b>R1 million</b>	Distributed to beneficiaries through the B-BBEE Health Partners For Life trusts <sup>2</sup> (FY2020: R11 million). <span style="float: right;">●</span>
Our initiatives to progress the participation of black people in the economy and create jobs.	<b>50%</b>	Black representation of doctors with admission privileges (FY2020: 48%). <span style="float: right;">●</span>
	<b>417</b>	Learners gainfully employed after successfully completing their YES learnership or internship (FY2020: 235). 70% are permanently employed at Netcare. <span style="float: right;">●</span>
<b>R31 million</b> invested in CSI initiatives (FY2020: R45 million; including disaster management)	<b>94%</b>	Of CSI beneficiaries were black people (FY2020: 93%). <span style="float: right;">●</span>
	<b>R5 million</b>	Of our CSI spend invested in entities that train and develop doctors (FY2020: R6 million). <span style="float: right;">◉</span>
	<b>&gt; 14 500</b>	Rape survivors treated free of charge by our Sexual Assault Crisis Centres since 2000. Netcare sexual assault services have been in place for 25 years. <span style="float: right;">●</span>
	<b>698</b>	Babies fed with donor breastmilk (FY2020: 688). <span style="float: right;">●</span>
	<b>31 586</b>	Learners across SA received school shoes made from our recycled PVC waste. <span style="float: right;">●</span>

1. Excludes National Renal Care.

2. Trusts were established to empower our people, designated groups and communities. They are linked to our share price performance, ensuring that beneficiaries benefit when we perform well.



## Value outcomes continued

## Society continued

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

Inputs	Social and environmental outcomes	
<p><b>R550 million</b> invested in environmental sustainability since FY2013.</p> <p><b>0.95 million</b> gigajoules (GJ) of electricity consumed from the grid (FY2020: 0.96 million GJ)</p> <p><b>16</b> gigawatt hours (GWh) of renewable energy sourced (FY2020: 13 GWh)</p> <p><b>1.9 million</b> kilolitres (kl) of water consumed (FY2020: 1.9 million kl)</p>	<p><b>28%</b></p> <p><b>12%</b></p> <p><b>9 406 tonnes</b></p> <p><b>306 304 tCO<sub>2</sub>e</b></p>	<p>Reduction in our Group energy intensity footprint since 2013. In monitored acute hospitals, electricity used per bed has decreased 19% from the 2013 baseline of 24 457 kilowatt hours per bed, the equivalent of taking 2 147 beds (or 23% of our bed base) off the grid. ●</p> <p>Reduction in water consumed against the 2015 baseline<sup>1</sup> of 2 148 554 kilolitres. ●</p> <p>Waste generated, 8% less than FY2020, with 129 tonnes of HCRW incinerated, preventing public and employee health risks (FY2020: 10 238 tonnes of waste generated and 141 tonnes of HCRW incinerated). ●</p> <p>Across Scopes 1, 2 and 3 emissions (FY2020: 272 920 tCO<sub>2</sub>e). The increase is due to the changes that we have made to protect our patients and healthcare workers from COVID-19. Scope 1 and Scope 2 emissions only increased by 3%. ●</p>

1. FY2015 is used as the baseline for water measure as this was when water meters and other water initiatives were started.

 **Society:** PG 128.  
 **Environmental sustainability:** PG 160.

 **ESG report.**

## Investors

A strong balance sheet able to support business continuity and growth, and a credit rating of AA- long term (compared to A+ in 2018) and A1+ short term by Global Credit Ratings Co.

● Value created   ○ Value will be created in future   ◉ Value preserved   ● Value eroded

### Inputs

A defined framework for optimal capital structure, disciplined capital allocation and granular measurement of returns.

Access to an experienced Board and leadership team.

Our solid track record of operational excellence over time.

**R10 589 million**

equity capital from shareholders

(FY2020: 9 799 million)

Net debt of

**R5 331 million**

(FY2020: 6 423 million)

**R1.0 billion**

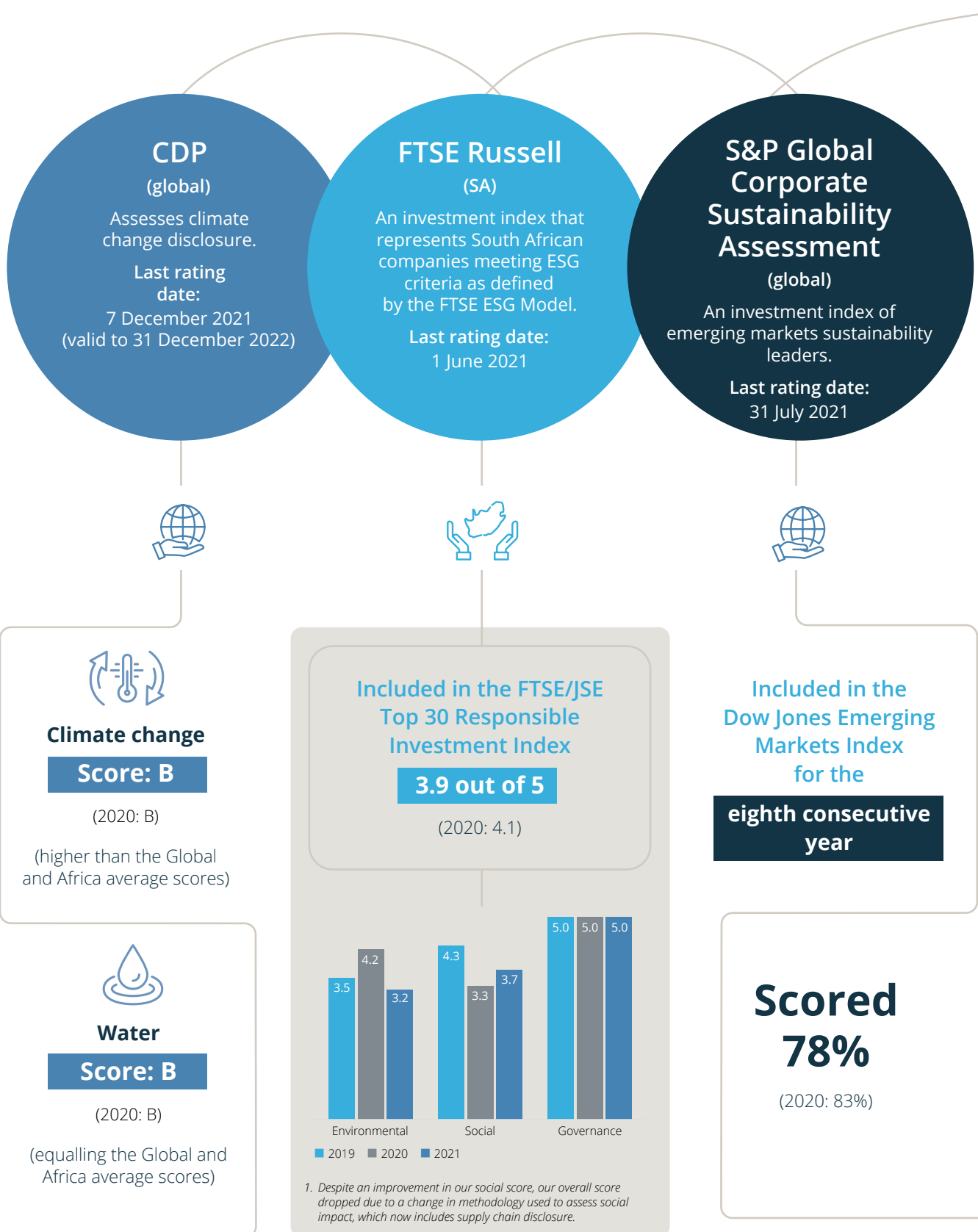
raised from the issue of South Africa's first green bond

### Investor outcomes

<b>R531 million</b>	Distributed to providers of capital (FY2020: R1 537 million).	◉
<b>107%</b>	Increase in adjusted HEPS to 67.4 cents (FY2020: 32.5 cents).	●
<b>R23 312 million</b>	Market capitalisation (FY2020: R18 592 million).	●
<b>Digital</b>	Digitisation of the entire Netcare ecosystem and benefits from data driven initiatives.	○

 Chief Financial Officer's review: PG 170.

# ESG rating performance



**MSCI ESG Research Inc.**  
(global)

Provides ESG data, reports and ratings based on published methodologies.

Last rating date: 1 December 2020

**Institutional Shareholder Services**  
(global)

Provides investors with in-depth insight to incorporate sustainability in their investment decisions.

Last rating date: 15 July 2021



**UN Sustainable Development Goals**

Our environmental sustainability strategy to FY2030 and other strategic initiatives contribute to the SDGs listed above.



**Achieved 'AA' rating, the second highest award by MSCI ESG**

We have maintained an AA rating in this six-point scale for five years, marking us as a leader in our sector.



**Achieved B- rating with a performance score of 68.65 and a very high transparency level**

We endeavour to achieve a B+ rating for 2022 through improved sustainability reporting.



Absolute Rating

D-	D	D+	C-	C	C+	B-	B	B+	A-	A	A+
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**Accolades**

In 2020, we were the only hospital group globally to be awarded gold in all four categories of the 2020 Health Care Climate Challenge Awards by Global Green and Healthy Hospitals (GGHH). The categories are climate resilience, climate leadership, climate mitigation (greenhouse gas reduction) and climate mitigation (renewable energy). In 2019, we were awarded three golds and a silver for renewable energy. The GGHH network has over 1 500 members in 74 countries who represent the interests of over 43 000 hospitals and health centres. The network promotes healthcare without harm.



**Race to ZERO EMISSIONS 2050**

An ambitious global partnership of forward-thinking organisations aiming to achieve zero emissions in their operations by 2050.

We have committed to the UN's Race to Zero 2050 challenge, aiming to achieve zero emissions by FY2050. We are the first organisation in Africa's private healthcare sector to do so. We have set ambitious objectives to reach zero Scope 2 emissions, zero waste to landfill and reduce water consumption by 20% by FY2030. As part of our participation in the challenge, we will contribute to the global body of data by submitting annual reports on our progress towards zero emissions. The global body of data will help to build further crucial scientific evidence to grow international understanding of how emissions influence climate change.



# Remuneration overview

We strongly believe that our passionate people are the cornerstone of our sustainable business growth and success. Accordingly, our remuneration policy is designed to create a strong performance culture and drive the delivery of our person-centred health and care strategy that is digitally enabled and data driven.

## Remuneration policy summary

In addition to adhering to good governance principles and best practice, the remuneration policy is designed to attract, retain, motivate and reward our employees and executives fairly and responsibly for exceptional performance, and to maximise value for stakeholders. The policy thus strives to achieve a fair balance between competitive structured package, short-term incentives (STIs), long-term incentives (LTIs) and retention schemes. The policy also includes malus and clawback clauses to mitigate the risk of adverse events that could materially harm the company and its stakeholders.


Should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2022 annual general meeting, the Remuneration Committee undertakes to fully understand reasons for dissenting votes and address legitimate and reasonable objections raised.

## Remuneration policy objectives

<b>Attract, retain and grow</b>	Recruit, retain and grow high-quality employees to achieve Netcare's strategic priorities.
<b>Reward</b>	Ensure that all employees are recognised and rewarded for their performance in a fair, equitable and consistent manner.
<b>Competitive remuneration</b>	Ensure that remuneration and benefits provided are competitive within the healthcare industry.
<b>Financial wellbeing</b>	Recognise the basic needs of employees and ensure that compensation levels consistently address the cost of living and inflation.
<b>Set goals</b>	Reward employees for achieving predetermined business and personal performance targets, and ensure that remuneration is aligned to documented performance targets.
<b>Sustainability</b>	Ensure that employee costs are within budget as determined by the Executive Committee and approved by the Board, and are thereby sustainable.



The Remuneration Committee (the committee) reviewed the company's remuneration policy, undertaking key activities, engaging extensively with stakeholders and making the following decisions:

Focus	Key activities and decisions												
<p><b>Remuneration for executive and non-executive directors</b></p>	<p>Engaged PriceWaterhouseCoopers (PwC) to conduct an independent benchmarking exercise of the executive and non-executive director remuneration practices. The benchmark results for non-executive directors confirm broad alignment with market peers and that the annual guaranteed package of the CEO and the CFO compare well to the market, although their total rewards inclusive of STI and LTI were lower than the benchmarks. The outcome informed the proposed non-executive director adjustments for FY2022 and the new Single Incentive Plan, which will align the executive directors' total rewards with the median of comparator groups.</p>												
<p><b>Short-term incentives</b></p>	<p>Reviewed and approved the executive balanced scorecard which identifies performance parameters and areas of focus for the year.</p> <p>Approved the STIs for management based on the attainment of the performance parameters set out on pages 102 to 103.</p>												
<p><b>Long-term incentives</b></p>	<ul style="list-style-type: none"> <li>Reviewed the performance conditions for the second performance tranche of Forfeitable Share Plan (FSP) 3 due to vest on 1 December 2021. The performance conditions are:                             <ul style="list-style-type: none"> <li><b>Performance condition 1:</b> average compound annual growth rate of HEPS of the operations of at least consumer price index (CPI) plus 4%; and</li> <li><b>Performance condition 2:</b> average return on capital employed (ROCE) of at least weighted average cost of capital (WACC) plus 6% calculated over the relevant performance period.</li> </ul> </li> <li>Our financial performance for FY2020 and FY2021 was affected by COVID-19 related disruptions to our operations, resulting in the failure to meet the second performance tranche of FSP 3. As a result, these awards, due on 1 December 2021, lapsed.</li> <li>Recognising the inherent difficulties in setting stretching yet realistic and achievable targets as a result of the unfolding global pandemic, the committee resolved not to progress with the implementation of FSP 4 approved by shareholders in FY2019.</li> <li>The committee instead approved and recommended for approval by the Netcare Board the principles of the Single Incentive Plan and Deferred Share Plan. The full details of the Single Incentive Plan and Deferred Share Plan are provided in the full remuneration report online.</li> <li>The committee also reviewed the minimum shareholding requirements for executives and malus and clawback provisions.</li> </ul> <table border="1" data-bbox="442 1391 1447 1570"> <thead> <tr> <th data-bbox="442 1391 905 1462">Executive leadership</th> <th data-bbox="905 1391 1219 1462">Minimum shareholding requirement</th> <th data-bbox="1219 1391 1447 1462">Previous policy requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="442 1462 905 1503">CEO</td> <td data-bbox="905 1462 1219 1503">200% of CTC<sup>1</sup></td> <td data-bbox="1219 1462 1447 1503">250% of CTC</td> </tr> <tr> <td data-bbox="442 1503 905 1536">CFO</td> <td data-bbox="905 1503 1219 1536">150% of CTC</td> <td data-bbox="1219 1503 1447 1536">200% of CTC</td> </tr> <tr> <td data-bbox="442 1536 905 1570">Other members of the Executive Committee</td> <td data-bbox="905 1536 1219 1570">100% of CTC</td> <td data-bbox="1219 1536 1447 1570">150% of CTC</td> </tr> </tbody> </table> <p data-bbox="442 1581 612 1603"><sup>1.</sup> Cost to company (CTC).</p>	Executive leadership	Minimum shareholding requirement	Previous policy requirements	CEO	200% of CTC <sup>1</sup>	250% of CTC	CFO	150% of CTC	200% of CTC	Other members of the Executive Committee	100% of CTC	150% of CTC
Executive leadership	Minimum shareholding requirement	Previous policy requirements											
CEO	200% of CTC <sup>1</sup>	250% of CTC											
CFO	150% of CTC	200% of CTC											
Other members of the Executive Committee	100% of CTC	150% of CTC											
<p><b>Annual salary increases</b></p>	<p>Approved annual salary increases, which are linked to CPI, with executives receiving a 3.3% increase in March 2021.</p> <p>The committee approved higher salary increases for two members of the Executive Committee to bring their salaries in alignment with internal and external benchmarks.</p> <p>Salary increases at non-management levels were at a higher percentage rate.</p>												
<p><b>Feedback on salary negotiations</b></p>	<p>Successfully concluded the FY2020/21 wage negotiations with three of the four recognised trade unions, and have yet to reach agreement with the remaining trade union.</p>												
<p><b>Shareholder voting</b></p>	<p>At the AGM held in February 2021, 89.8% of shareholders voted in favour of our remuneration policy and 95.4% voted in favour of our implementation report.</p> <p> <b>Read more about our remuneration policy and implementation report in the shareholder report.</b></p>												

## Remuneration overview continued

### Remuneration philosophy

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

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

### Executive remuneration structure

Executives are remunerated for achieving financial and non-financial strategic objectives. The performance of executives is measured using a balanced scorecard; this also takes into account how the executives embody our values and model behaviours that promote value creation.

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

Employment contracts for executives and senior management do not provide for payment of LTIs in the event of employment fault termination. Only the CEO has a restraint of trade of six months and Executive Committee members have a three-month notice period.

The remuneration packages for executive directors, prescribed officers and senior executives for the year ended 30 September 2021 comprised a guaranteed package, STIs and LTIs.

### Structured package (fixed remuneration)

#### Objective

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

#### Basis for determination

Guaranteed pay includes salary and employee benefits. It is determined based on the complexity of the role, market value, and the ongoing review of the employee's personal performance and contribution to Netcare's overall performance and values.

Guaranteed remuneration is reviewed annually and increases take effect in March. Annual increases consider factors such as prevailing economic conditions, inflation, Group performance and affordability, change in responsibilities, internal and external benchmarks, and average salary increases.

#### Delivery

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

### Short-term incentives (variable)

#### Objective

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

#### Eligibility

Executive directors, prescribed officers, senior executives and managers.

### Basis of determination for FY2021

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

### STI formula

$$\text{Bonus paid if targets met} = \text{Annual structured package} \times \text{Potential eligibility (\%)} \times \text{Weighted average of balanced scorecard}$$

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

### Balanced scorecard

The balanced scorecard incorporates Group-based, divisional, and individual key performance metrics. A weighting linked to Group-based targets ensures alignment among team members with the Group’s strategic priorities and key focus areas.

The Executive Committee scorecard carries a weighting of 40% based on Group-based targets, with the remaining 60% focusing on divisional and individual responsibilities.

A broad range of specific strategic and operational targets of a financial and non-financial nature are included in the individual, divisional and Executive Committee balanced scorecards. These targets are aligned to the Group’s strategic priorities and drive the achievement of sustainable growth and long-term value creation. Weighting and targets vary between executives depending on their function.

### Looking forward to FY2022

For FY2022 onwards, the Remuneration Committee has considered and approved the implementation of the Single Incentive Plan and the associated Deferred Share Plan to replace the current STIs and LTIs (or FSP), as the primary incentive remuneration structure for executives and senior management.

The Single Incentive Plan addresses the following issues:

- FSP performance conditions which are difficult to set for three- to five-year periods, especially in the current uncertain environment, undermining the original intention and value proposition;
- Retention concerns following potential non-vesting due to COVID-19 while staying true to the Group and investor requirements of ‘pay for performance’; and
- Addressing the current remuneration deficit from the delay in awarding FSP 4.

### The Single Incentive Plan (variable)

#### Objective

- Align with shareholder interests and other important stakeholder objectives;
- Provide a competitive value proposition for loyal high-performing employees and building wealth for them over the longer term;
- Achieve simplification and consistency across the organisation to enhance understanding and administration; and
- Develop performance criteria that are agile and customised to drive the required business outcomes and performance on an annually reviewed basis, balanced across financial and non-financial performance.

#### Basis of determination

The annual Single Incentive Plan will be based on an on-target % of annual CTC, based on the role of the participant, multiplied by an annual performance multiplier.

The performance multiplier will range from 0% if none of the threshold levels are achieved to 100% for on-target performance and up to 150% for stretch performance.

The annual value of the performance multiplier will be determined based on Group, Managing Director (MD), divisional and personal scorecards. This will be determined by an appropriate weighting of the scorecards for different roles, aligning them with the performance of the relevant entity while retaining a minimum level of exposure to Group outcomes for all participants to avoid ‘silo’ behaviour.

The balanced scorecard split is as follows:

CEO	▶	Group scorecard <b>100%</b>
CFO	▶	Group scorecard <b>80%</b> and divisional scorecard <b>20%</b>
Executives	▶	Group scorecard <b>60%</b> and divisional scorecard <b>40%</b>

In line with rules governing the existing balanced scorecard management tool, a score of 60% is required at divisional and/or personal and business unit levels to qualify for an incentive.

## Remuneration overview continued

### Performance parameters to 30 September 2022 and the medium term

The overall weighting of the Group scorecard for FY2022 comprises 60% financial and 40% non-financial strategic targets in line with emerging practice for single incentive plans. In terms of non-financial categories, these have been split equally between consistency of care, digitisation, transformation, and environmental sustainability, each making up 10% of the total 40% allocated to non-financial metrics.

The committee has approved both the financial and non-financial strategic targets for FY2022 which it deems to be appropriate and sufficiently stretching. The financial targets and actual results will be disclosed in detail in the FY2022 remuneration report on an ex-post basis.

	Area	Measure	Weighting	Threshold	On-target	Outperform
Financial targets 60%	Financial results	EBITDA margin	15%	Target - 0.5%	Budget	Target + 0.5%
		Adjusted HEPS	15%	90% of target	Budget	110% of target
		ROIC	15%	Target - 1%	Budget	WACC
		Cash conversion	15%	90.0%	100.0%	110.0%
Non-financial strategic targets 40%	Consistency of care 10%	<b>CARE4YOU compassion programme</b> # hospitals rolled out by September 2022	5%	30	53	53 by July 2022
		Improved levels of compassion displayed by nurses as a result of the programme <sup>∞</sup>		Improvement against baseline	Improvement against threshold	Improvement against threshold
	Digitisation <sup>^</sup> 10%	<b>CareOn electronic medical records</b> # hospitals rolled out by September 2022	5%	15	20	21
		<b>CareOn adoption by clinicians</b> Adoption of eScripts	2.5%	50%	70%	80%
		Adoption of clinical orders	2.5%	50%	70%	80%
	Environmental sustainability* 10%	<b>Environmental indicators</b> Reduction in carbon emissions through the implementation of energy efficient projects	5%	1 200 tCO <sub>2</sub> e additional year-on-year (YoY) savings	1 400 tCO <sub>2</sub> e additional YoY savings	1 500 tCO <sub>2</sub> e additional YoY savings
		Reduction in water utilisation through recycling/efficiency projects	3%	19 900kl additional YoY saving	21 900kl additional YoY saving	22 300kl additional YoY saving
		Reduction in waste to landfill percentage in pilot projects	2%	60% of general waste	75% of general waste	Achieve target and add four new hospitals on the pilot project and improve their diversion to landfill by 20% from FY2021 baseline
	Transformation 10%	<b>Board and management race and gender diversity</b> Percentage of the points available for the management control pillar of the B-BBEE scorecard.	5%	60%	64%	68%
		<b>Inclusion of emerging micro enterprises, qualifying small enterprises and black-owned enterprises</b> Percentage of the points available for preferential procurement in the B-BBEE scorecard.	3%	75%	80%	85%
		<b>Diversity and culture</b> # sites engagement, diversity and inclusion survey rolled out to by September 2022	2%	50%	100%	100% by July 2022

<sup>∞</sup> Percentage improvements to be determined by end of December 2021.

<sup>^</sup> The digitisation initiative is key to the overarching strategy of the Group. The implementation of the project will be measured in the non-financial metrics in FY2022 and FY2023. Following successful implementation, the digitisation projects are expected to be earnings accretive from FY2024 and this is reflected in the proposed financial targets for the medium term as shown in the table on the next page.

\* The sustainability targets are project specific.

As a transitional measure, growth in ROIC and cash conversion will be measured over one year in FY2022 and two years in FY2023, and a trailing three-year period from FY2024 onwards.

Targeted EBITDA margin in the medium term is based on a return to levels of pre-pandemic profitability.

We expect improvement in the underlying financial performance in FY2023 and beyond, and remain focused on investing in capital expenditure for future opportunities. This will translate into increased target ranges for the medium term as set out in the table below.

Measure	Target ranges
EBITDA margin	FY2022 + (2.5% to +4%)
Adjusted HEPS	CPI + GDP + (5% to +10%)
ROIC	WACC + (2% to +4%)
Cash conversion	90% to 110%

### Delivery

The Single Incentive Plan will be settled as follows for executive directors and prescribed officers:

- In cash and deferred shares. The cash portion will be settled annually in December of each year.
- The balance, in Deferred Share Awards, vest at 20% per annum over five years for the members of the Executive Committee.

The determination of the pro-forma value for the annual single incentive, will be as follows:

- Single incentive = annual CTC x on-target % x performance multiplier.
- Cash incentive = single incentive x cash percentage.
- Deferred share award = (single incentive x deferred percentage) + any approved retention award.

While this formulaic determination will provide the quantum of eligibility each year, the Remuneration Committee will apply its discretion to determine the final award.

Executive leadership	Incentive %	Cash %	
CEO	200%	20%	Balance in deferred shares (over five years)
CFO and MD: Hospital division	165%	20%	Balance in deferred shares (over five years)
Executive Committee	125%	20%	Balance in deferred shares (over five years)

### Fair and responsible employee remuneration

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

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

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

- Our minimum wage is 44% above the legislated national minimum wage.
- We offer above CPI annual salary increments for our employees at the lower end of the pay scale compared to the CPI-linked salary increments for executive directors, prescribed officers and senior executives.
- Employees at non-managerial levels are remunerated based on their structured package plus benefits. The benefits include employer contributions to retirement fund, medical aid membership, Group life cover, funeral cover, as well as disability benefits.
- Permanent employees at non-managerial level receive a guaranteed 13th cheque at 31 December for each completed 12-month period worked. This is paid to employees in service on 31 December of each year.
- All employees below the executive level were allocated 3 000 Netcare shares each in October 2019 as part of Netcare's B-BBEE Employee Share Ownership Scheme.



## Remuneration overview continued

- We offer enhanced maternity and parental leave benefits compared to those prescribed in the Basic Conditions of Employment Act. We offer our employees a four-month paid maternity leave benefit at 33% of structured package and also allow an option of a fifth month without pay. This benefit compares favourably to the Act's legislated four-months unpaid maternity benefit.
- We offer 10 days of paid parental leave compared to the legislated 10 days unpaid parental leave.
- We offer uniforms to our staff at no cost to them with uniform allocation made every 18 months.
- We offer subsidised meals to employees while on duty.

### Implementing our remuneration policy




During FY2021, the increases to the annual guaranteed packages of executive directors, prescribed officers and senior executives were linked to CPI, and above CPI salary increases were awarded for employees below executive level. This principle will also be applied in FY2022.

### Balanced scorecard





In addition to EBITDA and EBITDA margin, the achievement of Netcare's strategic priorities accounted for 40% of executive directors, prescribed officers and senior executives' balanced scorecards as set out below. The scorecard implemented was robust and included both financial and non-financial targets. An overall performance score of 60% was achieved on the Group and divisional balanced scorecards, meeting the criteria for payment of the STI.

Non-financial aspects for FY2021 covered digitisation projects, transformation initiatives, clinical outcomes and key business development projects, with all related targets having been substantively achieved. Our achieved financial targets are extracted or calculated from the audited financial statements, and the B-BBEE performance targets are externally verified by Empowerdex.

● Target met    ◉ Target partially met    ● Target not met

<b>Financial</b> 	EBITDA	Actual: R3 193 million Target: R3 671million	●
<b>Consistency of Care</b> 	Implement patient communication platform.	Target not met Disrupted by COVID-19.	●
	Design and implement the revised patient feedback survey.	Target not met Disrupted by COVID-19.	●
	Specialised surgical formulary compliance.	Target partially met Disrupted by COVID-19.	◉
	Implement comprehensive, digital OHS programme.	Target met	●
<b>Disruptive innovation</b> 	Hospital division – achieve the rollout milestones for CareOn EMR.	Target met	●
	Akeso Clinics – achieve EMR development milestones.	Target met	●
	National Renal Care – achieve EMR development and rollout milestones.	Target met	●
	Medicross – achieve EMR milestones.	Target not met Disrupted by COVID-19.	●
	Data analytics and platform – completion of specified project use cases.	Target partially met Disrupted by COVID-19.	◉

● Target met ○ Target partially met ● Target not met

<b>Transformation of society</b> 	Maintain the B-BBEE ownership at FY2020 score.	Target met and exceeded	●
	Improve inclusion of >51% black-owned enterprises and >30% black women-owned enterprises in Netcare's supply chain.	Target met and exceeded	●
	Invest 1% of NPAT on enterprise development and 2% of NPAT on supplier development.	Target met	●
	Invest 1% of NPAT on CSI initiatives.	Target met and exceeded	●
	Improve skills development rating on the B-BBEE scorecard.	Target met and exceeded	●
<b>Organic growth</b> 	Attract 60 new doctors.	Target met	●
	Secure additional hospital inclusion on designated service provider networks.	Target met	●
<b>Integration</b> 	Develop integrated Group-wide marketing approach, communication strategy and stakeholder strategy.	Target met	●
	Achieve targeted doctor participation on <b>appointmed™</b> .	Target met	●
	Develop a comprehensive customer engagement model.	Target not met Disrupted by COVID-19.	●
<b>Investment</b> 	Complete build of Akeso Richards Bay Clinic	Target met	●
	ROIC	Target not met	●
	Net debt to EBITDA	Target not met Achievement impacted by COVID-19.	●
	EBITDA/net interest (times)	Target partially met Achievement impacted by COVID-19.	○
	Cash conversion	Target met	●
<b>Environmental sustainability</b> 	Digitise healthcare risk waste management processes and governance.	Target met	●
	Develop new 10-year strategy for environmental sustainability to FY2030.	Target met	●

## Remuneration overview continued

### Executive remuneration

The table below summarises executive remuneration for FY2021.

R'000	Guaranteed package	Bonuses	Total
<b>Executive directors</b>			
RH Friedland	10 604	3 000	13 604
KN Gibson	5 510	2 000	7 510
<b>Prescribed officers</b>			
T Akaloo	3 739	1 000	4 739
J du Plessis	5 008	1 700	6 708
C Grindell	3 520	1 400	4 920
S Mhlongo*	1 604	Zero	1 604
WN van der Merwe	4 218	1 200	5 418

\* Resigned in March 2021.

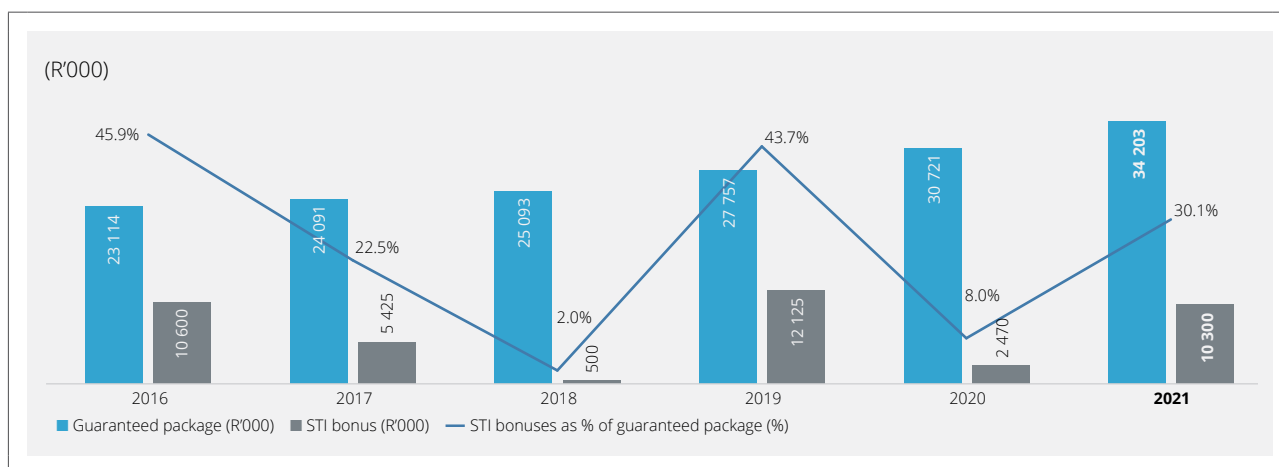
The table below summarises executive remuneration for FY2020.

R'000	Guaranteed package	Bonuses	Total
<b>Executive directors</b>			
RH Friedland	10 247	Zero <sup>1</sup>	10 247
KN Gibson	5 323	618	5 941
<b>Prescribed officers</b>			
J du Plessis	4 835	753	5 588
C Grindell	3 400	524	3 924
S Mhlongo	3 094	285	3 379
WN van der Merwe	3 822	289	4 111

1. The CEO chose to voluntarily forego any discretionary STI.

### Short-term incentives relative to annual guaranteed package

(Executive directors and prescribed officers)



The graph above illustrates the incentives awarded over a six-year period, including the incentives that were approved by the Remuneration Committee for FY2021 to be paid in December 2021.

### LTI vesting outcomes

Following the review of the performance conditions imposed in respect of FSP 3, the performance shares of FSP 3 tranche 2, due to vest on 1 December 2021 were forfeited as the performance parameters were not met.

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

The second tranche of retention awards of FSP 3, which have no performance conditions, were paid out in June 2021.

### Non-executive director remuneration

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

### Fees paid to non-executive directors

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

R'000	Board	Audit	Nom <sup>1</sup>	Risk	Rem <sup>2</sup>	S&E <sup>3</sup>	CoC <sup>4</sup>	Fin & Invest <sup>5</sup>	2021 total	2020 total
MR Bower	685	242		136	126			210	<b>1 399</b>	1 388
T Brewer	1 340		179	136	126	126		210	<b>2 117</b>	2 113
B Bulo	685	179		193			186		<b>1 243</b>	1 182
L Human	685		126	136			186		<b>1 133</b>	943
D Kneale	685	179	126		186				<b>1 176</b>	849
MJ Kuscus	685			136		126	235		<b>1 182</b>	1 178
K Moroka	685		126			179			<b>990</b>	990
<b>Total</b>	<b>5 450</b>	<b>600</b>	<b>557</b>	<b>737</b>	<b>438</b>	<b>431</b>	<b>607</b>	<b>420</b>	<b>9 240</b>	<b>8 643</b>

1. Nomination.

2. Remuneration.

3. Social and Ethics.

4. Consistency of Care.

5. Finance and Investment (operating committee).

# How we performed

## Social and relationship capital

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## Striving towards a One Netcare digital ecosystem

*A consolidated and purpose driven digital presence, leveraging our person-centred health and care strategy to provide YOU with the best and safest healthcare*





OUR BUSINESS

HOW WE CREATE VALUE

HOW WE RUN OUR BUSINESS

**HOW WE PERFORMED**

ADMINISTRATION





# Social and relationship capital

## Our patients

The quality of our care and the consistency with which we are able to deliver it, underpin our licence to operate. Netcare’s consistency of care strategy and related objectives are well established. They are designed to achieve consistently excellent clinical services so that we deliver on our promise to provide the best and safest person-centred health and care (of body and mind) to our patients. Over the past three years, we have

progressed the processes and mechanisms needed to measure our performance and ensure accountability for this strategy, both at a Group and service platform level.

### Ask Afrika Orange Index

Medicross was placed first in the 2021 Ask Afrika Orange Index® service excellence awards for its commitment to consistent quality of service delivery across its national network of medical and dental centres. This is the first time that Medicross has been presented with the award. Netcare was placed third.

### The pillars of our consistency of care strategy

We aim to fulfil the Netcare promise made to our patients in a consistently excellent manner

1	2	3	4	5
<b>Perception of care</b>	<b>Quality of care</b>	<b>Clinical efficiency</b>	<b>Clinical governance</b>	<b>#WeCare</b>
How our patients perceive the care they receive (includes doctor engagement, compassion-based training and measuring patient experience)	Our clinical performance as measured by our outcomes	Cost efficiency and our funder relationships	Clinical governance; safety, health, environmental sustainability and quality (SHEQ) management; and research	How we support the health and wellness of our workforce
PG 114	PG 116	PG 124	PG 120	PG 139

Supported by Group-level clinical and SHEQ teams with decentralised resources across our service platforms

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

Measured by accountability instruments at the Group and service platform levels

Towards the end of 2020, we added a fifth pillar to our consistency of care strategy – #WeCare – which reflects the fourth element of the **Quadruple Aim** and our focus on looking after the wellbeing of our clinical and non-clinical employees. Our initiatives are reported on page 139 of the Our people section.




Despite another difficult year, and two COVID-19 surges, the structures put in place in 2020 to manage the pandemic, gave us room this year to renew our focus on the strategic consistency of care activities that had been delayed during the first year of the pandemic. We first published our quality of care outcomes in 2019 with new measures added in both subsequent years. This year, our quality of care outcomes are reported separately in our online quality report.

During the year, we continued the Group-wide project to standardise and digitise SHEQ practices across all our service platforms to strengthen legal and operational compliance. We focused on three key areas, namely; occupational health and safety (OHS), integrated waste management and quality management systems. The SHEQ function is now well established and the digital processes are starting to enable data driven decision-making. Our focus now is to embed the more efficient operational

approaches that SafeCyte (the digital SHEQ platform) supports across the Group.

The British Standards Institution has recertified Netcare (excluding Akeso Clinics), awarding the Group ISO 9001:2015 accreditation for the third consecutive year. Akeso Clinics will be included in the ISO audit for the first time in FY2022.

**Associated risks and opportunities**

 <b>Economic environment and demand for private healthcare</b>	PG 65
 <b>COVID-19 pandemic</b>	PG 66
 <b>Delivering consistently outstanding person-centred health and care</b>	PG 67
 <b>Implementation of the digital and data strategies</b>	PG 68
 <b>Competitor activity</b>	PG 69
 <b>Availability and quality of skills</b>	PG 70

**Key takeaways for FY2021**

<p>COVID-19 and our focus on OHS will continue to ensure the care and safety of our patients and employees</p>	<p>Over the past year, we have made significant strides in improving the quality and safety of care we provide to our patients</p>	<p>During the July 2021 riots, our major incident plan, which is based on global best practice, ensured that the care we provided to patients in KwaZulu-Natal was not interrupted, including supplies of food, medicines, personal protective equipment (PPE), oxygen, fuel and additional security</p>
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## Social and relationship capital | Our patients continued

### Perception of care

Engaging with our patients and their loved ones in a meaningful, caring and understanding way, empowers them to be involved and partner with us on the patient's journey to health. We are dedicated to ongoing improvement in this care dimension.

Feedback from patients is critical in helping us assess how we are delivering against our promise to provide the best and safest care. Patient feedback should not only focus on operational aspects and complaints. Over the years we have received positive feedback from patients, indicating that it is just as important to enable patients to acknowledge those who care for them. As such we launched the gratitude card programme; patients are invited to join the platform upon admission, and are able to send as many gratitude cards as they want to whomever they want throughout their stay (see page 142).

#### How we engage with our patients



- Person-centred care teams in each hospital.
- An online patient satisfaction survey on our website and a post discharge email survey.
- A bespoke complaint management system, CareNet, including an online form with context-specific categories. The per-hospital complaint rate dashboard is refreshed every 30 minutes.
- A customer care team that operates a central contact centre, and manages direct contact with the hospital, regional or corporate offices, corporate website and social media platforms. All of these mechanisms interface with CareNet.
- Various digital initiatives that enhance patient experience and perception of care, including Netcare **appointmed**™.
- Patient focus groups and listening forums.

#### How electronic medical records (EMRs) will benefit our patients

Providing our patients with easy access to their health and care data (records and results) over their entire lifetime and covering all our service platforms, will empower them to take co-responsibility for their health and wellness and make informed decisions, supporting real participatory health.



### FY2021 performance

#### Compassionomics

- Ten employees from across our service platforms took part in the Applied Compassion Training course at Stanford University, enabling them to take on the role of ambassadors for compassion. Each participant designed a unique project which will be integrated into the compassion-based training programmes implemented in the Group.

#### Patient feedback survey

- Launched a new in-hospital patient feedback survey that has replaced the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS). The survey provides a better measure of what matters to our patients and is aligned to our values and the behaviors we seek to encourage in our people, and see reflected in the patient experience. Following a successful pilot, the independently validated tool has been implemented at all Netcare hospitals. Patients receive the survey link within 48 to 72 hours of discharge while the memory of their stay is still fresh in their minds.
- The number of patients who complete the survey has increased. Considering both quantitative scores and rich qualitative free-text responses, we can now use artificial intelligence (AI) to assess the key themes arising from patient feedback and use this insight to drive targeted improvement initiatives.
- Developed surveys to evaluate the oncology nurse navigation service, obtaining feedback from both patients and oncologists on their experiences of this unique service.
- An electronic customer satisfaction survey is being developed for Netcare Occupational Health with a paper-based version in place as an interim measure.

#### Patient engagement

- Launched the Family Connect line during the second COVID-19 surge, using contracted social workers at facility level to facilitate communication with the families and loved ones of admitted patients. Netcare **appointmed**™ acts as intermediary; ensuring that callers are registered as next of kin and then contacts the social worker at the hospital who facilitates the appropriate communication (see page 140).
- Hosted the first national virtual support group, in collaboration with CANSA, in June 2021 with a further two meetings held since then, continuing to provide support to cancer patients and their families despite COVID-19 restrictions.
- National Renal Care launched a patient-centred mobile application that assists patients to establish nephrologist-guided exercise programmes to manage chronic renal disease. It also provides them with access to our healthcare partners as well as information on a wide variety of wellness-related topics. From FY2022, patient EMRs will be uploaded onto the application to allow them to engage, participate and manage their dialysis treatment and progress.

### Digitising the person-centred health and care journey

<p><b>Netcare appointmed™</b></p> <p><b>Operational</b></p>  <p>A free telephonic service for patients and general practitioners (GPs) to make appointments with healthcare practitioners and specialists at Netcare hospitals, Akeso Clinics and Medicross medical and dental centres.</p>	<p><b>Digital pre-admissions</b></p> <p><b>Operational</b></p>  <p>Online hospital pre-admission for elective procedures before the day of admission. 39% of our medical and surgical admissions are pre-admissions.</p>	<p><b>Netcare 911 Locate Me</b></p> <p><b>Operational</b></p>  <p>Accessed through the Netcare mobile application, the service uses automated SMS geolocation to identify and auto-populate a caller's address, reducing call handling time and increasing accuracy of location.</p>
<p><b>Netcare VirtualCare (telehealth)</b></p> <p><b>Operational</b></p>  <p>A secure platform for virtual doctor consultations (video or telephonic). Patients do not need to download an app to use the service. The platform can host group telehealth sessions for up to 20 users, specifically developed for group therapy sessions.</p>	<p><b>CARE4YOU</b></p> <p><b>Roll out underway</b></p>  <p>Improves the levels of compassion with which patients are cared for and enables patients to express their gratitude to those who have cared for them (see page 142).</p>	<p><b>Patient feedback survey</b></p> <p><b>Operational</b></p>  <p>Collects patient feedback data to measure what matters to patients. This is used to inform our interventions to improve perception of care and treatment.</p>

## Social and relationship capital | Our patients continued

### Quality of care

Our outcomes are measured using a rigorous process aligned with international standards and in accordance with good data science practice. Local and international benchmarks are used when there is sufficient information and context for it to be considered a valid comparison. Our internal processes are overseen by Consistency of Care Committees at Board and service platform levels. The Clinical Data Council is responsible for coordinating the collection of all clinical data across all service platforms, ensuring that clinical data collection, reports and analysis align, and ensuring the accuracy and completeness of all datasets. The measurement of our clinical performance supports our objective to deliver consistently excellent care outcomes and demonstrates our value to patients and funders. In addition to the improved communication and engagement with patients, digitisation will have a profound impact on enhancing patient safety.



#### FY2021 performance

### 85 measures

published in our **quality of care report**  
 – 27 new measures and 10 measures  
 retired or updated  
 (FY2020: 68<sup>1</sup>)

### Netcare 911's response time

(median time in minutes from answering  
 a call to arriving on-scene) was

## 17.2

(FY2020: 16.4)

### 64%

of our **patient reported experience  
 measures (PREMs)** improved or remained  
 stable despite the physical barriers to  
 patient interaction needed to protect  
 people from COVID-19

### 69.2%

of patients **reported pain relief during  
 their transportation to hospital** as a  
 result of improved pain management  
 (FY2020: 64.4%).

1. Restated to reflect only the number of measures reported in the integrated report (excluding those on the website).

#### Quality of care reporting

- Enhanced our quality of care reporting on the Netcare website, including a quality overview specifically developed for investors. We are redesigning our quality of care webpage to cater for the clinical information needs of our diverse target audience. Looking forward, we will redefine how quality of care is reported, moving away from the staid governance approach to a more consumer friendly set of measures that are easily understood.
- Launched the Clinical Outcomes Index (COI) for senior leadership – an automated dashboard of clinical outcomes, updated monthly. It includes the measures we use internally at service platform level, those we publicly report and those we are contractually obliged to report to funders quarterly, benchmarked against the measures reported by our competitors. It also allows comparisons between Netcare hospitals. The first release covers the Hospital division's patient safety measures (infection prevention and control), clinical pharmacy and nursing. In FY2022, we will deliver the next COI release which will include antibiotic stewardship, sentinel adverse events and patient experience.





## FY2021 performance continued

### Quality measures

- Netcare 911 response time:** over the past two years, COVID-19 has negatively impacted Netcare 911's call-to-scene time. However, the average response time to Priority 1<sup>1</sup> cases is 15.3 minutes. Factors that have played a role in the overall slower response times include the need to acquire additional information from callers to protect response teams, time to don the appropriate PPE and vehicle availability, which during the third COVID-19 wave was also affected by long waiting times at hospitals. Our focus in the year ahead will be to adapt our protocols and procedures for the slower stages to decrease response time.
- Netcare 911 pain management:** education interventions and new medications have positively impacted our pain management score. This together with an increased number of ambulances crewed by advanced life support paramedics who are able to administer new analgesic medications, mean that this score is expected to increase in the coming months.
- Patient reported experience measures:** COVID-19 has resulted in far-reaching disruptions to our care delivery models and measures to prevent COVID-19 transmission in our facilities have impacted patient experience. In our PREM surveys, we ask patients if they feel they have been treated with courtesy and respect, been listened to and had things explained to them in an easy-to-understand way. In our hospitals, the PREM scores pertaining to our nurses increased, even when compared with pre-pandemic scores. We view this as a testament to the commitment of our nurses to providing the best care, even in these challenging times. The PREM scores for doctors remained stable in FY2021, a positive result given the pressures they have been dealing with. At Akeso Clinics, scores for nurses declined; the pressures relating to COVID-19 as well as increased activity levels and pressure caused by a higher employee turnover are more than likely playing a role. Programmes to address burnout are underway. Doctor scores remained high for Akeso Clinics and our therapist scores have been stable over the past two years. For Netcare Cancer Care, PREM scores remained high, with three improving, two remaining stable and only one deteriorating. National Renal Care's scores have dropped since FY2020. Across all our service platforms, patient feedback will be used to improve patient experience.
- Medicine:** the percentage of patients who received their first dose of antibiotics within one hour of prescription dropped from 88.0% in FY2020 to 82.6%, likely due to the impact of COVID-19 waves on hospital resources. In FY2021, we recorded reductions in the number of medicine-related incidents across the Hospital division, Akeso Clinics and Medicross. Some of the improvement in the Hospital division can be attributed to improved analysis by pharmacy teams on severity of incidents; however, it should be noted that with the focus on COVID-19, the tracking and monitoring of medication-related incidents was not maintained at the same levels as prior years. This is being addressed through team engagements.
- Antibiotic utilisation:** there is a direct correlation between the increase in antibiotic use across the Hospital division and COVID-19 surge periods, which has impacted this measure for FY2021. Global literature highlights the inappropriate use of broad spectrum antibiotics for the prevention of non-confirmed secondary bacterial infections in patients with COVID-19, a phenomena that we have also observed. To mitigate this risk in future surges, we have drafted and circulated a guideline for pharmacy teams on the appropriate use of antibiotics in COVID-19 cases. Our antibiotic prescription reviews indicate that antibiotic use remains stable. Vigilance and continual improvement will remain key focus areas.

1. Patients with severe life-threatening physical trauma.



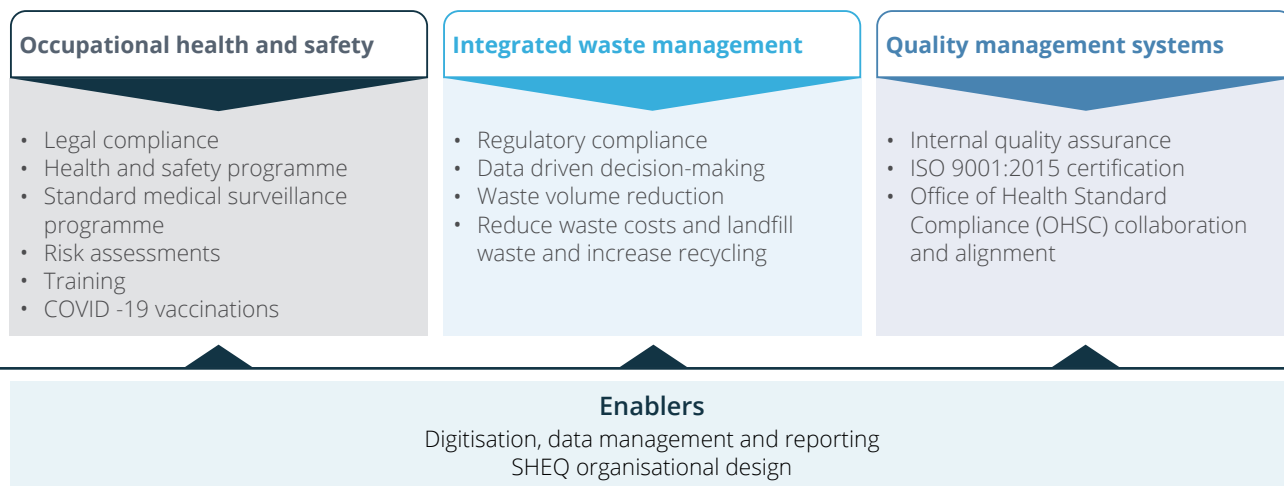
**Quality report** (for detailed disclosure).



## Social and relationship capital | Our patients continued

### Safety, health, environmental sustainability and quality management

All OHS activities have been digitised on SafeCyte (risk assessments, legal appointments, the functioning of our Health and Safety Committees and incident reporting) with electronic OHS records replacing paper-based records. The integrated waste management processes have also been digitised as well as waste plans for the Hospital division. We resumed our internal quality reviews (self-assessments) during FY2021, which were put on hold in FY2020 due to COVID-19.



#### FY2021 performance

##### Occupational health and safety

<p style="text-align: center;">Around <b>85%</b> <b>of our employees have been vaccinated</b> (vaccination is voluntary)</p>	<p style="text-align: center;">Provided <b>hospital treatment</b> <b>or suitable quarantine accommodation</b> for employees at our expense</p>
<p style="text-align: center;">Recorded <b>1 118 679 hours</b> of absenteeism (FY2020: 1 155 570 hours)</p>	<p style="text-align: center;"><b>4 726</b> workers compensation claims <b>have been submitted</b> to the Compensation for Occupational Injuries and Diseases Fund since the start of the pandemic, with 4 269 claims being from the Hospital division.</p>

- Reviewed the organisational structure to ensure the efficient and adequate resourcing of the SHEQ function. Four regional SHEQ managers have been appointed to assist with SHEQ strategy implementation and additional occupational health nurse practitioners are being appointed to execute the medical surveillance programme across service platforms.
- Provided mandatory OHS training to 1 351 employees between May 2021 and October 2021, who achieved a 99% pass rate. This excludes informal health and safety training provided online or by external service providers (around 200 employees trained). We also provided vaccination education and information to our employees and hosted pop-up vaccination sites at our facilities for ease of access for our staff and medical practitioners.
- Compliance to the Group's standardised agenda and standard operating procedures for OHS Committees was 84% overall, covering the Hospital division, Medicross and National Renal Care. Improvement plans are in place to reach our target of 90% compliance. OHS Committee performance assessments will be extended to Netcare 911 and Akeso Clinics in FY2022.
- Enhanced our employee incident and management reporting. This will help to identify incident trends and inform targeted improvement initiatives.



## FY2021 performance continued

- Implemented a SHEQ risk assessment methodology; compliance to the prescribed risk assessment methodology and implementation of controls was measured in the Hospital division, Medicross and National Renal Care. Targeted improvement plans are being implemented.
- We are developing a comprehensive occupational health plan for the Group, which will include a customised medical surveillance programme for each service platform based on workplace exposure risk. Programmes have already been developed for the Hospital division, Cancer Care and National Renal Care. The medical surveillance plan will be rolled out over three years, starting with high-risk clinical staff during the first year.
- 19% of employees who were assessed by our COVID-19 surveillance programme (baseline medicals), were deemed to be vulnerable and at higher risk for developing complications if they contract COVID-19. These employees are accommodated appropriately.
- Implemented digital tuberculosis screening and surveillance using SafeCyte, removing the manual screening of paper-based questionnaires to identify employees at risk.
- Netcare 911 appointed a full-time driving coach to conduct driving assessments and improve driver skill and awareness. Netcare 911 achieved a record low accident cost in FY2021.
- Provided transport and overnight accommodation for our employees in KwaZulu-Natal impacted by the July 2021 riots, and supplied staple foods for the families of those employees who were unable to source their own. Also at this time, nursing managers and unit managers were used in clinical areas to care for patients as well as employees sent from Gauteng to KwaZulu-Natal.

Employee incidents	Occupational disease (COVID-19)	Injuries on duty	Sharps and splash incidents
Hospital division	<b>2 861</b>	588	123
Akeso Clinics	<b>75</b>	10	0
Medicross	<b>83</b>	23	7
National Renal Care	<b>328</b>	2	5
<b>Total</b>	<b>3 347</b>	623	135

Reported for the period October 2020 to September 2021. Netcare 911 is still being onboarded to SafeCyte's employee incident reporting functionality.

### Integrated waste management

- Healthcare risk waste (HCRW) volumes increased significantly in FY2021 as a result of COVID-19, with associated cost increases. For the same reason, recycling volumes dropped to prevent the risk of cross-contamination. Addressing this will be a key focus for FY2022. A waste volume and cost dashboard has been developed to direct waste management improvement (reduce cost and increase recycling) while maintaining fastidious regulatory compliance. It will be used by Waste Officers at facility level. Our waste management initiatives are reported on page 167.

### Quality management systems

#### Internal quality assurance

- The Hospital division achieved an 89% compliance rate (49 facilities) in its internal quality review using our newly digitised tools, Medicross achieved 90% compliance (40 facilities) and National Renal Care achieved 96% compliance (102 facilities). The digitised internal quality review functionality will be rolled out to Akeso Clinics and Netcare 911 in FY2022. Peer reviews between our facilities (which provide more valuable insight) will be reinstated in FY2022, although this will depend on future COVID-19 surges.
- Standardised the processes and policies of a quality management system for Akeso Clinics. The auditing process to establish a baseline from which to develop improvement plans is underway.
- We are developing a plan to ensure that each new site acquired for Netcare Occupational Health is assessed against ISO 9001 so that intervention plans can be developed to achieve compliance across all sites in FY2022. Compliance with ISO 45001 is planned for FY2023.

#### External quality assurance

- The British Standards Institution's audits currently underway will provide us with ISO certification for a further three years to 2025 with interim annual surveillance audits to ensure compliance.
- In February 2021, the OHSC submitted draft copies of the private hospital inspection tools to the Hospital Association of South Africa (HASA) for comment. The OHSC will use these tools in its inspections of our facilities against the National Department of Health's (NDoH) Core Standards. OHSC will provide independent training to each hospital group in SA following which a pilot test of the tools will take place. Inspections are expected to start in the first half of 2022 and we are ensuring the readiness of our facilities.

## Social and relationship capital | Our patients continued

### Clinical governance

To promote good clinical governance, we have implemented a robust credentialing process<sup>1</sup> for all our independent contracted healthcare practitioners. This ensures that only persons who are qualified and registered to practice are providing clinical services to patients at Netcare. In addition to ensuring patient safety, this process mitigates against the risk of medico legal suits and reputational harm. It holds our healthcare practitioners accountable to the highest professional, ethical and legal standards.

A review will be undertaken annually to ensure that all healthcare practitioners comply with our requirements and submit the documentation that is renewable annually. Non-compliance will be managed by the Clinical Practice Committee. The credentialing process started in October 2021, and once the review of all agreements has been completed, a project will be launched to digitise the agreements.

1. Our relationships with healthcare practitioners are governed by multiple contractual agreements. Credentialing covers Health Professionals Council of South Africa (HPCSA) registrations, admitting and practising privileges, terms and conditions of clinical practice and indemnity insurance.



### FY2021 performance

#### Clinical governance framework

- Established an independent panel of experts in various fields of clinical medicine (representative of university affiliations and demographics) to provide clinical practice advisory services to the Clinical Practice Committee. The panel will also conduct peer reviews and make recommendations regarding evidence-based clinical guidelines, policies and protocols.
- Rolled out new terms of references for our Physician Advisory Boards (PABs) to ensure they function in a standardised manner. The PABs provide operational and clinical guidance to hospital management and doctors, and contribute to clinical governance decision-making at hospital level.
- Akeso Clinics is developing a clinical governance framework for psychiatrists and allied professionals at all its clinics. This will be supported by the Clinical Practice Forum.
- We are developing a centralised clinical governance system for Netcare Occupational Health. Audits have already been undertaken to identify opportunities to strengthen management and leadership at site level.
- Established a multi-disciplinary Clinical Research Collaborative tasked with developing datasets that can be used to analyse and interpret data. The collaborative works closely with the Clinical Data Council. A number of researches were published during the year as reported in the online quality report.





**Quality report** (for detailed disclosure).

# Doctor partnerships

We are proud to have as partners in healthcare delivery, a large and broad array of healthcare practitioners, with many exemplary qualifications and achievements. Clinicians are key partners in delivering to patients; they impact directly on patient experience, the cost of care and quality of care outcomes.

Engaging with them and partnering with them to deliver care is key to our ability to deliver on our promise and achieve organic growth. It is imperative that we understand their needs and what we must do to meet these needs and improve our value proposition to them. This year, providing our healthcare practitioners with support has been a key focus, given that the three COVID-19 surges have left many feeling burnt out and fatigued with physical, emotional and mental strain.

Doctor behaviour and adoption of new ways of working are two of the most important determinants of CareOn's success. We have redesigned our strategy to drive adoption, focusing on a combination of shared ownership, usefulness and ease of use for doctors. Pleasingly, attendance at CareOn feedback sessions continues to increase. Doctors are given the opportunity to be involved in testing the system and to provide input on refining and improving functionality.

Associated risks and opportunities	
 COVID-19 pandemic	PG 66
 Delivering consistently outstanding person-centred health and care	PG 67
 Implementation of the digital and data strategies	PG 68
 Competitor activity	PG 69
 Availability and quality of skills	PG 70

## Key takeaways for FY2021

Granted admitting and practising privileges to 71 new doctors at our acute and mental health facilities, equating to a net gain of 10 doctors – of the recruited doctors for the Hospital division, 65% practice in surgical disciplines (FY2020: net gain of 82 doctors)	The average age across the base of new doctors in the Hospital division is 40 (FY2020: 41)	A number of initiatives are being developed to meaningfully involve and partner with our healthcare practitioners in our strategy of person-centred health and care, and ultimately, improve patients' perception of care	Held 143 PAB meetings, 14 Digital Advisory Board meetings, 194 emergency and trauma morbidity and mortality meetings and 80 emergency and trauma medical education meetings (FY2020: 336 in total)
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## Social and relationship capital | Doctor partnerships continued

### How we engage with our doctors



- A comprehensive framework for contractual management and governance supported by the Clinical Practice Committee and its independent panel of clinicians. The panel reviews clinical matters across the Group.
- PABs in the Hospital division and morbidity and mortality meetings.
- Personalised clinical information (PCI) tool, which benchmarks doctors against their peers on quality of care, perception scores and efficiency outcomes.
- Netcare Cancer Care's multi-disciplinary team meetings, attended by surgeons, oncologists, navigators and other healthcare practitioners to plan care for patients.
- The head practitioner in each primary care facility and the Practitioners' Association – responsible for addressing medical and dental matters with primary healthcare providers and allied healthcare practitioners.
- A National Acute Manager responsible for building relationships with nephrologists at National Renal Care.
- Continuous professional development forums across all service platforms.
- Digital Advisory Boards enabling doctors to provide input on the development of specialised CareOn<sup>1</sup> applications.
- Our virtual online platforms, including One Netcare, the doctor's portal, Netcare **appointmed**<sup>™</sup> and VirtualCare (telehealth platform).

### How EMRs will benefit our healthcare practitioners

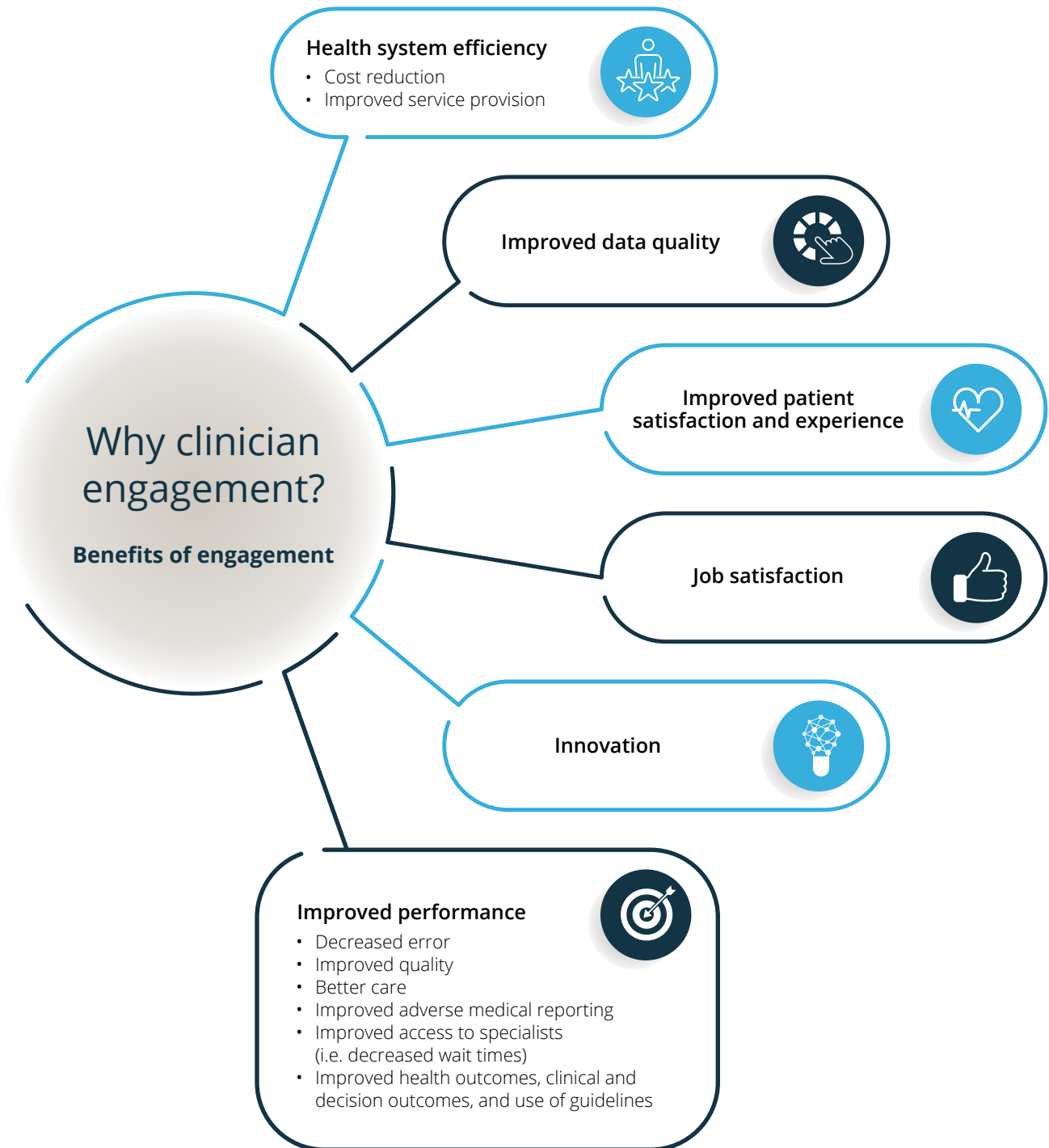
EMRs will enable healthcare practitioners to better collaborate across disciplines and remotely access patient charts and test results in real time, enabling more informed decision-making based on accurate information. Coordinated care will provide more efficient treatment.

1. CareOn is the Hospital division's EMR project.



## FY2021 performance

- Engaged with doctors on the cost effectiveness of their care based on the PCI reports, which provide year-on-year comparative data. The tool enables effective two-way evidence-based engagement on clinical outcomes, patient experience scores and aspects that add to total cost per event. PCIs are updated quarterly.
- Critically reviewed our engagement with our healthcare practitioners using quantitative and qualitative focused analytical techniques to enhance our doctor engagement framework and strategy.
- Piloted a neuroscience-based compassion training module for our healthcare practitioners across service platforms as well as for patient-facing administrative and pharmacy employees.
- The One Netcare website will include individualised clinician webpages that our healthcare practitioners can use to differentiate themselves. We will provide users with improved search functionality to access healthcare practitioner information, which will not only allow our healthcare practitioners to reach a broader patient group, but also assist patients to find the right doctor for their needs.
- National Renal Care hosted a nephrologist workshop to introduce its healthcare partners to its new EMR system, nephroOn.
- Continued to deploy Resident Medical Officers rolled out in the first COVID-19 wave in certain Netcare hospitals. The care delivery model supports resident doctors in their treatment of patients in critical care during surges or when they need to self-isolate. The model ensures 24/7 cover for all critical care patients and allows doctors to have sufficient down time.
- Looking forward we will develop a management system that will provide a single, holistic and comprehensive view of healthcare practitioner data as well as a single coordinated touch point for engagement with doctors. This data, and access to it, will be governed by the Clinical Data Council.
- Achieved 60% doctor participation in Netcare **appointmed**<sup>™</sup>.



Source: Perreira, Tyrone, et al. "Physician Engagement: A Concept Analysis." *Journal of Healthcare Leadership*, vol. Volume 11, no. 11, July 2019, pp. 101-13, doi:10.2147/jhl.s214765.



## Social and relationship capital continued

# Funders

We are committed to engaging with funders on cost efficiency, the quality and safety of our care and our patients' experience, and collaborating on opportunities for improvement.

Most of these discussions require analytical and clinical expertise. Appropriate engagement with funders also ensures that we are able to present competitive proposals to secure our participation in identified network opportunities to increase market share.

We review and evaluate all available provider network opportunities. Restricted network proposals are carefully considered to balance cost and potential market share gains. The Tariff Committee assesses the proposals, ensuring that they are commercially sound.

Our high-cost medicine programme includes appropriate management and monitoring of medicines that have a high financial risk to both Netcare and patients due to their cost not being fully covered by medical schemes or classified as scheme exclusions. Our clinical pharmacy teams engage with doctors on medicine cost and any related funding issues, and assist with motivation letters, where these are required.

In April 2021, the Council for Medical Schemes (CMS) declared the following practices by medical schemes to be irregular and undesirable business practice:

- The selection of designated service providers without a fair procurement process that is equitable, transparent, competitive and cost effective.
- Imposing excessive co-payments.

The CMS was expected to publish guidelines on these declarations but has since indicated that the process has been halted pending the conclusion of an appeal process.

### How we engage with funders



- Day-to-day interventions on patient coding and case management.
- Dedicated relationship managers who engage with funders on issues, including quality outcomes, patient experience and utilisation trends.
- Quarterly quality of care reports as per contractual agreements.
- Contract and tariff negotiations.

### Associated risks and opportunities

<b>Economic environment and demand for private healthcare</b>	PG 65
<b>Funder regime</b>	PG 67
<b>Delivering consistently outstanding person-centred health and care</b>	PG 67
<b>Implementation of the digital and data strategies</b>	PG 68

### Key takeaways for FY2021

Continued arbitrage between annual tariff increases and higher operating costs

The number of network requests for proposals has increased compared to FY2020

Grew Netcare's overall representation in medical scheme networks



### FY2021 performance

- Launched the electronic health code index for coding and case managers as well as specialists to improve our clinical classification and coding of diagnoses, symptoms and procedures. The more accurate expression of complexity of cases will ensure that our cost per event comparisons are more precise when medical schemes compare cost efficiency, which in turn, will reduce the risk of funder rejections and exclusion from networks.
- Continued to use the monitored emergency use of unregistered interventions (MEURI) framework to manage efficiency and cost per event for COVID-19 related investigational therapeutics and high-cost ethical items (see alongside).
- We are developing a report that monitors all patients who receive a high-cost medicine. The report will track payment received by funders per medicine, allowing us to pre-empt which high-cost medicines are likely to be rejected and respond accordingly.



## MEURI study

Last year, we introduced a methodology to implement a standardised COVID-19 safety monitoring framework across multiple institutions within Netcare (including inpatient and outpatient settings) and to track the use, safety and efficacy of investigational therapeutics used to treat COVID-19 (including patient response, side effects and overall health) with real-time data availability across our facilities. The framework ensures that an appropriate clinical care guideline and protocol are designed based on the best available literature. The study also gives doctors the opportunity to contribute to the greater body of medical knowledge regarding investigational therapeutics for COVID-19 infections. While many doctors supported the initiative, the pressure exerted by COVID-19 made it difficult for doctors to get consent from patients to enrol them onto the programme. Enrolment in the MEURI was also advised and encouraged by some funders to assist in the reimbursement of experimental treatments used during the pandemic. The MEURI study is still open to doctors who want to participate. Analysis of the data has commenced.



## Social and relationship capital continued

# Suppliers

Our supplier base comprises over 4 000 suppliers. Around 60% of our procurement spend is on medicine, medical devices and medical equipment sourced from SAHPRA<sup>1</sup>-registered suppliers. The balance of spend relates to services, indirect supplies, property, technical services (including repairs, maintenance, consultancy services, plant and machinery) and utilities.

Key to our ability to provide high-quality health and care is our ability to sustainably procure goods and services that are compliant with regulation, quality and patient safety standards, fit for purpose and procured from suppliers who align with our strategic objectives and have the ability to service our facilities and ensure product availability. Continuous focus is placed on utilisation and cost management of consumables, medical devices and medicine across medical disciplines to reduce cost per event. Supplier engagement, negotiation and monitoring are key to ensuring we achieve these objectives.

### Mechanisms that support supplier engagement

- Supplier review meetings with key suppliers (quarterly) and strategic commodity suppliers (monthly).
- Tender processes and contract negotiations.
- Service level agreements where performance against key performance indicators is measured.
- Medical conferences, exhibitions and webinars.
- Online supplier surveys.

1. South African Health Products Regulatory Authority (SAHPRA).

In FY2021, we continued our efforts started in FY2020 to use local supply and small business for goods and services needed to manage COVID-19. The significantly increased prices for PPE and other COVID-19 related consumables experienced in FY2020, started to stabilise from January 2021 but are not yet at pre-pandemic levels, particularly international freight costs which remain volatile and were inflated throughout FY2021. Our large inventory of PPE procured during the first COVID-19 wave was significantly reduced during the second and third waves.

Challenges experienced during FY2021 include:


- Worldwide shortages of active pharmaceutical ingredients and products.
- Long lead times for the supply of monitors, related medical equipment and computer hardware due to worldwide shortages of computer components. Lead times were further compounded by logistical challenges.
- Inflated freight costs resulted in abnormal price increases, mainly on bulky low-cost high-volume devices, which required meticulous risk management.
- Inflationary pressures are starting to materialise in some areas such as plastics manufacturing, which places pressure on price containment. This is being carefully managed.



**ESG considerations**

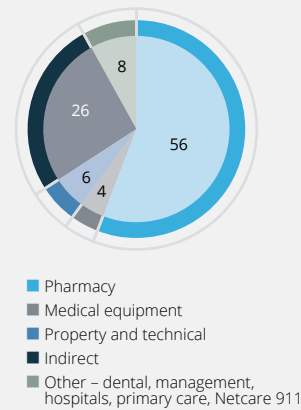
As part of our quality management, we conduct robust supplier and product vetting and meticulously assess all certifications to ensure supply chain risks are managed and that product quality is of the highest standard. All new suppliers are required to complete Netcare’s standard terms and conditions of trade, as well as a compliance declaration which covers good industry practice, including ESG considerations.

Healthcare risk waste	Enterprise and supplier development	Data protection and privacy
<p>Given the potential negative environmental impact associated with our HCRW if not treated according to regulation, we assess our treatment service providers and their operating plants. We also regularly engage with them to understand their future strategies and how these align with our goal to reach zero waste to landfill.</p>	<p>We identify opportunities to enhance and address any market access barriers that stunt the development of potentially high-growth black-owned or black women-owned enterprises (see page 134).</p>	<p>Strict measures are employed to ensure that our suppliers with whom we share our information or who have access to our systems have the necessary processes and procedures in place to protect our information.</p>

 **FY2021 performance**

- Updated the eProcurement platform to standardise processes, enable more flexibility in the purchasing process, and automate more aspects of the procurement process.
- Automation and digitisation will continue to be a focus for our procurement team to deliver procurement efficiencies.
- Continued to test and evaluate the products of newly identified local suppliers.
- Following the civil unrest in July 2021, we requested our strategic suppliers (medication, security, cleaning, catering etc.) to update their business continuity plans to incorporate any learnings. The updated business continuity plans have been submitted to Netcare.

**Procurement spend (%)**



## Social and relationship capital continued

# Society

Our strategy explicitly commits us to pursue a more just and equitable society that is inclusive and upholds the constitutionally enshrined values of human dignity. We support government’s intention to reconstruct society and the economy to be more inclusive of people who remain disadvantaged – black people, the youth, women and people with disabilities.

Introducing universal healthcare in SA will be challenging in our fractured healthcare system, but necessary to address persistent poverty and economic inequity which undermine the whole of society. Netcare stands ready to collaborate on designing and delivering sound and workable solutions that serve the health needs of all South Africans.

Testament to our belief that we are an integral part of society, it is with much gratitude that we acknowledge the support and generosity of the communities in which we operate. We have witnessed first-hand the African philosophy of Ubuntu and the value of the collective, with communities offering prayers, messages of support and thank you packs for our teams and the healthcare sector at large.

### Associated risks and opportunities

 <b>Sector regulations</b>	PG 69
 <b>Availability and quality of skills</b>	PG 70

### Key takeaways for FY2021

Focus on advancing National Health Insurance (NHI) has resumed

The reduced pipeline of nursing students has been felt during the COVID-19 pandemic

We achieved our goal to maintain a Level 4 broad-based black economic empowerment (B-BBEE) rating

## Reforming SA’s health system

The pandemic has highlighted that finding sustainable solutions to healthcare access requires synergy and collaboration between the private and public healthcare sectors. Reforms to strengthen the health system will continue in the foreseeable future.

### National Health Insurance

National Assembly’s Health Portfolio Committee is considering the NHI Bill, introduced to Parliament in August 2019, which paves the way for an NHI Fund which will purchase services from accredited public and private healthcare providers. As the Bill currently stands, medical schemes will only be allowed to offer cover for services not reimbursable by the Fund. Over 64 000 written submissions have been made to the committee, with 130 submissions being substantial. The committee plans to complete the public hearing process by the end of 2021, with 15 public hearings having been held between May to July 2021. Thereafter the Health Portfolio Committee will provide the NDoH with Parliament’s proposed amendments to the Bill.

Solutions on how to finance universal healthcare remains the biggest challenge. Private hospitals fully support NHI, however are concerned about the concentration of systemic risk associated with a single fund. HASA proposes a multiple fund framework, where medical schemes continue to offer cover to members who are in a financial position to purchase private healthcare as well as pay mandatory NHI taxes, which in turn, will ensure that any additional taxes raised focus on reaching the most vulnerable in the interest of closing the inequity gap. Appropriate risk pooling across funds might be a more sustainable approach to social solidarity and closing the inequality gap as opposed to making the whole population solely dependent on the fiscus through a single NHI Fund.

An additional risk is the proposal to have 11 legislative amendments take effect when the NHI Bill is implemented. HASA’s view is that legislative reform should only be considered once the NHI Fund is practically established unless a regulatory change is needed to achieve the fund objectives. This would ensure that the availability of healthcare services to eligible users is not placed at risk during the transitional phases. In addition, all proposed regulations should be subject to a public participation process.



### Skills shortage

A study, commissioned by HASA and the NDoH, finalised early in 2021, confirms a shortage of approximately 27 000 nurses in SA and highlights that this gap is likely to grow to about 160 000 over the next 10 years. A concerted effort is required at a macro level to significantly ramp up the pipeline of nursing students to around 20 000 a year. This supply-demand mismatch is largely driven by an aging population, the growing disease burden, population growth, slow adoption of technology in the healthcare sector, natural attrition of nurses and the fact that nearly half of today's practising nurses are over 50 years old.

The South African Nursing Council's (SANC) new qualifications are welcome, however the restriction on the number of students that we are allowed to register on each programme is a constraint, which is being addressed with the SANC. This also challenges our ability to meet the recent amendments to the skills development pillar of the B-BBEE scorecard. We are actively participating in all the forums that seek to address this challenge.



## FY2021 performance

### Access to healthcare

- We are expanding NetcarePlus with new products and services that address affordability and access to care (see page 152).
- Through Business Unity South Africa, HASA and our other sector memberships, we continue to provide input on the NHI Bill. We also continue to engage with government, our peers and civil society on how private healthcare resources can be substantive contributors to advance the constitutional ideal of universal access to quality healthcare, and to respond to the structural weaknesses that threaten the healthcare sector.

### Healthcare workers

- Supported the NDoH's Sisonke J&J vaccine rollout programme for all healthcare workers in SA. We mobilised our hospital pharmacists to assist public vaccination sites, including the Chris Hani Baragwanath Hospital, Prince Mshiyeni Memorial Hospital, Inkosi Albert Luthuli Central Hospital, Steve Biko Academic Hospital, Groote Schuur Hospital and Edendale Hospital vaccine sites. We were also part of the B4SA Hospital Vaccine workstream and the Electronic Vaccine Data System workstream.
- We are participating in the working committee of public sector, private sector and statutory body representatives, which has been established to develop a well-costed implementation strategy to train approximately 50 000 nurses and to co-create job opportunities. The committee will report to the National Economic Development and Labour Council (Nedlac) and the Presidency through the Public Private Growth Initiative office, and has started the process to engage with the new Minister of Health.
- Collaborated with HASA to submit a target-setting proposal to the Department of Employment and Labour (DoEL) for new healthcare sector-specific employment equity targets. The proposal requests that aspects such as the poor economic climate, gender imbalances in the sector, skills shortage, restrictions on student enrolments and time to qualify as a general nurse also be considered in target determination. The DoEL has reviewed the proposal and requested a follow-up meeting with HASA. Once promulgated, designated organisations must comply with the sector-specific targets to be awarded an employment equity compliance certificate.

### Sharing our expertise and resources

- Engaged with two public hospitals to help them improve their readiness to pilot their own universal newborn hearing screening programmes.
- We are engaging with public sector hospitals on providing them with donor human breastmilk for babies from our Ncelisa Human Milk Banks (which are mandated to provide 1/3 of all milk processed to babies in the public sector). Partnerships are in place with Charlotte Maxeke Johannesburg Academic and Rahima Moosa Mother and Child Hospital. 698 babies were fed with donor breastmilk collected across our five Netcare Ncelisa Human Milk Banks (FY2020: 688) with 185 mothers donating their excess breastmilk (FY2020: 191). 151 babies in the public sector have benefitted from this milk (FY2020: 189).



## Social and relationship capital | Society continued

### Stakeholder engagement in action

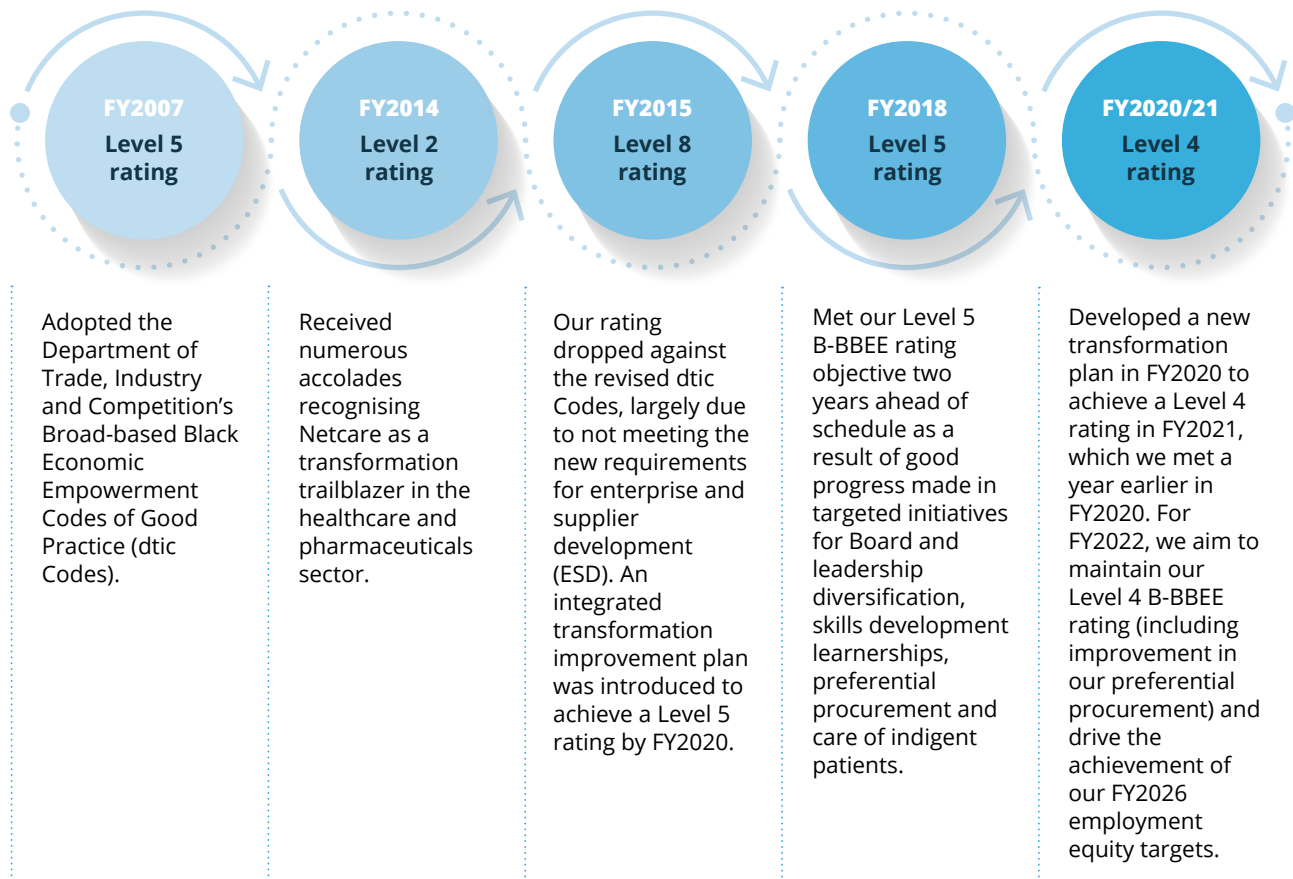
Preparation for vaccinating our healthcare workers in the first half of 2021, required the collaboration of a number of key stakeholders. The private sector worked closely with the NDoH to provide a consolidated view of the number of healthcare workers requiring vaccination. We worked with the NDoH's IT and technical teams to ensure that all our healthcare workers were registered as vaccine candidates, removing the hassle of them having to self-register. Scheduling plans prioritised our most at risk patient-facing healthcare workers and ongoing communication kept our healthcare workers updated about the vaccine and its roll out. Several Netcare acute facilities were registered as vaccination sites for this phase of the vaccination rollout programme.



## Transformation

### Our transformation strategy

**Strategic initiative** Our transformation strategy and initiatives are grounded in the principles of social justice, and designed to address the systematic and structural inequalities in SA. This year, we made remarkable progress in advancing socioeconomic transformation (set out alongside) across all five pillars of the B-BBEE scorecard despite the disruptions brought about by COVID-19.



<p><b>Our transformation plan</b></p>	<p><b>Ownership</b></p> <p>FY2021 internal ownership target score: met and exceeded</p> <ul style="list-style-type: none"> <li>Maintain black and women ownership.</li> <li>Generate value for the beneficiaries of our B-BBEE share schemes<sup>1</sup>.</li> </ul>	<p><b>Leadership and workforce diversity</b></p> <p>FY2021 internal management control target score: met and exceeded</p> <ul style="list-style-type: none"> <li>Ensure racial and gender diversity in our workforce and leadership structures.</li> <li>Promote social cohesion by tackling discrimination in the workplace.</li> </ul>	<p><b>Skills development</b></p> <p>FY2021 internal skills development target score: met and exceeded</p> <ul style="list-style-type: none"> <li>Upskill our nurses (various six-month in-service programmes).</li> <li>Provide bursaries and development programmes for high-performing employees.</li> <li>Continue offering vocational learning opportunities for unemployed youth, including people with disabilities.</li> </ul>
	<p><b>Enterprise and supplier development</b></p> <p>FY2021 internal ESD target score: met and exceeded</p> <ul style="list-style-type: none"> <li>Support small, medium and micro-enterprises (SMMEs) by diversifying our supply chain.</li> </ul>	<p><b>Socioeconomic development</b></p> <p>FY2021 socioeconomic development score: achieved all five points</p> <ul style="list-style-type: none"> <li>Increase access to quality health and care for indigent South Africans.</li> </ul>	
	<p><small>1. The Health Partners for Life (HPFL) Trust comprises our employee share scheme, the Mother and Child Trust, the Physician Partnership Trust and the Healthy Lifestyle Trust.</small></p>		



## Social and relationship capital | Society continued

Our management and leadership development programmes aim to build a pipeline of talent and are aligned with our objective to normalise our workforce diversity profile in line with SA's economically active population (EAP) and create an organisational environment of empowering differences and enhanced diversity of thought and decision-making. Our workforce reflects our belief in diversity, human potential and the right to decent work for all South Africans across all races, gender identities, religion, sexual orientation or disability. Our focus remains on creating an inclusive organisational culture in which everyone feels they belong.

SA's high level of youth unemployment is of critical concern. We have a number of programmes that aim to make a contribution in this area, one of which is the Presidential

Youth Employment Service (YES) programme. Our internships, workplace experiential learning and learnership programmes equip young unemployed people with the skills needed to enter the labour market; whether at Netcare or in the broader healthcare sector.

Achieving inclusive economic growth also requires concerted effort to diversify supply chains and support SMMEs, to build entrepreneurship and stimulate job creation. This has a ripple effect in addressing SA's prevailing socioeconomic inequalities. Specific programmes are in place to ensure we improve our procurement spend with black-owned and black women-owned enterprises in our supply chain and strategic projects to support ESD and newly qualified medical doctors.



### FY2021 performance

#### Employment equity

**18 346**  
employees  
(FY2020: 19 214)

**79.7%**  
of our workforce are  
**black South Africans**  
(FY2020: 79.0%)  
(EAP: 91%)

**81.2%**  
of our workforce are  
**women**  
(FY2020: 81.6%)  
**64.4%**  
are **black women**  
(FY2020: 64.2%)

**4.2%**  
of our workforce are  
**people with disabilities**  
against a target of 4.1% and above the national  
target of 2%  
(FY2020: 3.9%)

**52.9%**  
of middle managers are **black**  
against a FY2021 target of 51.6%  
(FY2020: 48.9%)

- **Strategic initiative** Approved a new five-year employment equity plan to FY2026.
- 44.4% of the Netcare Board are black people (dtic target: 50%), 44.4% are women and 33.3% are black women (dtic target: 25%).
- Appointed two women as members of the Executive Committee, resulting in women representation increasing by 14% to 31%; however, black representation declined 4% to 38% (see page 26)<sup>1</sup>. Gender and racial diversity at this level remain key focus areas, particularly our under-representation of black people.
- Improved overall black representation across all occupational levels; meeting our targets at middle management level for black and black women representation and for people with disabilities. We missed our target at senior management level and marginally missed the target at junior management and skilled worker levels (see page 80).
- 84.5% (FY2020: 84.4%)<sup>2</sup> of all recruitments and promotions went to black people, with 68.1% (FY2020: 66.1%)<sup>2</sup> being black women.

1. In terms of the B-BBEE scorecard, which excludes the CEO and CFO for management control, five Executive Committee members are black (45.5% against a dtic target of 60%) and four are women (36.4%) and one is a black woman (9.1% against a dtic target of 30%).

2. Restated to exclude foreign nationals.



## FY2021 performance continued

### Skills development

<p><b>R49 million</b> training spend (SDP2020: R66 million)</p>	<p><b>91%</b> (R45 million) was invested in <b>developing black employees</b> (SDP2020: 92%)</p>
<p><b>82%</b> (R42 million) was invested in <b>developing black women</b> (SDP2020: 83%)</p>	<p><b>1%</b> (R1 million) was invested in <b>employees with disabilities,</b> the decrease being as a result of the COVID-19 restrictions on training (SDP2020: 4%)</p>

Note: skills development period (SDP) is 1 April 2020 to 31 March 2021 as per the Health and Welfare Sector Education and Training Authority (HWSETA).

- The recent amendments to the skills development pillar of the dtic Codes, the need to either delay or pause learning and development programmes due to COVID-19 between April 2020 and March 2021, and restrictions on the number of nursing students that can be enrolled by Netcare Education had a significant impact on our skills development performance. Investing in the development of our people is a key focus for the Group, and together with our objective of improving our skills development performance rating, we expanded our bursary programmes for career and succession development and unemployed youth, and enrolled more YES learners, dental assistant interns and clinical engineering technician interns to address skills gaps.
- Strategic initiative** Increased our commitment to train YES learners beyond our initial objective of 1 000 learners by September 2022. At September 2021, 1 167 youth had started a learnership or internship programme with another 325 learnership spots still to be filled. To date, 417 YES learners are gainfully employed, equating to 97% of the 428 YES learners who have successfully completed their learnership or internship. 70% of these learners are now permanently employed at Netcare.

### Preferential procurement

<p><b>R12.3 billion</b> procurement spend (FY2020: R11.7 billion)</p>	<p><b>93%</b> (R11.4 billion) of total procurement spend was measurable under the <b>dtic Codes</b> (FY2020: 99%)</p>	<p><b>108%</b> of measurable spend was with <b>B-BBEE compliant suppliers</b> (dtic target: 80%) (FY2020: 86%)</p>
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- 48.6% (R5.6 billion) of measurable spend was with >51% black-owned enterprises (dtic target: 50%; internal target 36%) and 28.2% (R3.2 billion) was with 30% black women-owned businesses (dtic target: 12%; internal target: 23%).
- Strategic initiative** 8.0% (R914 million) of measurable spend was with qualifying small enterprises (QSEs) (moderated internal target: 8%) and 3.1% (R355 million) was with emerging micro enterprises (EMEs) (moderated internal target: 7%).

## Social and relationship capital | Society continued



### FY2021 performance continued

#### Enterprise and supplier development

**R62 million**

ESD spend

(FY2020: R71 million)

Invested

**R45 million**

in supplier development,

of which 62% (R28 million) was measurable under the dtic Codes, equating to 3.7% of net profit after tax (NPAT)

(dtic Code target: 2%)

Invested

**R17 million**

in enterprise development

supporting the growth of black-owned SMMEs. Of this amount, 47% (R8 million) was measurable under the dtic Codes, equating to 1.0% of NPAT

(dtic Code target: 1%)

- 50% of medical doctors with admission privileges are black doctors (FY2020: 48%). Of the 68 doctors recruited in the Hospital division, 74% are young black doctors.
- Supported the establishment of the North Coast Emergency Group (a 68% black-owned emergency practice operating at two of our hospitals in KwaZulu-Natal).
- **Strategic initiative** Since 2018, the My Walk Made with Soul project has diverted over 49 000 kilograms of our high-quality PVC waste (including drip bags and oxygen masks and tubing) from incineration or being sent to landfill to make 63 586 pairs of school shoes for underprivileged children (over 31 500 pairs of shoes donated to date). The solution supports education, job creation, enterprise development and environmental improvement. In total, 20 Netcare hospitals are participating in the initiative as well as an entrepreneurial business supporting seven jobs.
- **Strategic initiative** Developed a structured ESD support programme, with our external partner conducting baseline assessments of our ESD beneficiaries to define the support they need in terms of accounting, financial and governance compliance and reporting matters.
- Of our 15 ESD partners (FY2020: 14), eight (FY2020: six) are enrolled on the structured development programme, which regularly monitors their financial and operational performance. They are provided with access to markets and specialised support that helps assist them grow their businesses. 11 of these businesses are majority black women-owned businesses. Our ESD beneficiaries supported 204 jobs in FY2021 (72 new jobs created).
- 92 suppliers are receiving early payment terms and 37 doctors receive enterprise development support.







## Netcare Ulusha YES Hub

**Strategic initiative** After being delayed due to COVID-19 restrictions last year, construction of the Ulusha Hub in Alexandra, Johannesburg, is now complete, with Phase 1 launched in May 2021. The aim of the project is to facilitate inclusive economic growth by addressing barriers to skills development, youth employment and sustainable entrepreneurship growth. Netcare sponsored the construction of the hub, which incubates high-potential small businesses from Alexandra.



The hub currently hosts the Cut Make and Trim Factory, the Culinary School and Restaurant, a 3D printing lab, a pottery and ceramics training and production centre and the YES for Youth enrolment centre. Young people who register at the enrolment centre are offered assessment, training, work opportunities, assistance with career guidance or new business ideas as well as access to networks, markets and partner support. In Phase 2, the hub will be expanded to include a drone academy, creative hub, digital lab and business centre.

Over  
**8 000**  
unemployed youth  
enrolled at the  
Yes for Youth Centre.

**38**  
young people  
employed at the hub, by  
Hluvuko Designs.

The businesses operating  
at the hub  
**all offer youth training  
in their respective fields**  
from textile  
manufacturing and chef  
and culinary training to  
training on how to work  
with 3D printing systems.



## Social and relationship capital | Society continued

### Force for social good

Our success is intrinsically linked with the communities we serve. We invest in community and nation-building initiatives that align to our organisational competencies. The Netcare Foundation's medical assistance programmes provide access to quality healthcare for low-income and black South Africans. Our corporate social investment (CSI) strategy also prioritises health science education, specialised surgical programmes as well as sexual assault assistance programmes. We carefully select initiatives that are sustainable and capable of using the resources of the Netcare Foundation to achieve maximum impact.

Each Netcare hospital, facility and service platform supports social initiatives that address the specific needs of the communities in which they operate.

The non-executive and executive directors of the Board donated funds to the families of our fallen heroes who set examples of service leadership during the pandemic.

Our HPFL Trusts, established two years prior to the promulgation of the dtic Codes, support designated groups (academically deserving black doctors) and communities (early childhood development, various medical procedures and mental health services for young people, parents and teachers).

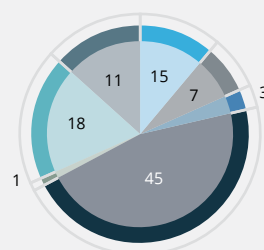


### FY2021 performance

#### Corporate social investment

- Our CSI spend totalled R31 million (FY2020: R17 million) with 93% of our beneficiaries being black people (FY2020: 93%). 55% of our CSI spend qualified under the dtic Codes, equating to 2.3% of NPAT (dtic target: 1% of NPAT with 75% of beneficiaries being black).
- Treated 117 (FY2020: 65) indigent patients in need of COVID-19 care at a cost of R14 million (FY2020: R2 million). We also treated nine victims of the July riots who were admitted to hospital and underwent major surgery.
- Of the 484 sexual assault survivors treated free of charge across our 37 Sexual Assault Crisis Centres, 36% were under 18 years old, 93% were women and 81% were uninsured. 63% of survivors were encouraged to press charges, supporting efforts to fight the high levels of rape in SA. Over 14 500 survivors have been assisted since 2000.

CSI spend breakdown (%)



- Emergency medical services (indigent patients)
- Accessibility initiatives
- Sexual assault
- COVID-19 disaster management (indigent patients)
- Community sponsorships
- Bursaries
- Discretionary spend

#### Trusts

- The Mother and Child Trust donated R3 million in August 2021 for various medical procedures, including cochlear implant and cleft lip and palate programmes. The Netcare Foundation has received these funds. The Trust has also donated R1 million since 2014 to 21 early childhood development centres based in Braamfischerville, Soweto, including libraries that assist the development of physical, cognitive, emotional and social skills in young children.
- Since 2007, the Physician Partnerships Trust has granted doctoral scholarships to 20 black doctoral fellows studying at local and international universities. 11 fellows have completed their doctoral theses and nine are at various stages of their doctorates. To date, our cumulative spend in this initiative is R61 million with R13 million (around R6 million for FY2022) set aside for those doctors who are still completing their degrees. A mentorship programme is being implemented for the fellows.
- The Healthy Lifestyle Trust donated R1 million to the development of a counselling container in Ivory Park, Johannesburg, and a teen depression and suicide prevention school outreach programme.



ESG report (for detailed disclosure).



OUR BUSINESS

HOW WE CREATE VALUE

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

ADMINISTRATION



# Human and intellectual capital

## Our people

COVID-19 has exerted enormous pressure on our employees who have had to work long hours providing compassionate health and care to our patients under challenging circumstances.

This was compounded by the national shortage of healthcare professionals experienced in both the private and public sectors. Despite these pressures, our people have demonstrated resilience, dedication and agility, persevering despite long shifts, exhaustion, anxiety and stress. The psychosocial toll paid by our frontline employees – in constantly confronting illness and, very sadly, the death of patients, colleagues and family members – should not be underestimated and we thank our people for their unwavering commitment, calibre and daily acts of courage and compassion.

Over and above our employee wellbeing programme delivered through Independent Counselling and Advisory Services (ICAS), a special psychosocial support initiative was introduced in FY2021 to provide our frontline workers with a comprehensive care programme and to serve as a mechanism to retain nursing staff during these challenging times. In addition, a new working model was introduced to provide temporary assistance to our frontline teams, in areas experiencing high patient volumes of very ill patients. This included extra personnel (clinical associates, emergency medical services staff and care workers) as well as the recruitment of students and volunteers in both clinical and non-clinical disciplines. Recruits were also used to facilitate the Family Connect Line. All recruits worked under guidance and supervision.

### Associated risks and opportunities

<b>Implementation of the digital and data strategies</b>	PG 68
<b>Availability and quality of skills</b>	PG 70
<b>Competitor activity</b>	PG 69

### Key takeaways for FY2021

<p>The pressurised work environment brought about by COVID-19 has resulted in a higher turnover than usual among our nursing staff; retention strategies are being developed and additional psychosocial support provided</p>	<p>The mental and emotional wellbeing of our people has never been more crucial than during the COVID-19 pandemic</p>	<p>R49 million was invested in training and development (FY2020: R66 million), equating to 1.2% of our payroll and exceeding the 1% prescribed by the Skills Development Act</p>	<p>Netcare Education's student numbers for formal nursing qualifications have decreased from over 3 600 in 2012 to just over 1 440 at September 2021 due to the reduced allocation of students on SANC's new qualifications</p>
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	2021	2020	2019
Number of permanent employees	<b>18 346</b>	19 214	20 193
New employees	<b>2 058</b>	1 687	1 869
Employee turnover	<b>15.9%</b>	13.9%	14.6%
Union membership	<b>50.9%</b>	52.8%	52.7%

*Note: excludes National Renal Care. Numbers have been restated to include PPPs.*

## Employee wellbeing (#WeCare)

Employees identified as being at higher risk of severe COVID-19 infection are accommodated appropriately according to our risk stratification guidelines, which may include excluding them from working in certain zones or transferring them to non-patient facing areas. In our office settings, remote working, dedicated work areas and rotational shifts are implemented. Healthcare workers take fully paid special leave (and not sick leave) in the event that they have to quarantine due to high risk exposure. If an employee contracted COVID-19 at work or there is a high possibility that this is the case, they are entitled to claim workers' compensation.

While the health and safety of our employees is always a priority (see page 118), COVID-19 intensified the challenges faced by our people, making it increasingly important for us to prioritise their mental and emotional wellbeing. Our focus remains to protect our people from infection, caring for those who are infected or ill and ensuring that our people receive the support they need to remain resilient.

## Human and intellectual capital | Our people continued



### FY2021 performance

#### Employee wellbeing

The overall ICAS engagement rate was 18.4%  
(FY2020: 19.3%)

Of those employees who used ICAS,

**62.3%**

accessed professional counselling with mental health challenges being the largest problem category

(FY2020: 54.2%)

**4.8%**

of cases were formally referred for assistance

(FY2020: 5.1%)

### 55 social workers

delivered over 50 000 counselling interventions during the second and third COVID-19 waves, assisting our employees and our patients and their families

### 379 managers

used the managerial support programme, which assists them to effectively engage with their teams, deal with and resolve conflict, and identify and support employees experiencing specific challenges

### 126 webinars

delivered emotional impact training to 963 employees, covering stress and burnout, wellness, crisis management and customer excellence

- Continued to provide a 24-hour Netcare COVID-19 Care Line and reverse billed SMS service that engages with nurses in self-quarantine on their health and wellbeing.
- The onsite social workers, contracted through one of our ESD beneficiaries, provided individual and group counselling sessions for frontline workers (trauma debriefing, emotional and supportive counselling, coping skills and self-care strategies, and referral for further support, where required).
- Through ICAS, provided 658 employees and their immediate family members with group counselling interventions to help them process shock and trauma.
- For our paramedics, who have not escaped the levels of mental strain brought about by COVID-19, an enhanced mental wellness programme was launched in partnership with Akeso Clinics and includes group therapy sessions.
- Netcare Cancer Care launched a wellness programme to equip staff with the skills to manage distress and relationships, promote self-care and practise mindfulness. All nurse navigators are required to attend sessions with Akeso Clinics counsellors once a month.
- Medicross introduced listening forums for employees to collectively reflect on the hardships endured during the COVID-19 surge periods. The forums provide a supportive environment where employees can express their thoughts, feelings and concerns. The sessions are used to gauge the overall morale in clinics and explain why certain policy decisions have been made.
- National Renal Care provides its employees with a peer support programme to encourage coping through shared experience. It also hosts virtual feedback sessions to give employees within regions the opportunity to share how they are feeling, to address any pressing needs and to inform staff of important news and updates, as well as regional quality leadership forums focusing on wellbeing, building resilience and leadership during COVID-19.



## Employer of choice

We continually work to distinguish our employee value proposition to position Netcare as an employer of choice, and strive for a harmonious, fair and productive working environment based on trust and cooperation. Engaging with our employees, and acknowledging their extraordinary efforts, has been critical over the past two years. We have implemented initiatives to augment our usual engagement methods both with employees and the trade unions that represent them.

Engagement and tools to support change are also critical as we move to digitise Netcare. Over the past three years, a range of organisational change initiatives have been introduced to support new ways of working, drive change acceptance and develop the skills needed to ensure the successful implementation of projects.

We reward employees for their contribution to the Group. Our remuneration policy is designed to support our ability to attract and retain talent at all levels of the organisation and drive a high-performance culture. Remuneration decisions consider Group, team and individual performance as well as values and behaviours that promote the delivery of person-centred health and care.

### How we engage with our employees

- Employee engagement assessments (ordinarily conducted every two years).
- Workplace Transformation Committees at each site, comprising employee and management representatives trained on transformation-related legislation.
- Employee wellbeing programme (counselling and advice, managerial support programme and a health and wellness service).
- Strategy roadshows and dialogues, as well as Leadership in Touch Forums, providing managers and employees with the opportunity to engage on specific or general issues.
- Diversity interventions (diversity dialogues, focus groups, surveys and customised workshops).
- CARE4YOU engagement platforms and workshops to build resilience and respond with compassionate care and empathy (compassionomics).
- Change management interventions (change readiness surveys and emotional impact assessments).
- Contract and annual salary negotiations, and national consultative forums with trade unions, representing employees in the Hospital and Primary Care divisions.
- Confidential SHOUT hotline, which enables employees to report alleged or perceived incidents of racism, sexism, discrimination, harassment and any human rights violations.



## FY2021 performance

### Employee engagement

- Used Nurses Day to celebrate our nursing staff, with video messages of gratitude delivered by the Executive Committee and senior managers played across all our facilities and posted to our social media platforms.
- Set up additional platforms to maintain leadership visibility and support decision-making, with regular engagement from Richard Friedland, our CEO.
- Awarded all employees and subcontracted staff with COVID-19 Netcare Frontline Hero medals to recognise their compassionate, person-centred care during the pandemic.

### Competitive remuneration, benefits and recognition

- Between 1 July 2020 to 15 October 2020, we received R5 million from government's Temporary Employment Relief System for employees that were not paid or paid less as a result of COVID-19.
- Approved annual salary increases, linked to the consumer price index, with employees at levels below executive level receiving a higher percentage increase.
- The Remuneration Committee approved a special discretionary payment for managers in December 2020.



**Remuneration overview:** PG 100.



## Human and intellectual capital | Our people continued



### FY2021 performance



#### CARE4YOU

**Strategic initiative** CARE4YOU uses positive psychology to drive behaviours of compassion, kindness and empathy as a way of living and working at Netcare. The programme is designed to recognise individual and team performance, and enable all employees (clinical and non-clinical staff) to experience both giving and receiving of compassion.

By September 2021, CARE4YOU had been implemented at nine hospitals with 395 managers and compassion ambassadors trained to spearhead the programme. 2 121 employees had been enrolled on the blended programme, which includes theoretical content and experiential workshops. CARE4YOU training will also be provided to non-permanent staff, including security, cleaning, catering and agency nursing personnel. A second module of CARE4YOU will be developed to build resilience and deliver exercises to develop mindful compassion in the workplace. Our goal is to use this platform to create a culture of continuous learning and development in compassion.



The programme also includes a digital gratitude card platform enabled in nine hospitals that allows patients to express gratitude to the employees and teams who have cared for them. The digital gratitude cards are delivered to the mobile device of the acknowledged employees and posted on gratitude boards displayed in the wards. This initiative is a powerful personal motivator for our employees and positively impacts the patient experience.

The feedback from employees indicates that the programme is valuable, healing, motivating and empowering. The impact of this initiative will be measured by the scores received in the patient feedback survey.

We intend to roll out the CARE4YOU programme, associated compassionomics workshops and the gratitude card platform across all Netcare hospitals in FY2022 and continue to reinforce the CARE4YOU message at sites where the programme is already running. Looking ahead, we plan to extend the gratitude platform to allow visitors and family members to send thank you cards, and to allow doctors to receive messages of thanks.

#### Change management

- Continued to assess change readiness, and engage with and prepare employees and doctors for the implementation of CareOn, both in our hospitals and Akeso Clinics pilot sites.
- Delivered a number of post CareOn implementation interventions to ensure effective adoption. Regular nursing toolbox talks and surveys identify challenges being experienced so that they can be addressed and determine whether further change management support is required. Care sessions facilitated by Akeso Clinics' therapists provide employees with an opportunity to safely express their feelings and provide support and training on coping strategies, managing stress and resilience.

#### Employee relations

- Successfully concluded the FY2021/22 wage negotiations with three of four recognised trade unions and entered into collective agreements regarding employee health and safety. A wage dispute with the fourth trade union remains unresolved.
- Held discussions with trade unions on our health and safety initiatives and the management of employees affected by COVID-19, as well as the sector skills gaps and skills development opportunities, and progress made in this regard.
- The Group's headcount dropped 4.5% to 18 346 mostly due to attrition and a freeze on appointments. Only 28 roles became redundant and all retrenchments followed the requirements set out in our collective bargaining agreements.
- Eight grievances about labour practices were received; all were addressed and resolved (FY2020: six).

## Diversity and inclusion

We aspire to be a fully inclusive employer. Diversity enriches our organisational culture and enhances our employee value proposition, attracting talented individuals who are passionate about delivering person-centred health and care. Our leadership is committed to dealing with racism and inappropriate behaviour, and to breaking down the barriers to social cohesion. We are working to create safe spaces where employees can have difficult conversations or challenge inappropriate behaviour to advance social cohesion within our workforce. In FY2020, our wellbeing survey highlighted a need for the development of a diversity and inclusion programme, which we have started implementing.

Our zero-tolerance approach to all forms of discrimination covers our employees, contractors, healthcare providers and partners as well as our patients and their families.



### FY2021 performance

- Strategic initiative** Successfully piloted a diversity and inclusion programme at an Akeso Clinic. Diagnostic focus group discussions were held with management and a sample of employees. The programme has since been upscaled with 64 leaders and employees from eight hospitals attending diagnostic focus group discussions to help us identify the needs, experiences and challenges faced by our people. The feedback received was used to inform customised engagement workshops for each operation. The programme will be held at 13 additional facilities in FY2022.
- Four cases of unfair discrimination, racism and/or workplace bullying were reported through the SHOUT Line (FY2020: 11). For all cases where employees have provided their consent, investigations were conducted and all have been resolved. ICAS and Akeso Clinics provide support to those who have been aggrieved.
- 710 new employees provided with awareness training on our zero-tolerance approach to discrimination and harassment (FY2020: 1 165).
- Looking forward, we will conduct digital surveys to explore how our people experience our culture of diversity, inclusion and belonging.

## Training and development

We have a strong culture of people development with a range of structured learning and development programmes that equip our workforce at various levels with the skills required to perform at their best. Our management and leadership programmes are designed to develop a diverse pipeline of scarce, core and strategic skillsets needed to deliver our business strategy, drive the development of black people, and support succession planning. Programmes like **Caring the Netcare Way** and **Leading the Netcare Way** aim to enhance behaviours that support our culture of care.

We direct most of our training spend to developing healthcare professionals with a focus on registered nurses, paramedics and pharmacist practitioners. Our nursing qualifications are accredited by SANC and aligned to the National Qualifications Framework (NQF). Given the restrictions of our student enrolments on formal nursing qualifications, our nurses attend six-month in-service certificate programmes to ensure they are fully equipped to care for our patients and deliver the best and safest person-centred care.

The key behavioural traits and abilities we believe will be required by our future managers and leaders are incorporated into our management and leadership development programme curricula. These behaviours include service leadership, adaptability, the ability to drive change, a global mindset, the ability to communicate effectively and critical thinking.

Our training metrics are calculated for the skills development period April 2020 to 31 March 2021 as per the HWSETA measurement year.

**Voted the preferred employer in the healthcare sector in the bp STUDENTS' CHOICE AWARDS, as voted for by tertiary students in the largest survey of its kind.**



## Human and intellectual capital | Our people continued



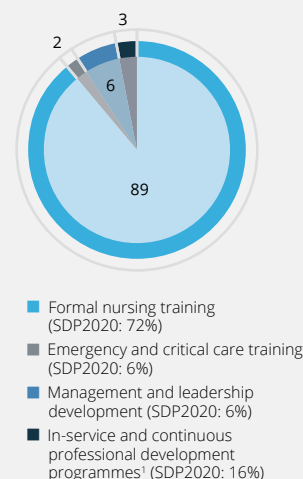
### FY2021 performance

#### Training

- Invested 89% of our training spend in formal career-oriented NQF programmes (SDP2020: 84%).
- 84% of training spend benefitted unskilled and semi-skilled mid-level workers.
- 354 nurses enrolled on the six-month in-service programmes (SDP2020: 352).
- 320 nurses (SDP2020: 899) participated in our intensive care unit (ICU) upskilling programme, implemented last year to increase ICU nursing resources to manage COVID-19.
- 120 employees participated in our academic development programme, which addresses skills gaps in numeracy, business communication, research, computer literacy and English (SDP2020: 95). The programme prepares the candidates for our SDP2022 intake to our new nursing qualifications.
- 13 357 employees had completed education and awareness training on the Protection of Personal Information Act (POPIA) by October 2021, using a blended model of eLearning and classroom sessions.
- Developed a patient centric skills programme for Akeso Clinics' frontline administration and finance support teams. 131 employees attended this training.

1. Includes computer skills, systems-related, CARE4YOU, diversity and inclusion and continuous professional development training.

**Breakdown of training spend (March 2021) (%)**



#### Management and leadership development

- Our management programmes were particularly impacted by COVID-19.
- Implemented eLearning and blended delivery methods for our management and leadership programmes, minimising the need for classroom learning during the pandemic.
- Developed a customised executive leadership development programme for 25 of our top performing leaders across the Group. The programme will identify talent and build a talent pipeline for key roles. Coaching to build individual strengths and improve where gaps may exist will run until December 2021 with an evaluation session scheduled for April 2022.
- The 13 middle managers enrolled on our senior leadership development programme in partnership with the University of Pretoria, have resumed their training and the programme is expected to conclude in November 2022 (delayed due to COVID-19). Pleasingly, the programme has assisted in identifying talent for promotion, including black, female talent for three senior leadership roles within the Group.
- Resumed the four management development programmes from February 2020 that were postponed due to COVID-19. Additional online refresher sessions helped these participants manage the interruption in their learning.
- Enrolled 93 (88% black) shift leaders, unit managers and heads of departments in a new cohort of our management development programme, delivered via a blended learning approach (SDP2020: 387).
- Rolled out the eighth phase of the **Leading the Netcare Way** initiative, reaching 53 nursing managers (SDP2020: 86).

**Breakdown of spend per employment level (March 2021) (%)**



**Training**

(at March 2021)

**NETCARE<sup>1</sup>**

**Employees trained**

	2021	2020	2019
Paramedics	1	31	19
Nurses enrolled on formal nursing programmes <sup>2</sup>	1 025	1 240	1 353
Six-month in-service programmes for nurses	354	352	530
Other training programmes	11 351	13 653	14 412
<b>Total employees trained</b>	<b>12 731</b>	<b>15 276</b>	<b>16 314</b>
% of employees trained who are women	86.0%	90.0%	89.6%

**Training interventions and spend**

Number of training interventions delivered	25 335	50 378	59 618
Skills development spend	R49 million <sup>3</sup>	R66 million	R84 million

**NATIONAL RENAL CARE**

Clinical technology students	11	5	6
Postgraduate clinical technologists	4	4	5

1. Excludes National Renal Care.

2. SANC accredited and registered on the NQF.

3. 1.2% (SDP2020: 1.1%) of payroll, comparing favourably with the 1% requirement prescribed in the Skills Development Act No 55 of 1998.

## Human and intellectual capital continued

# Digital transformation and data

In delivering a person-centred approach, which encourages ownership and participation by patients in their health and care, the digitisation of our entire ecosystem is critical.


Good progress was made to get the digital and data programme back on track and within budget, despite the ongoing impact of COVID-19. In FY2022, we intend to complete the EMR implementations in Akeso Clinics and National Renal Care, and to implement the Hospital division's EMR project (CareOn) at a further 13 hospitals, bringing the total to 20 by September 2022.

The pinnacle of our digitisation journey will be to give our patients seamless access to their healthcare data and the services they need, through an interactive, transactional website and ultimately their mobile phones, enabled by the customer engagement management (CEM) platform. The CEM platform will enable patients and the broader public to engage with our full ecosystem of services, including digitally booking appointments, reviewing their discharge summaries and conducting online hospital pre-admissions, as well as purchasing NetcarePlus products.

The quality and integrity of our data is critical to accurate communication with our patients through the CEM, and to inform operational processes and decision-making. In FY2021, we clarified accountability for data quality and identified some challenges in our clinical and patient demographic data. These will be remediated in FY2022 towards our goal of maintaining a data quality score of over 80% across our service platforms.

Using AI to analyse our comprehensive datasets will yield enhanced treatment protocols and clinical outcomes, as well as operational processes.

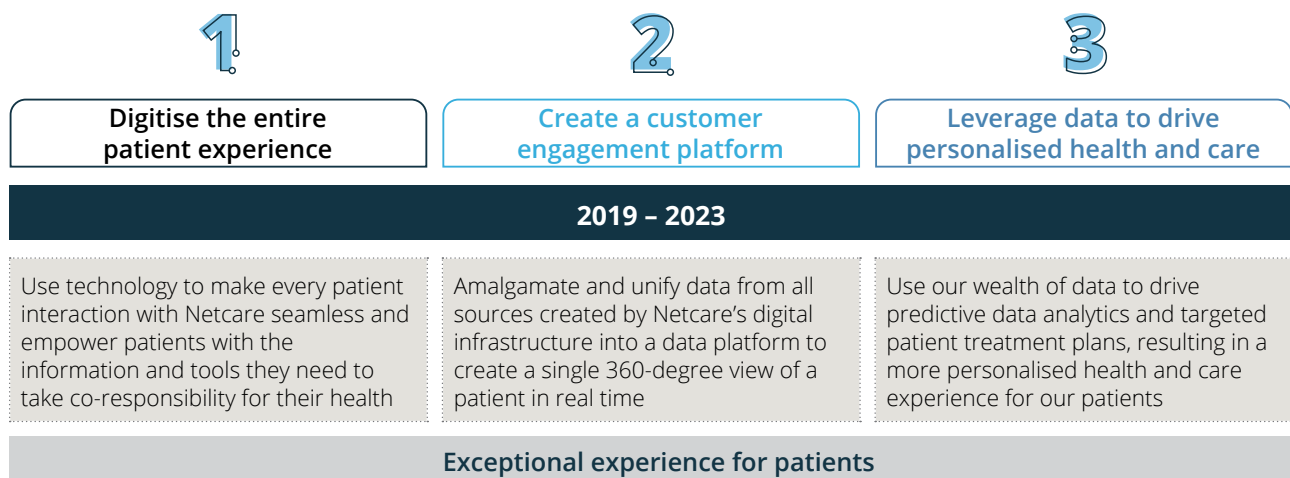
In April 2021, Netcare Digital was established as a jointly owned company between Netcare and A2D24.

 **The value that will be created by our digital strategy can be found in the value outcomes section: PG 88.**

### Associated risks and opportunities

 <b>Delivering consistently outstanding person-centred health and care</b>	PG 67
 <b>Implementation of the digital and data strategies</b>	PG 68
 <b>Cybercrime and cybersecurity</b>	PG 68
 <b>Competitor activity</b>	PG 69

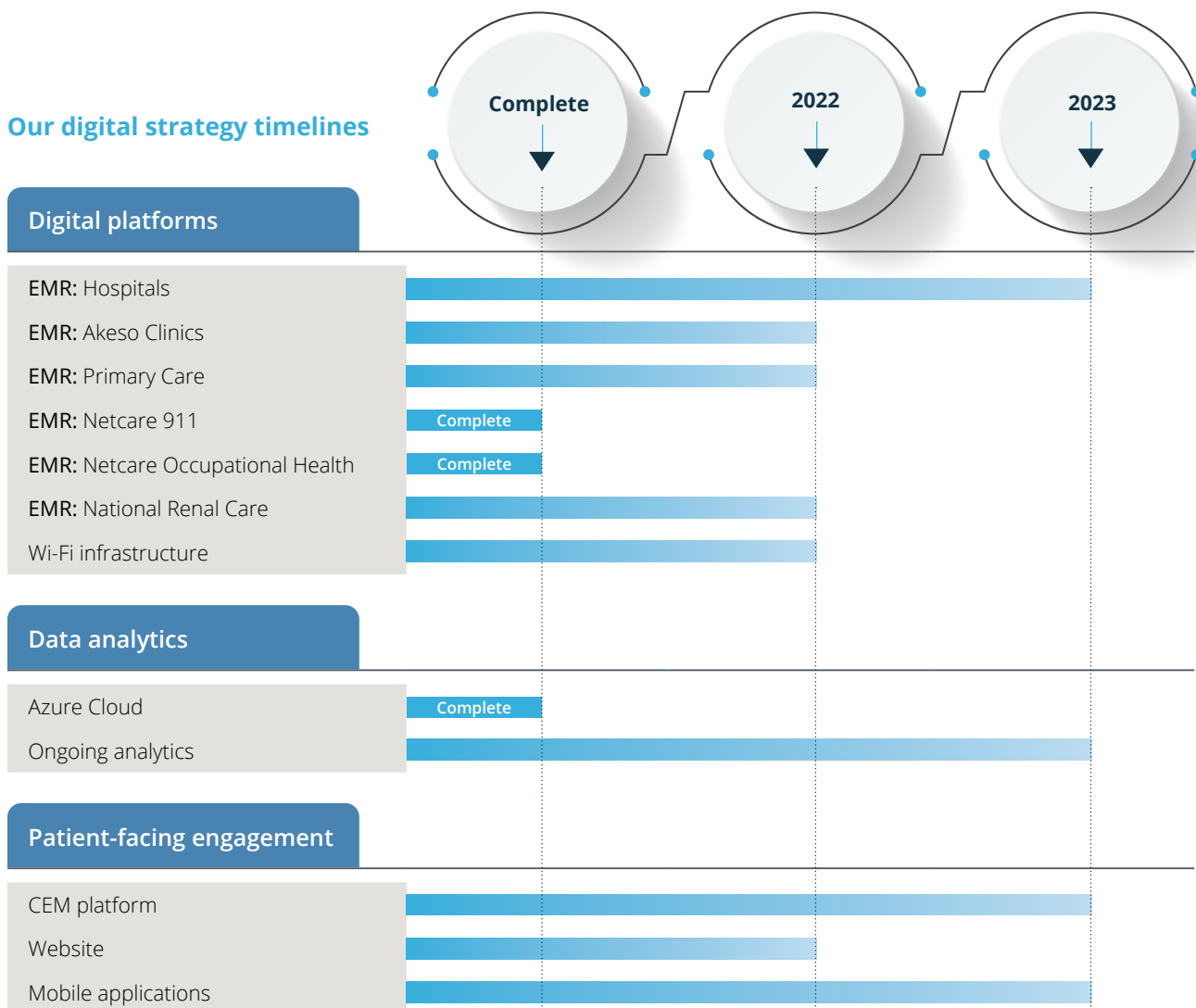
### Our digital strategy road map



### Key takeaways for FY2021

<p>The digitisation and data programme is back on track and within budget despite COVID-19 delays</p>	<p>Where EMRs were in operation during COVID-19 waves, doctors were able to limit their presence in wards while still managing patients remotely, timeously and effectively</p>	<p>Continued focus on cybersecurity and the protection of personal information</p>
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### Our digital strategy timelines





## Human and intellectual capital | Digital transformation and data continued

### Electronic medical records

**Strategic initiative** Access to single view EMRs across all our service platforms will deliver patient-focused care based on seamless data collection, and accurate measurement and reporting of clinical outcomes. It will give patients access to their records and results, enabling them to participate in their healthcare and make informed decisions. It will give healthcare practitioners access to real time, accurate information anytime and anywhere, and all healthcare practitioners will gain the same clinical understanding of a patient, to support collaborative and coordinated care, and better healthcare outcomes.

The CareOn application offers remote access to patient information – a capability available in only a handful of hospitals globally. All documentation, whether administrative or clinical is captured electronically, replacing manual, paper-based and fragmented clinical records and systems. Doctors are able to request nursing interventions and order and receive results of diagnostic tests.

In FY2022, we will begin providing patients in our digitised hospitals, Netcare 911, Akeso Clinics and National Renal Care with their own discharge summaries, prescriptions and care notes.



#### FY2021 performance



#### NETCARE

##### Hospital division (CareOn)

- Netcare Rehabilitation Hospital in Gauteng became our first fully digitised hospital on 1 June 2021. This was followed by full CareOn implementations, including our new maternity and neonates modules, in the Western Cape at Netcare Kuils River, Netcare N1 City and Netcare Blaauwberg hospitals and at Netcare Milpark, Netcare Jakaranda and Netcare Femina hospitals in Gauteng. The Western Cape implementations were successful despite the second and third COVID-19 waves and associated staff shortages (which challenged our ability to train users). Lessons learnt from these roll outs are improving our implementations.
- Continued to add new functionality to CareOn, including improvements to prescription processing, maternal-foetal monitoring and user experience.
- Integrated CareOn with third parties such as major laboratories, blood banks and radiology services.
- Roll out across the hospital network is expected by December 2023.

#### NETCARE

#### cancer care

##### Cancer Care

- Successful centralisation and upgrade of ARIA, which integrated three regional radiotherapy planning systems (Gauteng, Cape Town, Durban) into one database housed in the Netcare data centre. This radiotherapy planning environment creates optimised patient treatment plans, offers remote access to doctors and is more cost effective to run. We have established a good foundation to scale up the system in future.
- We are now working to enable automated billing of radiotherapy treatments, which will eliminate duplicate patient records and redundant data capture processes.



##### Akeso Clinics (CareOn Akeso)

- Completed the development and pilots of the core modules of CareOn Akeso.
- Fully implemented CareOn in nine out of 12 Akeso Clinics facilities with the balance to be completed in FY2022. Akeso Richards Bay, opening in early 2022, will be a fully digitised hospital.



##### Netcare 911

- Developed a proof of concept for a fully integrated digital solution to transmit a patient's vital statistics from emergency vehicles to our hospital network, specifically Emergency departments, to enable our teams to prepare for the patient's arrival.



## FY2021 performance continued



NETCARE  
medicross

### Primary Care

- Largely completed the roll out of the integrated practice management system, Elixir Live. The remaining six clinics will be migrated to the new solution early in 2022.
- We are developing an EMR for Medicross covering GP and dental modules. The GP application was completed in November 2021.
- Developed an integrated EMR and booking solution for Netcare Occupational Health, for both onsite and offsite operations. In FY2022, we will demonstrate the benefits of our Netcare Occupational Health EMR solution to prospective clients.

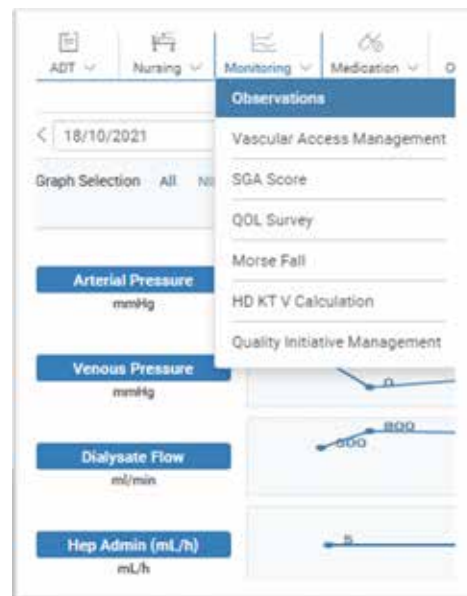
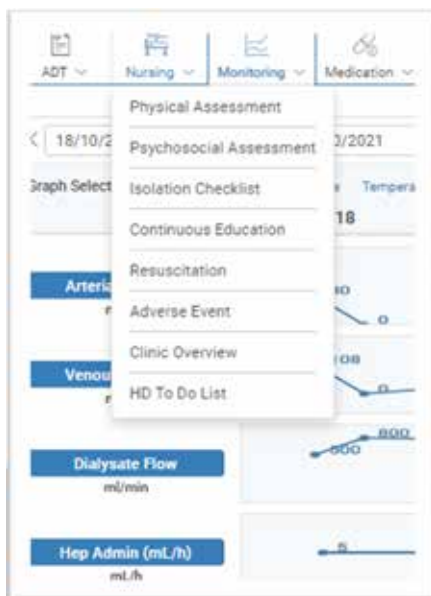


### National Renal Care (nephroOn)

- The nephroOn project is on schedule for completion by September 2022. To date, the system has been introduced to 62 (out of 69) clinics with high levels of adoption. Some efficiencies have already been achieved with significantly more expected by FY2023.
- nephroOn's integration with pathology laboratories is near completion.

## A detailed patient record for National Renal Care

The solution will function across **69 dialysis clinics**, including **1 100 dialysis machines** and will provide information to patients and doctors on:



## Human and intellectual capital | Digital transformation and data continued

### Data analytics enablement

Our datasets are vast and include clinical, medication, finance, billing, institutional, asset management, employees, procurement, independently contracted healthcare workers, clinical governance and products data. The Data Council is mandated to implement data governance within Netcare and ensure that our data meets specific data quality standards. In FY2022, we will continue to improve the quality of our data and advance our data platform to ultimately become the single source of data for all analytics.

#### FY2021 performance



#### FY2021 performance

- **Strategic initiative** Successfully delivered the first release of the COI, collated from a single source (see page 116).
- **Strategic initiative** Developed various business-specific use cases, including an outbreak detection solution (intended for deployment in FY2022), a tool to prioritise debt collections cases and an intelligent tool for optimising the placement of Netcare 911 emergency vehicles.



### Improved patient safety with digital scripting

CareOn enables the digital management of medication, which ultimately will support a closed loop medication system. Our processes for prescription, dispensing, preparation and administration are fully digitised – another first for SA and approved by SA Pharmacy Council. All prescriptions are checked against IBM Watson Health Micromedex, for any interactions between medication, other medication and allergies the patient may have, achieving a high level of medication safety.



Digital scripting has been shown to reduce medication and prescribing errors by 60%<sup>1</sup> – we have introduced a new prescription validation process to support this



The data accessible from the digitisation of the process identifies delays or bottlenecks in the system, covering over 1.8 million in-hospital scripts every year



Better insight enables the re-engineering of processes to optimise efficiencies

1. Center for the Advancement of Health. Computerized doctors' orders reduce medication errors. 2007.



**Digitising the person-centred health and care journey:**  
PG 115.

## Cybersecurity

Our digitisation journey places increasing reliance on IT systems to process personal information. Our hybrid approach to cybersecurity includes an experienced cybersecurity team, responsible for our cybersecurity strategy and operational management, supported by external experts. Our challenge is to ensure that our IT systems and data are adequately secured without impeding access to patient information for healthcare facilities and doctors.

The additional cybersecurity controls implemented for COVID-19 in FY2020 as well as our best of breed technologies continue to stand us in good stead in safeguarding our information. A robust set of metrics is used to monitor our cybersecurity performance.

The appropriate technical and organisational safeguards – based on international best practice and control frameworks – are in place to secure the integrity and confidentiality of personal information and to detect, prevent and respond to security violations. These safeguards are regularly verified internally and externally to ensure their effectiveness. A dedicated team and process governs instances of non-compliance with our privacy policies and procedures, ensuring they are documented, reported and, where required, corrective measures are taken.



### FY2021 performance

- There were no cybersecurity breaches experienced during FY2021 and no data was lost.
- Strengthened our cybersecurity through several initiatives, and appointed additional specialist cybersecurity professionals.
- Continued to educate our people about cybersecurity risks, using awareness training, monthly newsletters, videos and simulated phishing emails.
- The POPIA Steering Committee and working groups continued to implement our privacy framework and monitor our compliance with POPIA.

### IT governance and risk management

We operate a robust IT governance, risk management and compliance function, and Group IT supports the principles and practices of fairness, transparency, responsibility and accountability in its dealings with stakeholders. The guidelines of our IT governance framework and operating model are measurable, ensuring that the governance of our IT processes and resources is effective and efficient, and that the integrity, continuity, confidentiality and availability of information is managed in a cost effective manner.

The protection of personal information in our day-to-day business operations is fundamental. We maintain a sound approach to the implementation of privacy protection measures across all business operations, aligned to applicable privacy and data protection laws. Our cybersecurity and privacy frameworks ensure that we can effectively monitor, govern and enforce best practice policies as well as appropriately respond to and recover from cyber-related incidents and prevent or minimise data loss.

Through these frameworks and careful management of our risk exposure to acceptable levels, economic value is created by safeguarding our physical and intellectual assets. All frameworks include assessments, risk management, training and awareness.

The Board, Audit and Risk Committees each oversee various aspects of IT and are kept comprehensively updated on the progress of the EMR and data-related implementations. Management committees that provide oversight include the Executive Committee, the IT Steering Committee (IT strategy, risk and opportunity management), the Information Security Management Committee, the POPIA Steering Committee and the Group Compliance Committee, among others.



## Human and intellectual capital continued

# New business development

The need for new and more affordable ways to access private healthcare, for more certainty on the cost of quality healthcare, and for innovative solutions that contribute to the sustainability of the private healthcare sector is greater than ever before. In addition to our digitisation strategy, our funding solutions aim to support organic growth by leveraging our ecosystem of services, capabilities, facilities and infrastructure to reach new markets and make quality private healthcare a reality for more South Africans.

### Associated risks and opportunities

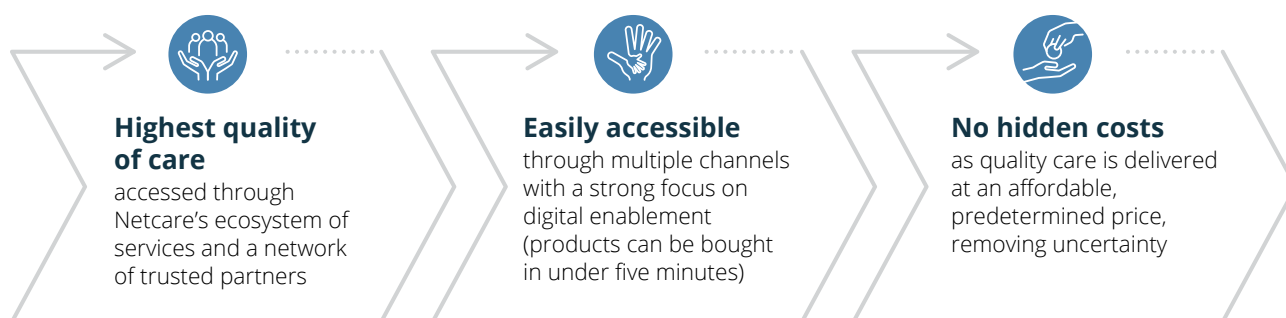
 Economic environment and demand for private healthcare	PG 65
 Implementation of the digital and data strategies	PG 68
 Competitor activity	PG 69

### Key takeaways for FY2021

R47 million invested in new business development (FY2020: R63 million)	NetcarePlus will continue to incur start-up losses, which will reduce as the business' contributions to the Group's ecosystem ramp up from the development and sale of products	Capital investment in NetcarePlus has been minimal to date with operational costs amounting to R68 million – costs of R108 million are expected over the next two years	We are investing in an integrated marketing strategy to build our marketing capacity, raise brand awareness of our new products and promote our digital presence
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## NetcarePlus

**Strategic initiative** In November last year, we introduced Netcare’s Innovative Healthcare solutions business, which now operates under the NetcarePlus brand. This is a newly established division which has been set up to create new and affordable ways to access private healthcare, particularly for those who are employed but uninsured or under-insured. It is estimated that this market represents a third of South African households and accounts for more than half of the total household expenditure in SA<sup>1</sup>. While our products are still new in the market, we believe that delivering an integrated end-to-end financial services platform that seamlessly integrates with our unique ecosystem of healthcare will extend our reach to under-served South Africans, while enhancing our core business. We will continue to resource the business with the right people and expertise to build and sustain its viability.



1. Bureau of Market Research Expenditure Analysis.

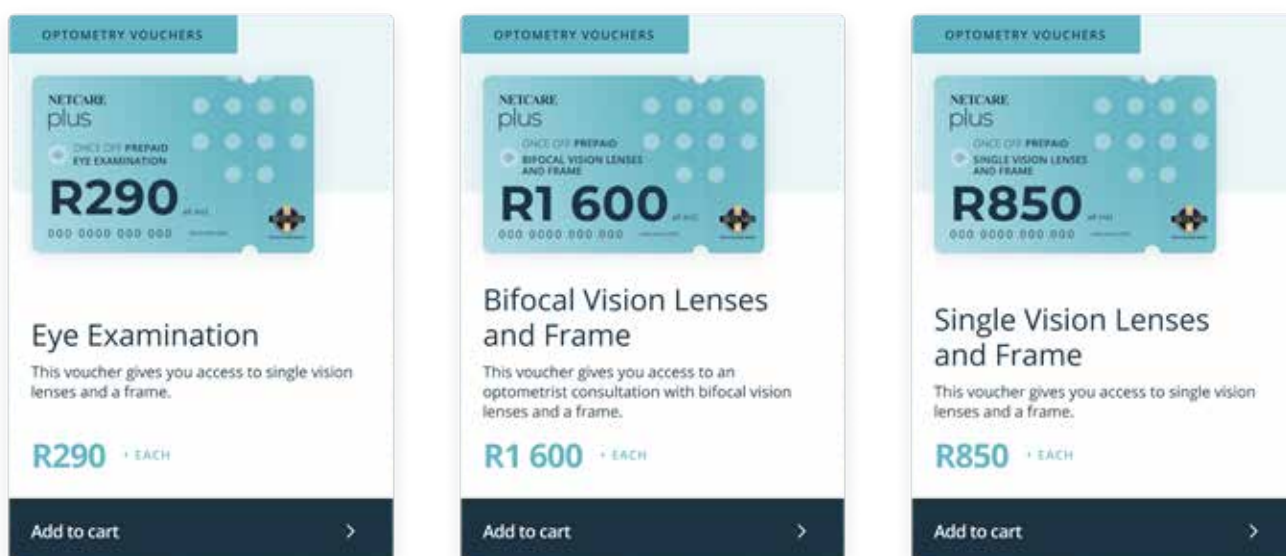
	<b>Prepaid GP vouchers</b> Launched FY2020	<b>Prepaid vouchers for select procedures</b> Expanded in April 2021	<b>Accident and trauma cover<sup>2</sup></b> Launched April 2021
	<ul style="list-style-type: none"> <li>Aimed at making primary care accessible and affordable.</li> <li>Available for either virtual consultations via telemedicine, or face-to-face consultations.</li> <li>Option to include acute medication.</li> </ul>	<ul style="list-style-type: none"> <li>Includes all costs for certain procedures, such as cataract surgery, with no additional expenses.</li> </ul>	<ul style="list-style-type: none"> <li>Provided in conjunction with Hollard, provides comprehensive medical care related to accidents and trauma.</li> </ul>
	<b>Prepaid optometry vouchers</b> Launched August 2021	<b>Prepaid dental vouchers</b> Launched November 2021	<b>Gap cover<sup>2</sup></b> Available in January 2022
	<ul style="list-style-type: none"> <li>Includes full eye examination and visual screening, lenses and frames.</li> </ul>	<ul style="list-style-type: none"> <li>Vouchers for basic dentistry services.</li> </ul>	<ul style="list-style-type: none"> <li>Includes cover for emergency costs beyond accidents, shortfalls for out-of-hospital specialists, and upfront co-payments for the voluntary use of a Netcare hospital that is not part of the member’s medical scheme network.</li> </ul>

2. This insurance product, underwritten by Hollard, is not a substitute for medical scheme membership.



## Human and intellectual capital | New business development continued

Our network of trusted healthcare practitioners includes providers in the Netcare ecosystem and third-party providers who share our values, based in both rural and urban areas. These partners have access to our telehealth platform and Netcare **appointmed™**. NetcarePlus offers practitioners the opportunity to increase patient volumes without additional administration costs, with validated vouchers that guarantee payment.



### Other business advances

Other initiatives to access new business or expand existing businesses include:

- **Strategic initiative** Expand our occupational health service offering and client base, offering digitised specialist occupational health services that assist multinational corporates and smaller businesses across industries with their OHS responsibilities.
- **Strategic initiative** Develop strategic partnerships such as our investment in Founders Factory Africa (FFA) to identify innovative solutions that address access to healthcare in Africa at lower price points. FFA builds and scales technology start-ups solving global problems.



### FY2021 performance

#### Netcare Occupational Health

- Successfully tendered for a state-owned enterprise contract for another three years.
- Acquired a new contract for an initial period of six years, where we are the main service provider to deliver medical examinations for around 1.2 million people and their beneficiaries, at 60 gold mines. To date, 30 sites are operational in SA and three in Lesotho.
- There are a number of bids in the pipeline for occupational health and integrated services in various sectors.

#### Founders Factory Africa

- Together with Standard Bank and Irish-based organisation, Small Foundation, we have invested in FFA which is working to support growth in healthtech, fintech and agritech start-ups. FFA has invested in nine incubator businesses of which three are healthtech related and 25 accelerator or scale businesses of which nine are in healthtech.



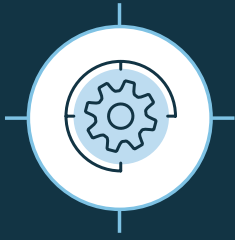
OUR BUSINESS

HOW WE CREATE VALUE

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

ADMINISTRATION



# Manufactured capital

## Estate and medical equipment

Our facilities, infrastructure and medical equipment give us unparalleled reach, scale and ability to serve South Africans. A key aspect of our capital expenditure is to upgrade, replace and maintain our estate and medical equipment as a cornerstone of our value proposition to patients, doctors and funders. In line with growing mental healthcare needs, our key areas for footprint expansion are in the Akeso Clinics network.

Our established long-term capital management policies remain firmly in place and ensure an optimal capital structure and a disciplined approach to financial investment. In line with our asset light strategy, we invest in strategic projects that will drive revenue growth and ensure operational excellence and cost efficiency. Financial models are used to stress test our operating and financial assumptions, to make sure we consider a variety of possible scenarios to inform our efforts to minimise risk. Board approval is required for projects exceeding R50 million.

Our physical asset management and maintenance system ensures that we attain optimum sustainable performance from our investment in plant and medical equipment while ensuring we comply with SHEQ requirements and apply best operating procedures in all aspects of asset management.

### Associated risks and opportunities


 <b>Economic environment and demand for private healthcare</b>	PG 65
 <b>Competitor activity</b>	PG 69

### Key takeaways for FY2021

Capital expenditure in FY2021 amounted to R1.1 billion (R460 million for expansion projects and R684 million for replacement)

The overall capital expenditure guidance for FY2022 is R1.4 billion, including new facilities, digitisation projects and the capital required to maintain the quality of our facilities and medical equipment

Capital expenditure will wind down from FY2024 to a level of sustaining the investment needed to maintain our estate (approximately R1.0 billion).

 **Digital transformation and data:** PG 146.  
**Chief Financial Officer's review:** PG 170.



## FY2021 performance



### NETCARE

#### Hospital division

- On track with the construction of the new Netcare Alberton Hospital (427 beds), which will open in April 2022. The hospital is the relocation of the Netcare Union and Netcare Clinton hospitals into one facility.
- Allocated R80 million to ensuring our hospitals are equipped to provide the best care for COVID-19 patients, including ventilation and monitoring equipment.
- Relocated a linear accelerator to Netcare Milpark Hospital. The radiation unit started operating in April 2021 with good growth in activity to date.
- No new beds were commissioned.
- Upgrades were implemented at Netcare Garden City, Netcare Parklands and Netcare Linksfield hospitals.
- Handed operations of the Queen 'Mamohato Hospital and the associated filter clinics over to the Government of Lesotho following the termination of the public private partnership agreement.
- Closed three day theatres which were not performing to our return on invested capital (ROIC) expectations. The Netcare Ceres Hospital and the Netcare Optiklin facility have been closed and are available for sale.
- Projects planned for FY2022:
  - Introduce radiation oncology services at Netcare St Anne’s Hospital in partnership with a leading oncology practice.
  - Refurbish a further two sections of Netcare Garden City Hospital.
  - Complete the upgrade of the 14-bed neonatal ICU at Netcare Unitas Hospital.
  - Begin the upgrade of the ICU and general wards at Netcare St Augustine’s Hospital.
  - Refurbish six theatres at Netcare Parklands Hospital.



#### Netcare 911

- Completed the replacement of the advanced life support equipment in ambulances. Parapac transport ventilators have also been rolled out across the response vehicle fleet.
- Replaced our dedicated mobile ICUs with a state-of-the-art fleet that allows for seamless transfer of critically ill and injured patients from one ICU to another while maintaining the same level of ICU care.
- Looking forward we will continue to replace our ambulance fleet, a project that will take three years.



#### Akeso Clinics

- The 36-bed Akeso Richards Bay Clinic is scheduled to open in the first quarter of 2022.
- Obtained Eastern Cape Department of Health approval in January 2021 for the 72-bed Akeso Gqeberha Clinic, which is expected to open in the second quarter of 2023.
- Plans have been approved by the Limpopo Department of Health for the 150-bed Akeso Polokwane Clinic. Construction is expected to take 14 months.



### NETCARE

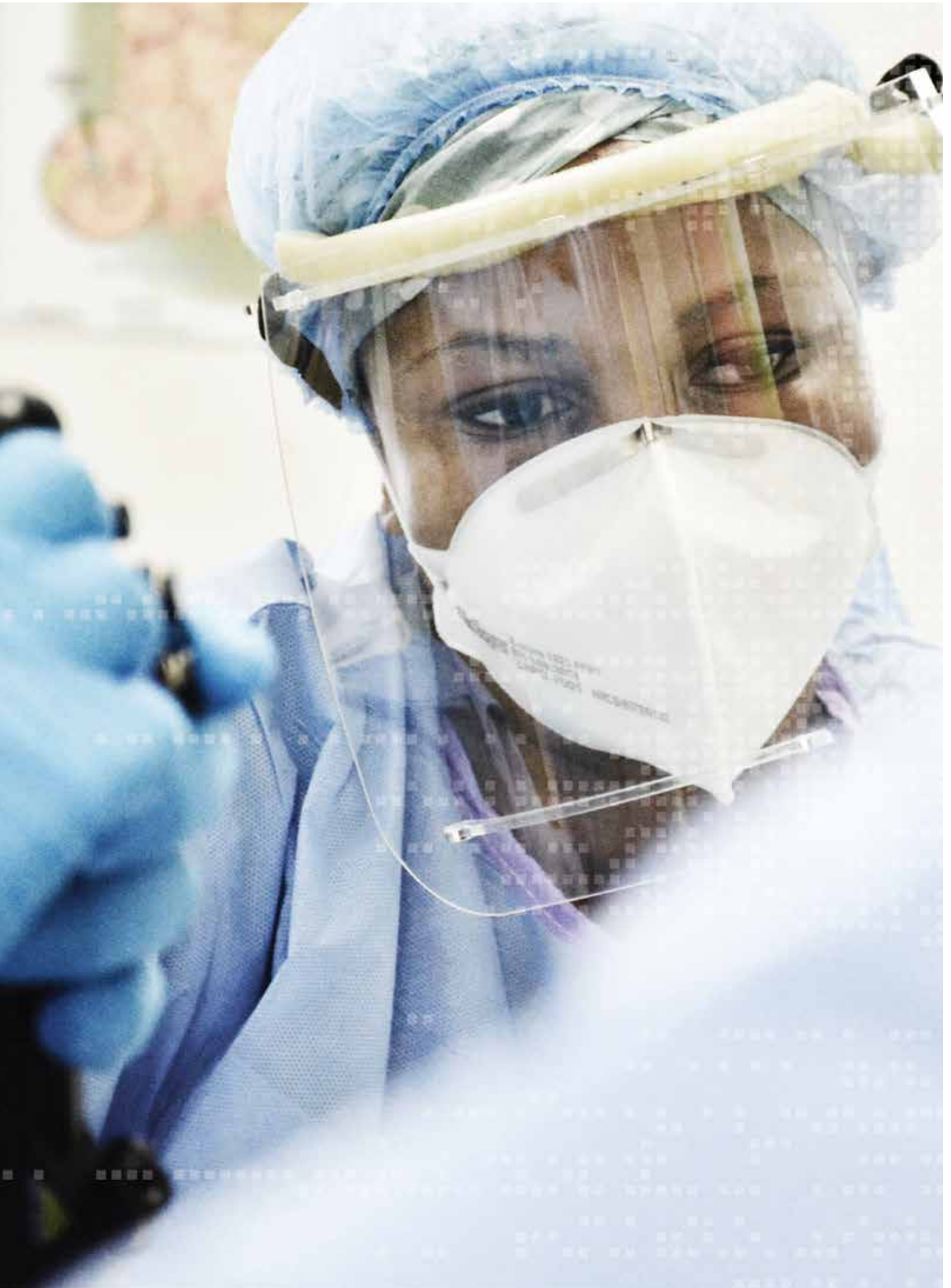
#### Asset management (Hospital division)

- Completed the asset management improvement project, achieving a central asset management and maintenance monitoring system across all hospitals.

## Manufactured capital | Estate and medical equipment continued

Facilities and assets	2021	2020	2019
<b>Hospital division</b>			
Owned and managed acute hospitals	<b>53</b>	53	55
– Registered beds	<b>10 005</b>	9 986	10 046
– ICU and high care beds	<b>1 907</b>	1 885	1 813
– Wards	<b>505</b>	477	467
– Theatres	<b>349</b>	349	350
– Emergency departments	<b>40</b>	41	44
– Hybrid theatres, catheterisation and electrophysiology laboratories	<b>34</b>	34	33
– Cancer care centres	<b>15</b>	15	15
Mental health hospitals	<b>12</b>	12	12
– Registered beds	<b>891</b>	891	891
Medicross day clinics	<b>12</b>	15	15
<b>Primary Care</b>			
Medicross centres and Netcare Occupational Health clinics	<b>67</b>	68	75
Sub-acute facilities	<b>1</b>	2	2
<b>Netcare 911</b>			
Emergency bases	<b>82</b>	82	83
Vehicles	<b>215</b>	211	202
Helicopter ambulances	<b>8</b>	8	6
<b>National Renal Care</b>			
National Renal Care facilities	<b>69</b>	68	67
Dialysis stations	<b>956</b>	979	936
<b>Expenditure on equipment</b>			
Purchase of new equipment	<b>R408 million</b>	R494 million	R622 million
Repairs and maintenance (operating expense)	<b>R469 million</b>	R404 million	R384 million
<b>Total</b>	<b>R877 million</b>	R898 million	R1 006 million





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# Natural capital

## Environmental sustainability

Our 2023 environmental sustainability strategy, started in FY2013, strongly focused on energy as the major contributor to our emissions and costs. We set a target to reduce energy intensity by between 22% and 25% by FY2023, which we met this year and are on track to achieve our stretch target of 30%.


Given our progress, and the evolving landscape characterised by innovations and technological and legislative changes, we have developed an even bolder sustainability strategy to take us through to FY2030. Energy usage will remain our core focus, however, water and waste will play more prominent roles to maximise our positive environmental impact.

 A timeline of our past sustainability initiatives can be found in the ESG report online.

Post-implementation reviews on projects representing 69% of our capital investment in environmental sustainability have shown that we are achieving greater savings than originally predicted, and compound savings resulting from the 2023 strategy are expected to total around R1.4 billion. For the remaining years of the 2023 strategy, our focus will be on optimising our existing efficiency projects and we expect the benefits of the strategy to continue to grow over the next 10 years and beyond.

We were one of the first companies in Africa to commit to the Science-based Target Initiative (SBTi) aligning with the Paris Agreement of the United Nations Framework Convention on Climate Change. The SBTi aims to reduce emissions to limit the global mean temperature increase to below 2°C by 2050 compared to the pre-industrial era. While we have experienced delays in the target setting phase of this initiative, we have updated our targets, re-started our engagements with SBTi and re-committed to this process with revised targets that exceed the SBTi required minimums.

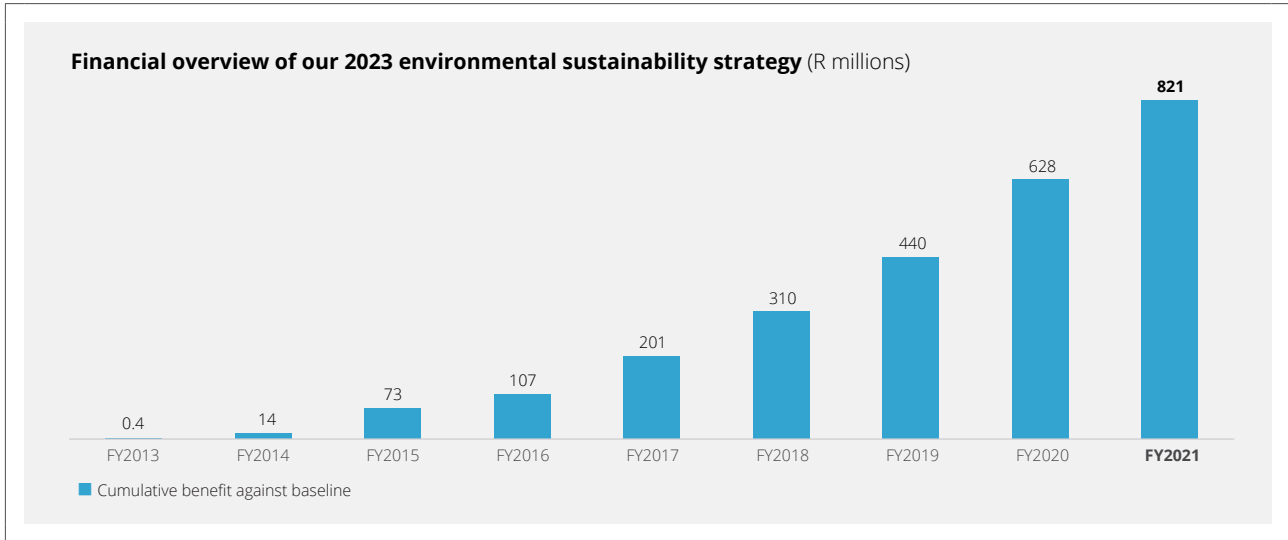
### Associated risks and opportunities

 Delivering consistently outstanding person-centred health and care	PG 67
 Availability of electricity supply	PG 71
 Water security	PG 71

### Key takeaways for FY2021

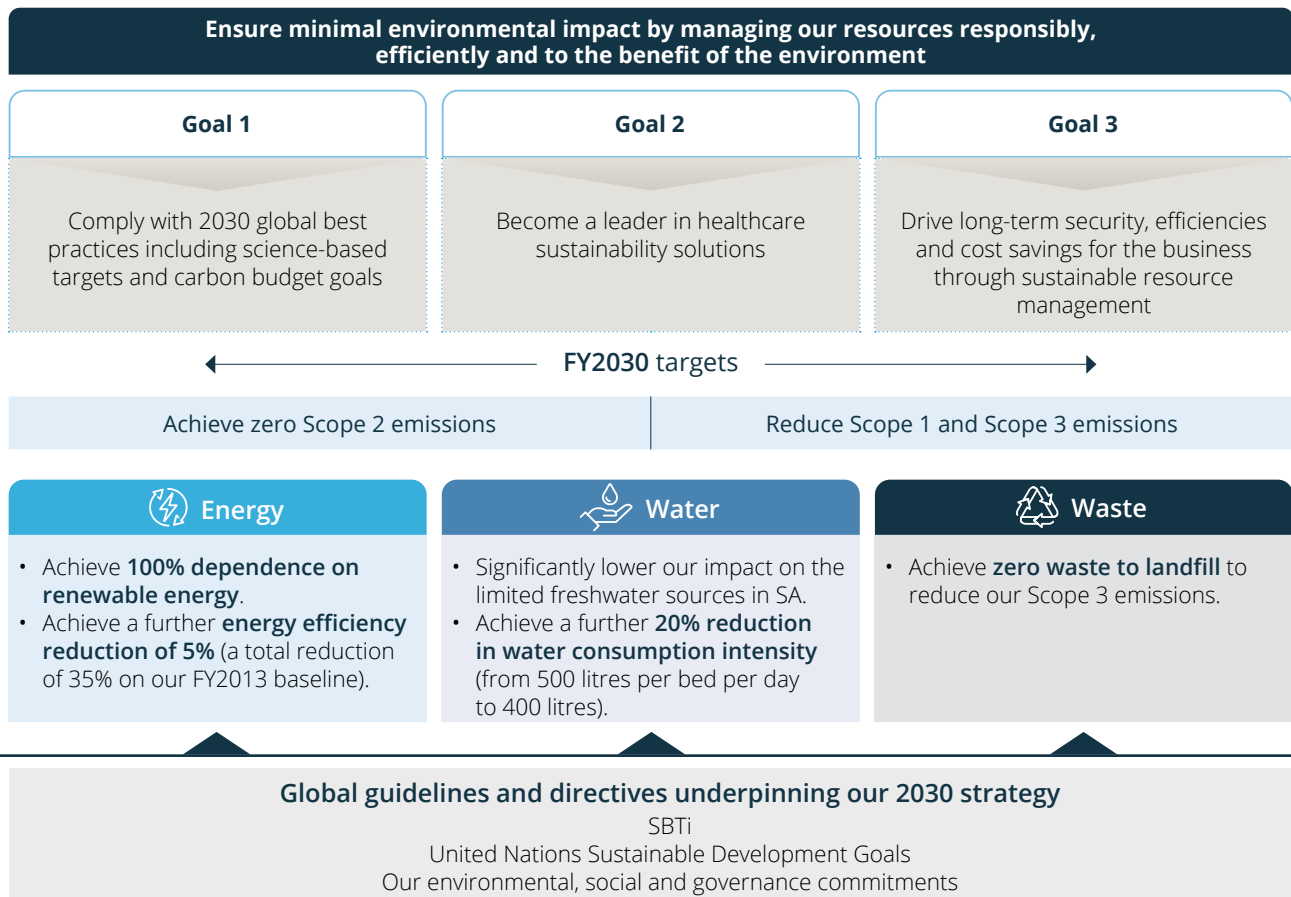
<p>194 environmental sustainability projects<sup>1</sup> initiated across the Group since FY2013 with a total capital investment of R550 million (FY2021 capital expenditure of R23 million)</p>	<p>Our environmental sustainability projects have achieved operational savings of R821 million since FY2013, with electricity savings of R21 million<sup>2</sup> realised in FY2021, exceeding our FY2021 target of R6 million</p>	<p>Return on our environmental sustainability projects is 149% to date with additional returns to be extracted in the years ahead as tariffs continue to escalate</p>	<p>We raised a R1 billion sustainability-linked bond, a first for Africa. The bond is linked to our environmental performance, with reductions in interest linked to prespecified emissions and water-reduction targets.</p>
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1. A total of 43 projects are still active.  
 2. The Hospital division contributed to 97% of total savings.



### Our new environmental sustainability strategy

Based on global best practice, our 2030 environmental sustainability strategy will contribute to future-proofing our business. The integrated approach will address climate change-related risks, regulatory changes and scarcity of resources. Our overarching goal is to achieve carbon neutrality by FY2050, with much of this achieved by FY2030. The new strategy will focus on reducing Scope 1 and Scope 2 emissions, revising our procurement strategies to achieve reductions in Scope 3 emissions and refining our approach to water consumption and waste generation. We believe our 2030 strategy is well within our reach and skillset and will not only give Netcare a licence to operate but will continue to set us apart as a leader in healthcare sustainability.



## Natural capital | Environmental sustainability continued



### Mitigating our environmental risks: ensuring continuous care

In August 2021, the Council for Scientific and Industrial Research released its statistics on power generation for the first half of 2021. It reported that SA had experienced load shedding for 650 hours in the first six months of the year, already 76% of the total load shedding experienced during 2020, which was SA's worst year on record. In addition, unplanned outages totalled around 15 300 megawatts.

The National Water and Sanitation Master Plan (2019) estimated that SA could have a 10% gap between water supply and demand by 2030, even if the planned additional water supply projects are implemented. Not only does this impact the quality of care, but recent incidents have highlighted the need for comprehensive plans to contain a catastrophic fire in hospitals, particularly when local fire authorities who, due to the aging and fragile municipal water infrastructure, may not be able to respond appropriately. During FY2021, we reviewed all Netcare hospitals to assess their ability to secure a sufficient 'fire hydrant water' supply and pumps, independent from domestic supply.

In the event of large-scale electricity or water disruption or a fire, our major incident plan defines the managerial and administrative actions and processes to be taken at our facilities to ensure a rapid, coordinated and appropriate response and the minimal possible disruption to essential care services. When water supply is interrupted, affected facilities automatically implement a 'water conservation mode', doubling the period of available backup water supply.

#### Our mitigating measures for outages

##### Electricity

- Around 200 generators.
- Uninterrupted power supply and generators at all acute and day hospitals to power critical functions.
- Seven acute and two day hospitals have dual redundancy (of second stand-by generators ) for critical functions.
- Full island load capacity, including dual redundancy, at 26 hospitals (representing 60% of our hospital beds) and 12 day hospitals, meaning there is no impact on the entire site in an outage.

##### Water

- Between 24- and 48-hours of backup water supply stored at most Netcare facilities.
- A desalination plant at the Netcare Christiaan Barnard Memorial Hospital, which supplies 100% of the hospital's water and is capable of supplying water to all our facilities in the Western Cape independently of the water utility.
- A 500 000 litre water reservoir at Netcare Milpark Hospital and a 612 000 litre reservoir at Netcare Garden City Hospital. Both reservoirs are able to supply water to other hospitals in Gauteng in an emergency.
- Boreholes and filtration plants at five hospitals that have experienced chronic water shortages in the past. Netcare Greenacres Hospital, completed in FY2021, now operates independently of the water grid and is able to assist Netcare Cuyler Hospital with water supply if the need arises.




## Energy and emissions

To achieve zero Scope 2 emissions, we aim to secure 100% renewable energy by FY2030. To drive a carbon-neutral status by FY2050 or sooner, carbon offset projects will be used to reduce our Scope 1 and Scope 3 emissions.

As of FY2021, the cumulative electricity tariff increase since FY2013 has been 92%, meaning that had we continued with business as usual, our electricity cost per bed would have been R48 000, and our total electricity expense for FY2021

would have been R549 million (accounting for growth in patient days). As a result of our energy efficiency initiatives, our electricity cost per bed has only increased by 36% and is currently R34 000 – a 29% reduction on the estimated business-as-usual cost.

Between FY2019 and FY2021, our Scope 1 and Scope 2 emissions have increased 0.7% due to the changes that we have had to make to our hospital heating, ventilation and air-conditioning (HVAC) systems to protect our patients and healthcare workers from COVID-19. While this negatively affects savings, a slight reduction in electricity consumption was achieved in FY2021.

 **ESG report** (for more information on our renewable energy programme).



## Natural capital | Energy and emissions continued



### FY2021 performance

Our 67<sup>1</sup> (FY2020: 63) **solar PV systems** generated 15.6 gigawatt hours (GWh) of renewable energy in FY2021, contributing

**R26 million**

to savings for the year (FY2020: 13.4GWh saving more than R23million)

We have achieved a **28% reduction** in electricity usage per bed since FY2013 (FY2023 target for overall energy: between 22% and 25%, with a stretch target of 30% by FY2023)

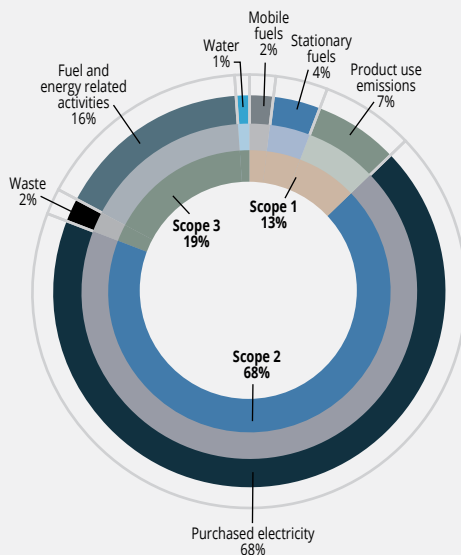
**Scope 1 and Scope 2 emissions** decreased from 33.6 tCO<sub>2</sub>e<sup>2</sup> per bed in FY2013

**to 21.8 tCO<sub>2</sub>e per bed in FY2021, a reduction of 35%**

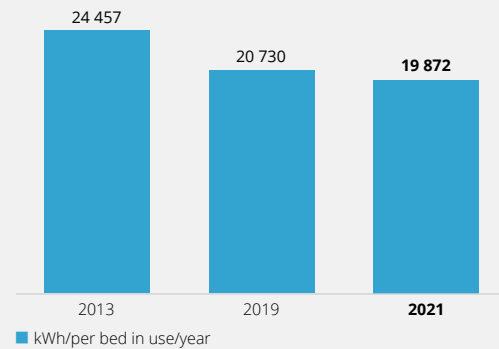
**98%** of our **overall capital investment** in environmental sustainability projects has been on energy efficiency projects (including HVAC, water heating, lighting and solar PV) totalling R537 million, achieving operational cost savings of R723 million

1. This is the second largest commercial solar PV fleet in SA.  
2. Tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

#### Breakdown of greenhouse gas (GHG) emissions



#### Electricity intensity on monitored facilities

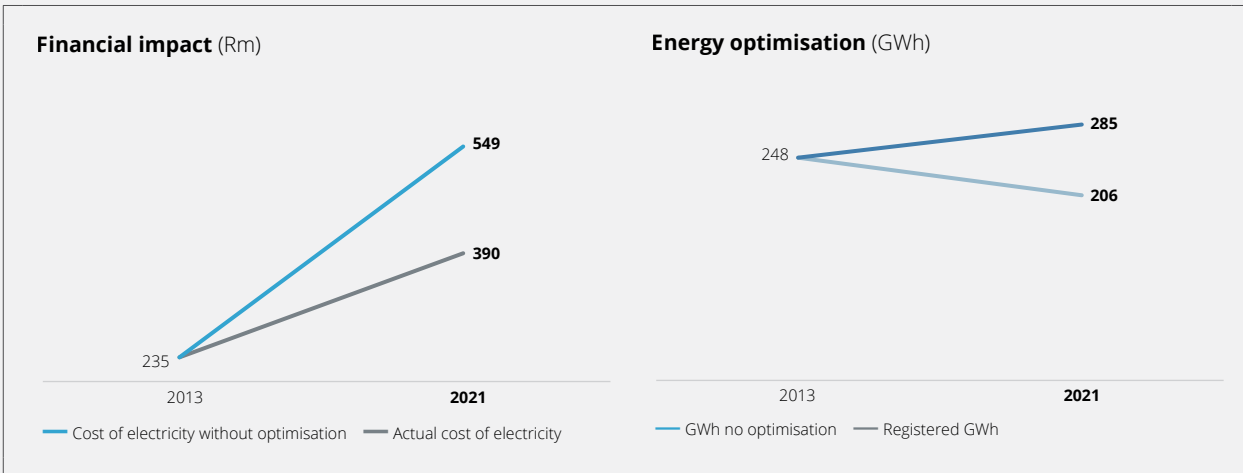


Note: this graph shows current year, pre-COVID-19 and our baseline year with fewer patients days recorded for FY2021. It covers only acute hospitals.



FY2021 performance continued

Optimisation impact from energy saving initiatives



- We are conducting an analysis of the sources of our Scope 1 and Scope 3 emissions to understand which emissions are under our control and can be reduced or eliminated, and which are not under our control and must be mitigated through carbon offsets (planting trees, buying carbon credits and investing in agricultural offset programmes).
- Started exploring electric ambulances and the use of biofuel to reduce the Scope 1 emissions from our emergency services fleet. Implementation of these initiatives is likely to be in the medium to long term.
- Increased loadshedding led to a 4% increase in Scope 1 emissions as the use of diesel generators was needed to continue operating. While energy purchased decreased year on year, a 4% increase in Eskom-generated electricity emissions resulted in an overall 3% increase in our Scope 2 emissions.
- Scope 3 emissions increased 80% due the increased accuracy of third-party emissions reporting.





Natural capital continued



# Water

A water audit conducted in FY2015 revealed that 39% of our facilities are located in areas at elevated risk of experiencing regular water shortages, especially during drought conditions. This is likely to increase to around 49% of our facilities by 2025. Our water strategy is in its early stages with many unknowns still to be investigated. While our primary objective is to reduce our water consumption from 500 litres per bed per day to 400 litres per bed per day by FY2030, we must first establish a solid baseline from which to measure progress and explore alternative sources of water.



## FY2021 performance

**Water usage per bed reduced from 194 kilolitres**

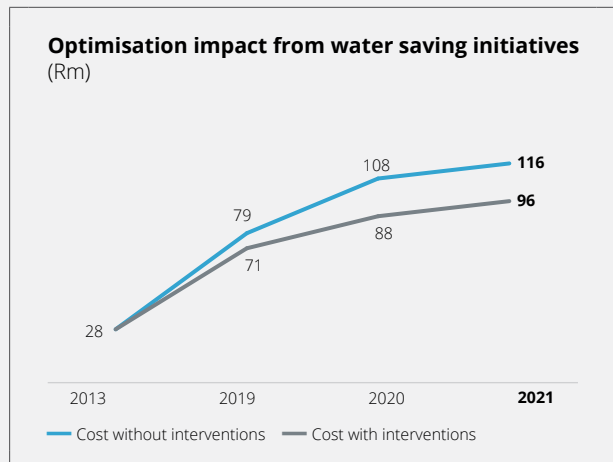
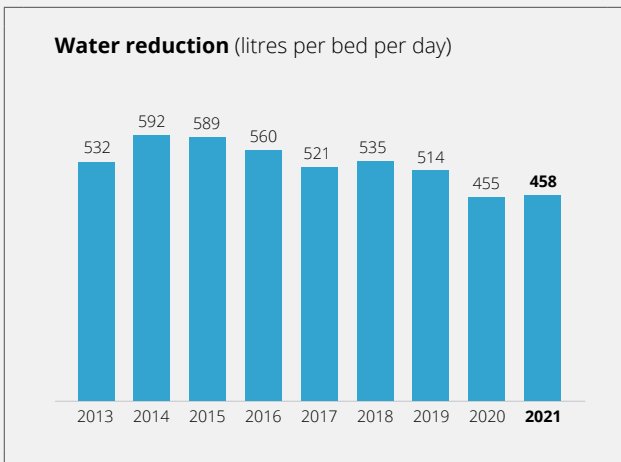
in FY2013 to 167 kilolitres per bed in FY2021, a 14% reduction

**0.9% increase**

in overall **water consumed** compared to FY2020, with the cost related to water decreasing 0.8% year on year

**R12 million**

invested in **water saving initiatives** (wastewater treatment and newer water efficient technology), achieving operational cost savings of R58 million



- The new Netcare Alberton Hospital will have a greywater harvesting system that captures and treats the facility's greywater to potable standards. Around 50 000 kilolitres of water will be recycled a year. The capital investment for this project is R12 million with an annual saving of R2 million.
- Drilled a second borehole and installed a filtration plant at the Netcare Greenacres Hospital.
- Looking ahead to FY2022, we will upgrade all autoclaves in the Hospital division to more water efficient technology and National Renal Care will implement indirect feed (storing all unused water) reverse osmosis plants in all units, enabling a water saving of between 50% and 70% depending on the facility.
- In terms of advancing our water strategy, we will roll out more water meters in our facilities and undertake an in-depth analysis to understand our water usage per area (for example, theatres, laboratories, doctors' offices, ICUs etc.) and per activity (for example, to clean equipment, to operate equipment, in gardens etc.).



# Waste

With landfill space in SA rapidly decreasing, and the severe cost to the environment associated with waste disposed through landfills, our waste strategy is designed to exceed the National Waste Management Strategy, aiming to reduce our waste to landfill to zero by FY2030.

HCRW, is our most expensive category of waste to dispose of and includes sharps, gloves, used medical items like bandages and infectious waste (including highly infectious or isolation waste) and anything anatomical. The balance is classified as general waste which is either recyclable or sent directly to landfill. Recycling will contribute to a reduction in Scope 3 emissions, limit our exposure to unpredictable waste cost escalation and convert our waste streams to value streams while also supporting our social transformation objectives by creating circular economies that support job creation. Diverting waste from landfill saves transport and landfill associated costs as well as emission-related costs such as carbon tax.

It is widely accepted that a healthcare institution’s waste is broken down into approximately 85% non-hazardous waste (general waste) and 15% HCRW. As our HCRW is accurately reported (given our focus on this waste stream and legislative controls), this would indicate that our general waste is underreported in terms of the industry ratio. We are working to enhance our measurement of the general waste stream to better understand the related Scope 3 emissions and define a reduction pathway. SafeCyte, our SHEQ information management system (see page 118), will play a key role in quantifying this waste stream. We anticipate zero waste certification for the Group by FY2026.

### FY2021 performance

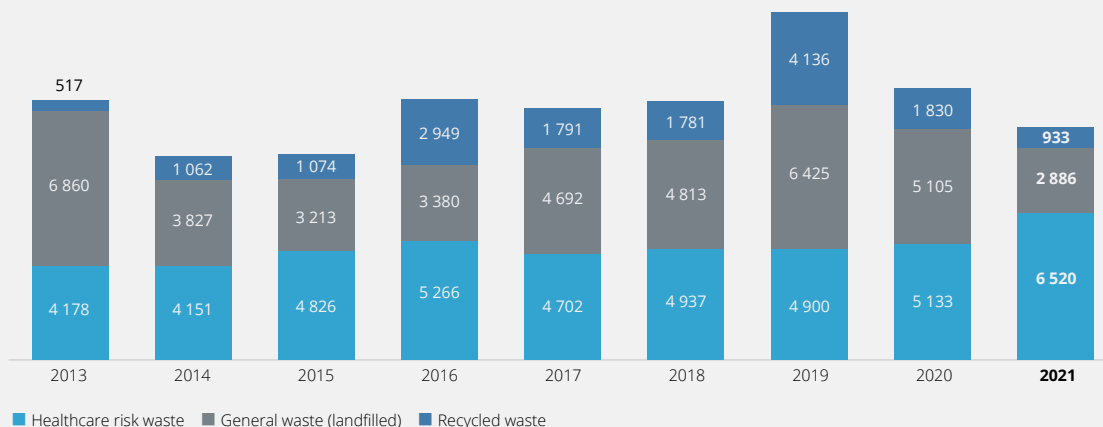
<p style="text-align: center;">Total volume of waste generated <b>reduced by 8%</b> compared to FY2020 to 9 406 tonnes, <b>largely due to lower patient day activity</b> as a result of COVID-19</p>	<p style="text-align: center;"><b>HCRW increased</b> from 1.99 kilograms (kg) per patient day in FY2019 to 2.85kg in FY2020 and 3.31kg in FY2021 as waste that was previously classified as <b>general waste is now treated as infectious waste</b> due to possible COVID-19 contamination</p>
<p style="text-align: center;"><b>The cost of HCRW</b> <b>increased by 32%</b> and <b>general waste</b> by <b>4%</b>, driven by COVID-19</p>	<p style="text-align: center;"><b>R1 million</b> invested in <b>waste reduction initiatives</b> (better sorting and segregation of waste at source), achieving operational cost savings of R40 million</p>

## Natural capital | Waste continued

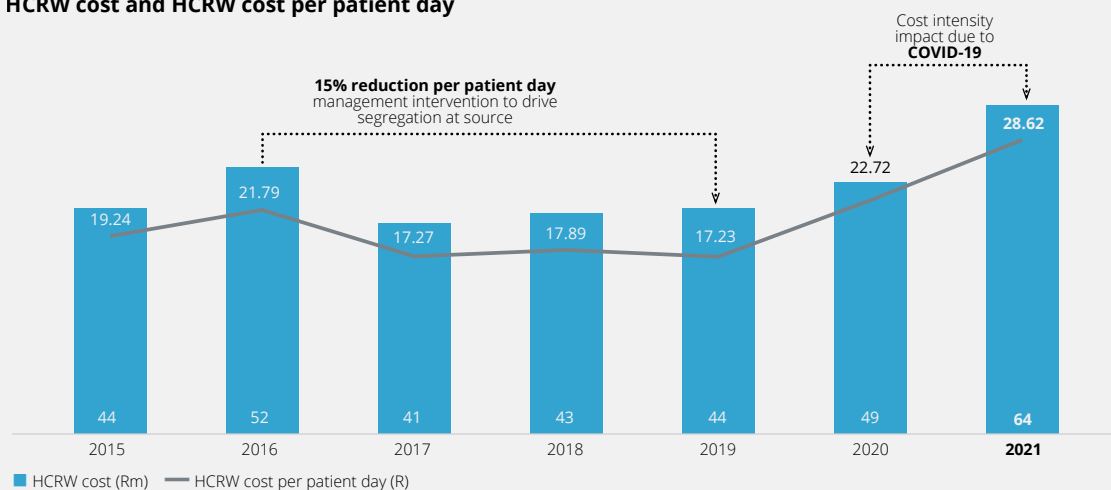


### FY2021 performance continued

**Total waste volume (kgs)**



**HCRW cost and HCRW cost per patient day**



- Started a zero waste to landfill pilot at four facilities that does not require additional funding.
- At Netcare Montana Hospital, we are exploring the treatment and conversion of HCRW to a standard where the end product may be reused safely. The treated HCRW is being palletised into a brick-like product, which is sterile and poses no risks for human handling or the environment. An analysis is underway to determine what the bricks can be used for. Starting August 2021, 20 tonnes of HCRW is being treated monthly, sourced from five of our hospitals.
- Other solutions being tested are the crushing of clinical glass sold for use in the paint industry, the recycling of dedicated single-use sharps containers, a composting of organic waste feasibility study at two hospitals, the piloting of a waste plan biogas plant in the Western Cape and our My Walk Made with Soul initiative (see page 134).

Utilities	Unit	2021	% change	2020	2019	Baseline (2013)
<b>Energy use<sup>1</sup></b>						
Total energy consumed	gigajoules	<b>954 692</b>	(0.2%)	956 560	983 418	1 038 540
<b>CO<sub>2</sub> emissions</b>						
Scope 1 emissions	tCO <sub>2</sub> e	<b>37 862</b>	4.0%	36 392	34 192	38 337
Scope 2 emissions	tCO <sub>2</sub> e	<b>209 172</b>	2.8%	203 514	211 026	231 467
Scope 3 emissions	tCO <sub>2</sub> e	<b>59 270</b>	79.5%	33 014	30 395	41 961
<b>Total Scope 1, 2 and 3 emissions</b>	tCO <sub>2</sub> e	<b>306 304</b>	12.2%	272 920	275 613	311 765
<b>CO<sub>2</sub> intensity ratios</b>						
Ratio of Scope 1 and 2 to:						
– Revenue	tCO <sub>2</sub> e/Rm	<b>11.65</b>	(8.5%)	12.73	11.36	20.09
– Registered beds	tCO <sub>2</sub> e/bed	<b>21.82</b>	2.8%	21.23	21.58	33.56
<b>Water consumption<sup>2</sup></b>						
Total water consumption	kilolitres (kl)	<b>1 895 020</b>	0.9%	1 878 400	2 132 022	1 803 026
Ratio of total water to:						
– Revenue	kl/Rm	<b>89</b>	(10.3%)	100	99	116
– Registered beds	kl/bed	<b>167</b>	0.7%	166	188	194
<b>Waste<sup>2</sup></b>						
Healthcare risk waste	tonnes	<b>6 520</b>	27.0%	5 133	4 900	4 178
General waste (landfill)	tonnes	<b>2 886</b>	(43.5%)	5 105	6 425	6 860
<b>Total volume of waste</b>	tonnes	<b>9 406</b>	(8.1%)	10 238	11 325	11 038
Recycled waste	tonnes	<b>933</b>	(49.0%)	1 830	4 136	517
Ratio of total waste generated to:						
– Revenue	kg/Rm	<b>444</b>	(18.3%)	543	525	729
– Registered beds	kg/bed	<b>831</b>	(8.3%)	906	997	1 188

1. Total energy use includes purchased electricity and other fossil fuels but excludes renewable energy. Electricity meters cover more than 90% of the hospital network, 75% of Primary Care and 100% of Akeso Clinics' electricity expenses. Data covers SA and Lesotho.

2. Data covers SA and Lesotho.

Note: all facilities have water meters with more than 800 components installed since 2015.





# Financial capital

## Chief Financial Officer's review

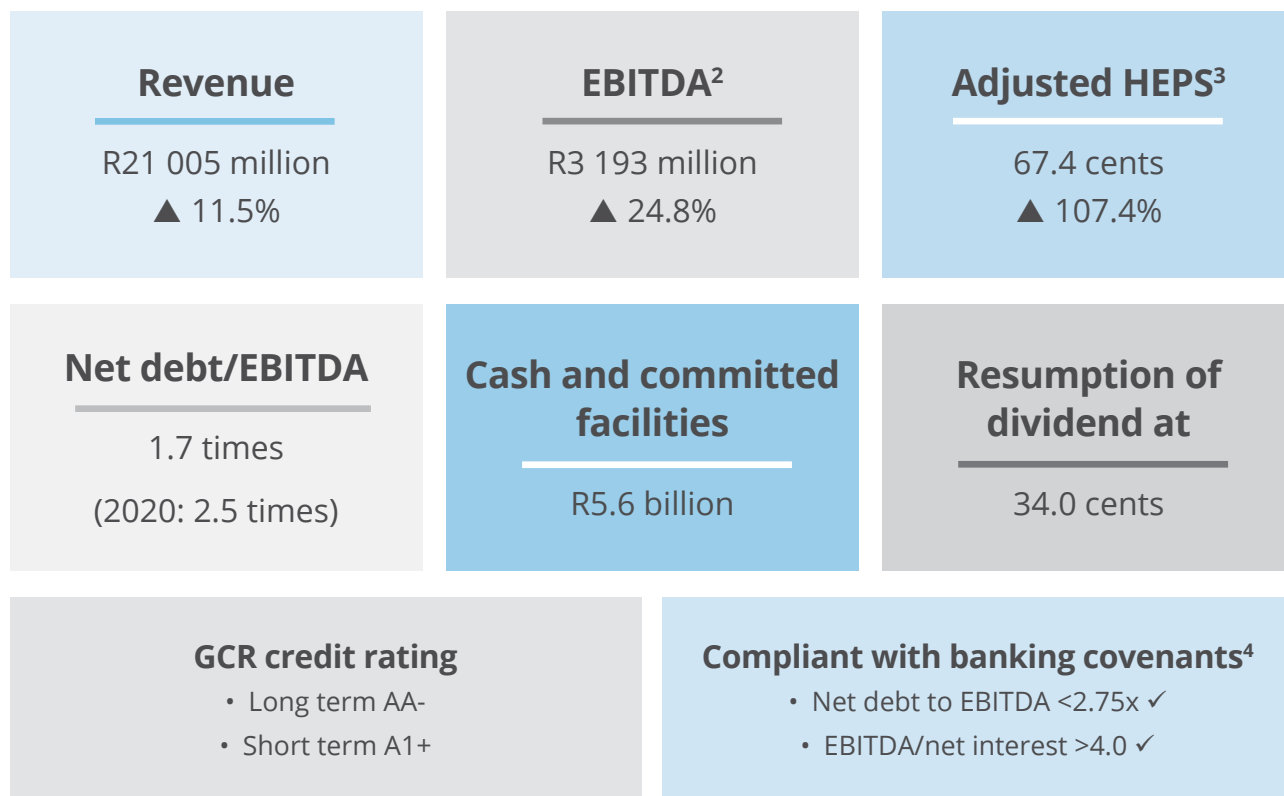
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“Although COVID-19 and its effects will remain with us for the foreseeable future, we believe the experience we have gained over the last 18 months will enable us to better manage its complex impacts. The Group’s balance sheet and underlying businesses, and our pipeline of strategic initiatives, are strong. This should support Netcare’s return to pre-COVID-19 levels of profitability and growth over the medium term.”

Keith Gibson, Chief Financial Officer

**Key indicators<sup>1</sup>**



1. Normalised to exclude the impact of exceptional items comprising the termination of the Lesotho PPP and property impairments in FY2021, and profit on disposal of investment in associate and a once-off non-cash share-based payment expense on the B-BBEE-transaction in FY2020.  
 2. Earnings before interest, tax, depreciation and amortisation.  
 3. Headline earnings per share.  
 4. Measured on pre-IFRS 16 basis.

**Overview**

Weathering two sizeable waves of COVID-19 within a year constrained our capacity to operate efficiently. The short recovery periods between waves hampered our strategic momentum and impeded our recovery to pre-pandemic levels of occupancy, and consequently, profitability.

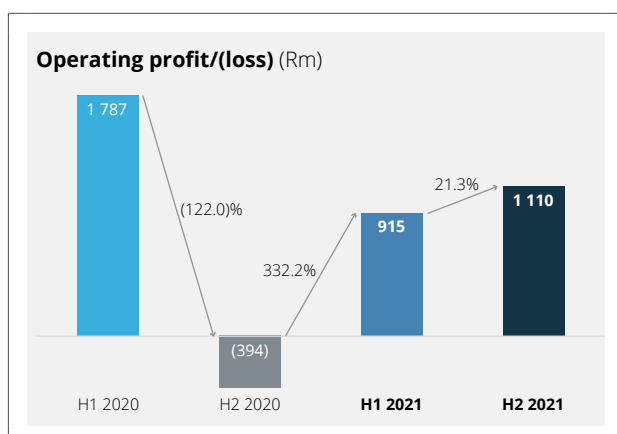
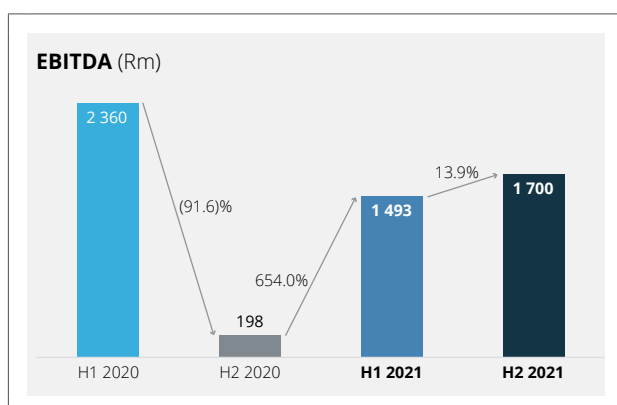
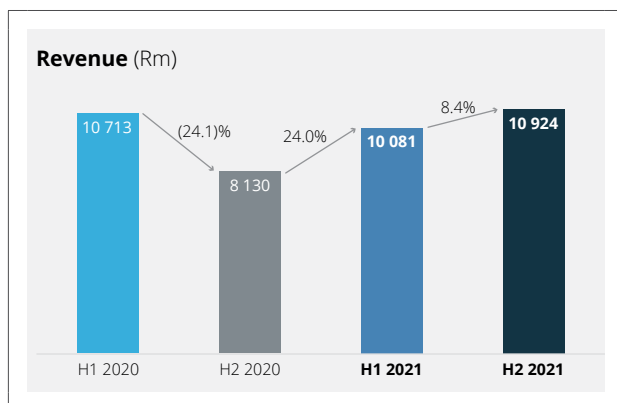
The impact on Netcare’s operations of the first wave, which peaked in July 2020, was felt predominantly in the second half of the 2020 financial year (H2 2020). The second wave, driven by the emergence of the Beta variant in late November 2020, peaked in January 2021. This affected Netcare’s operational and financial performance during H1 2021. The third wave followed the emergence of the more contagious Delta variant in May 2021, affecting H2 2021.

Despite the impact of these waves, we saw a solid improvement in the year-on-year financial results. Group revenue, EBITDA and EBITDA margins showed a steady sequential improvement in H2 2021, when benchmarked against H1 2021 and H2 2020. Positive operating leverage was achieved as we realised efficiencies from increasing occupancies, which allowed us to better flex our cost base. These benefits are ultimately reflected in adjusted HEPS improving by 107.4% to 67.4 cents.



## Financial capital | Chief Financial Officer's review continued

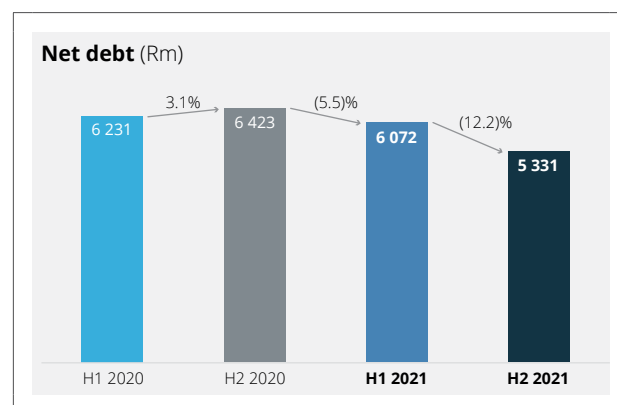
Our cash preservation measures have proved necessary and successful over the past 18 months. Consequently, the Board approved the resumption of dividend payments and a final dividend of 34.0 cents per share has been declared.



Netcare's statement of financial position remains strong, allowing ongoing investment in key strategic projects. Strong cash generation allowed us to reduce debt further during the year, with net debt down to R5.3 billion. At 30 September 2021, the Group had cash resources and committed undrawn facilities of R5.6 billion available for future funding and liquidity requirements.

In March 2021, Netcare launched Africa's first sustainability-linked bond. The R1 billion unsecured bond is a novel way of raising capital at a competitive coupon rate for our environmental sustainability projects and general corporate funding needs. Although this was a private placement, there was strong demand for the bond. This indicated both strong investor appetite for sustainable finance instruments, and their confidence in Netcare's business fundamentals of cost control, maintaining a strong statement of financial position and conservative gearing.

The Group generated strong cash flows during the year, improving the cash conversion ratio to 118.8% (2020: 58.3%).



Looking to FY2022, we anticipate capital expenditure of R1.4 billion. This includes approximately R227 million on strategic projects, R160 million to complete the new Netcare Alberton Hospital (replacing the Netcare Union and Netcare Clinton hospitals) and R80 million on a new Akeso Clinics facility.

Our focus will remain steadfast on maintaining an optimal capital structure, supported by disciplined capital allocation and measurement of returns, in full view of the considerations required to recover profitability and achieve balanced value creation for all our stakeholders.

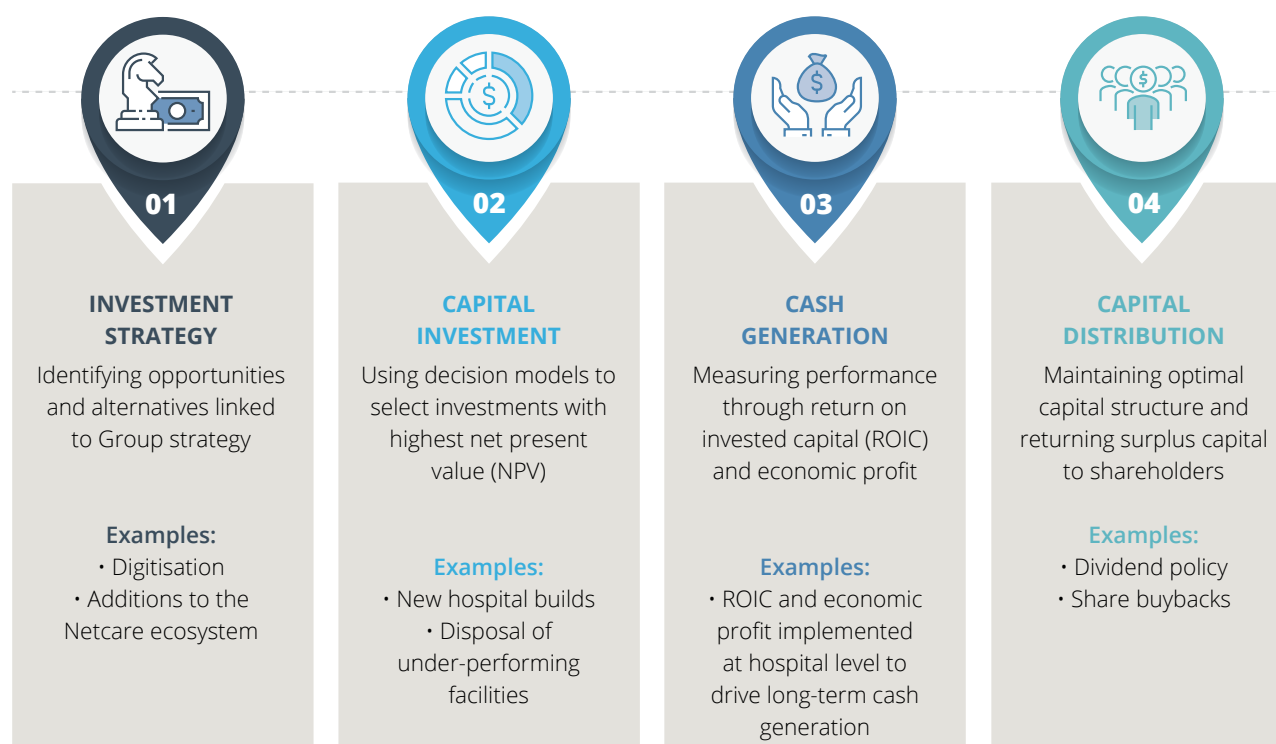
### Disciplined capital management approach

Our ambition is to remain a world-class provider of healthcare, which requires disciplined capital allocation to the strategic initiatives that will drive Netcare’s ability to compete, innovate and grow. At the same time, we will maintain an optimal capital structure through diligent application of our capital management framework (below). We have implemented the framework over several years and continue to refine and embed it in the way we operate and measure enterprise value.

#### Our policy

Netcare’s policy on capital structure is to maintain a strong balance sheet and to **retain an investment grade credit rating** while reducing the cost of capital with a **safe level of debt**.

#### OUR DISCIPLINED APPROACH THROUGH THE CAPITAL CYCLE INVOLVES:



**01 Investment strategy** involves the search for new growth opportunities and the consideration of alternatives aligned to the Group strategy. This includes the identification and selection of investments in our digital and data strategies, and of new business lines and services added to the Netcare ecosystem.

**02 Capital investment** pertains to applying robust decision models to evaluate and select investments with the highest expected NPV. This would apply to our decisions to invest in capacity, such as new hospital builds, as well as to disinvest where returns do not meet our hurdle rates, such as the disposal of under-performing facilities.

**03 Cash generation** is served by sound capital investment decisions, with economic profit and ROIC being the key metrics we use to monitor and drive Netcare’s intrinsic value. These measures have been implemented at hospital level to ensure behaviours that will ultimately increase long-term cash generation.

**04 Capital distribution** employs decision analysis to determine the optimal capital structure for the Group and payout policies. If we do not have sufficient positive NPV investments available, we distribute surplus capital back to our shareholders.

## Financial capital | Chief Financial Officer's review continued

Given the uncertainty surrounding the future impact of rolling COVID-19 waves, our short-term focus on cash preservation remains crucial. However, we will balance this with faithful application of our long-term capital allocation policies. As our operating environment normalises, we will advance our asset light strategy, favouring investments in strategic projects that will drive revenue growth, operational excellence and cost efficiency. During the year the Group invested capex of R120 million and incurred operational costs of R172 million on our flagship strategic projects.

We strive to find the right balance between investing in the long-term health of the Group and achieving our medium-term financial targets. In addition to ROIC and economic profit, we also use cash flow return on investment (CFROI) to measure performance. However, ROIC is our preferred metric as it is less complicated to calculate, requires fewer adjustments and is easier to communicate, both internally to our managers and to external stakeholders. ROIC is also a key driver of economic profit.

However, it is important to note that ROIC can be distorted, especially when comparing the performance of old hospitals to new ones, or by insufficient reinvestment in assets over time. Failing to invest in maintaining our facilities negatively impacts our ability to compete effectively as a trusted healthcare provider and, ultimately, would be detrimental to ROIC. CFROI removes this distortion because it is based on gross assets and is inflation-adjusted. For these reasons, it is ideal for benchmarking and acts as an assurance metric. As such, we monitor CFROI at executive level but use ROIC for managing our business on a daily basis. The measures are highly correlated, and we are confident that driving ROIC and economic profit results in enterprise value creation over time.

### Analysis of financial performance

To aid comparability, the commentary that follows excludes the exceptional items (comprising the impact of the termination of the Lesotho PPP and property impairments in FY2021, and a profit on disposal of investment in an associate and a once-off non-cash share-based payment expense on the B-BBEE transaction in FY2020), unless otherwise indicated.

### Key financial results

Rm	30 September 2021	30 September 2020	% change
Normalised revenue <sup>1</sup>	21 005	18 843	11.5
Normalised EBITDA <sup>1</sup>	3 193	2 558	24.8
Normalised operating profit <sup>1</sup>	2 025	1 393	45.4
Profit before taxation <sup>1</sup>	1 284	556	130.9
Taxation <sup>1</sup>	(380)	(243)	
<b>Profit after taxation<sup>1</sup></b>	<b>904</b>	313	188.8
Exceptional items:			
Lesotho PPP termination (net impact)	(35)		
Impairment of properties	(73)		
Profit on disposal of investment in associate		522	
Share-based payment expense on B-BBEE transaction		(348)	
Taxation on exceptional items	(36)	(48)	
<b>Profit for the year</b>	<b>760</b>	439	
Adjusted HEPS (cents)	67.4	32.5	107.4
ROIC (%)	7.9	5.6	

1. Normalised to exclude the impact of exceptional items comprising the termination of the Lesotho PPP (refer note 11 of the audited Group financial statements) and property impairments in FY2021 and profit on disposal of investment in associate and a once-off non-cash share-based payment expense on the B-BBEE transaction in FY2020.

- Higher patient days and annual tariff increases lifted Group revenue 11.5% to R21 005 million (FY2020: R18 843 million).
- EBITDA improved by 24.8% to R3 193 million (FY2020: R2 558 million), and the EBITDA margin expanded to 15.2% from 13.6% in the previous year.
- Operating profit rose 45.4% to R2 025 million (FY2020: R1 393 million).
- Net interest paid, excluding interest on lease liabilities, reduced to R413 million (FY2020: R504 million) benefiting from a lower average debt and cost of debt over the period.
- Profit before taxation climbed 130.9% to R1 284 million (FY2020: R556 million). The taxation charge amounted to R380 million (FY2020: R243 million) reflecting an effective tax rate of 29.6% (FY2020: 43.7%).

- Profit after taxation increased by 188.8% to R904 million (FY2020: R313 million).

**Exceptional items**

In light of the early termination of the Lesotho PPP agreement by the Government of Lesotho, and ongoing uncertainty with regard to the resolution of matters under dispute, the Group recognised net losses of R35 million before tax.

Provisions for impairments of property assets amounted to R73 million, the majority of which relates to the Netcare Union and Netcare Clinton hospital buildings which will be vacated on the opening of the new 427-bed Netcare Alberton facility. The impact of COVID-19 on the property market has reduced the previously anticipated market valuations of these sites.

**Operational performance**

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2021<sup>2</sup></b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	<b>19 465</b>	<b>1 152</b>	<b>20 617</b>	<b>595</b>	<b>(12)</b>	<b>21 200</b>
<b>EBITDA</b>	<b>3 040</b>	<b>80</b>	<b>3 120</b>	<b>124</b>	<b>-</b>	<b>3 244</b>
Depreciation and amortisation	(896)	(184)	(1 080)	(88)	-	(1 168)
<b>Operating profit</b>	<b>2 144</b>	<b>(104)</b>	<b>2 040</b>	<b>36</b>	<b>-</b>	<b>2 076</b>
<b>Additional segment information</b>						
Impairment of property, plant and equipment	(57)	(16)	(73)	-	-	(73)

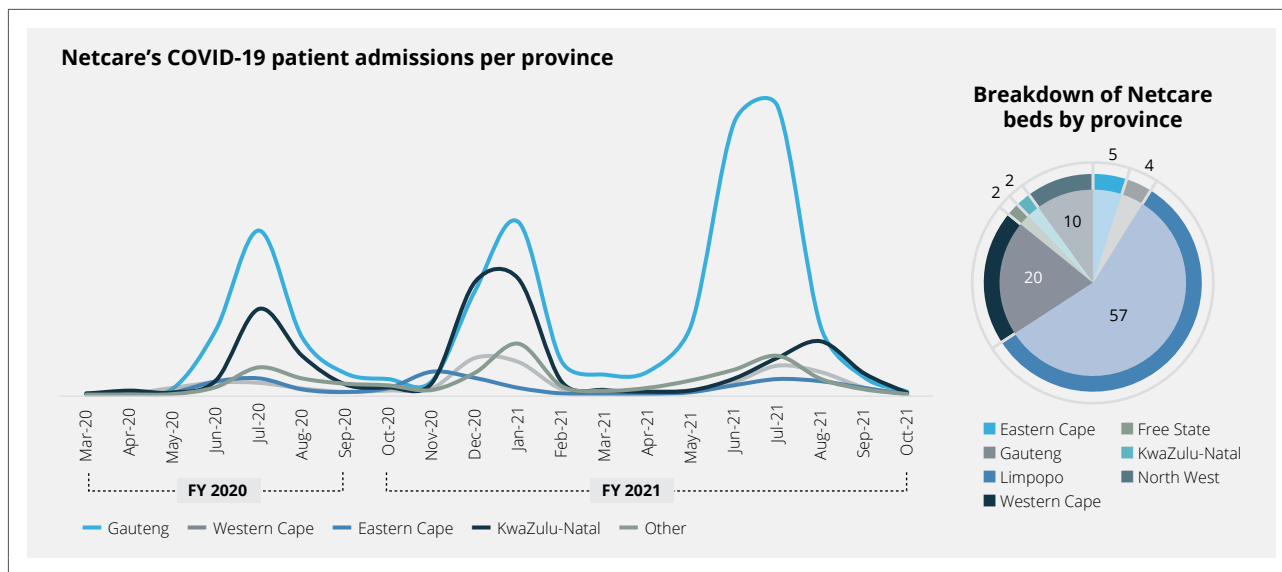
Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2020</b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	17 239	1 011	18 250	611	(18)	18 843
<b>EBITDA before items below</b>	2 362	103	2 465	93	-	2 558
Depreciation and amortisation	(885)	(177)	(1 062)	(103)	-	(1 165)
<b>Operating profit – before items below</b>	1 477	(74)	1 403	(10)	-	1 393
Share-based payment expense on B-BBEE transaction	(348)	-	(348)	-	-	(348)
Profit on disposal of investment in associate	522	-	522	-	-	522
<b>Operating profit</b>	<b>1 651</b>	<b>(74)</b>	<b>1 577</b>	<b>(10)</b>	<b>-</b>	<b>1 567</b>
<b>Additional segment information</b>						
Impairment of property, plant and equipment	-	(3)	(3)	-	-	(3)

1. Relates to revenue earned in the Hospital and emergency services segment.  
 2. The results for FY2021 are not normalised.

## Financial capital | Chief Financial Officer’s review continued

### Impact of COVID-19 on operating results

There was a significant difference in the distribution and concentration of COVID-19 hospital admissions in Netcare across the various provinces, with our hospitals in Gauteng and KwaZulu-Natal most impacted during the first two waves. However, the Gauteng region absorbed the brunt of the impact of the third wave. With 77% of Netcare’s beds concentrated in Gauteng and KwaZulu-Natal, suspending elective surgery was necessary during the COVID-19 waves. Our estimates put the impact of the decline in patient days on EBITDA at approximately R1.5 billion.



The Group incurred additional operating costs of R521 million to protect our patients, nurses, doctors, contractors and employees from COVID-19. Mostly, this was spent on PPE, screening, training and sanitising. We spent R80 million on capital expenditure related to the pandemic and also earned R53 million less from rental and parking income due to concessions granted.

### Hospital and emergency services

This segment is disaggregated into Hospital and pharmacy operations, covering our acute hospital network and non-acute services. Non-acute services include emergency medical services, mental health clinics, the sale of healthcare products and vouchers, and cancer care services.

Segment revenue increased by 11.9% to R20 422 million (FY2020: R18 250 million).

The Beta variant impacted our operations in H1 2021, primarily in Gauteng and KwaZulu-Natal. Total patient days in the first half declined by 13.6% from the pre-COVID-19 base (H1 2020), comprising a decline in acute hospital patient days of 13.7% and 12.6% in mental health facilities.

The more contagious Delta variant, which peaked at a higher intensity than previous waves, impacted H2 2021 activity, primarily in Gauteng. From mid-August to September 2021, the easing of lockdown levels and lower COVID-19 admissions allowed for gradual opening to non-COVID-19 admissions.

Despite the challenges of navigating the rolling waves of COVID-19 and the short recovery periods between waves, our average full week acute hospital occupancies continued to improve, reaching 55.9% from 52.5% in FY2020.

Similarly, mental health occupancies steadily improved from 55.0% in FY2020 to 62.1% for FY2021.

Normalised EBITDA for the segment was up 24.5% to R3 069 million from R2 465 million in FY2020. The improved sequential performance is reflected in the EBITDA margin for the full year, which grew to 15.0% from 13.5% in FY2020, notwithstanding sizeable COVID-19 costs and operating costs related to strategic projects.

## Primary Care

This segment offers comprehensive primary healthcare services, employee health and wellness services, and administrative services to medical and dental practices.

Total medical and dental consultations in FY2021 were 1.5% higher on a like-for-like basis, despite the impact of the pandemic, subsequent lockdowns, an absence of seasonal flu and the civil unrest in KwaZulu-Natal, which required temporary closure of some clinics.

Revenue for FY2021 declined by 2.6% year-on-year. However, EBITDA for FY2021 was 33.3% higher on the back of stringent cost management and the optimisation of staffing structures. The EBITDA margin for FY2021 improved to 20.8% from 15.2% in FY2020.

## Statement of financial position

Rm	30 September 2021	30 September 2020
<b>Assets</b>		
Property, plant, equipment, goodwill and intangible assets	14 721	14 469
Right of use assets	3 600	3 755
Other non-current assets	1 705	1 670
Current assets	4 139	4 600
Cash and cash equivalents	1 456	1 450
<b>Total assets</b>	<b>25 621</b>	25 944
<b>Equity and liabilities</b>		
Total shareholders' equity	10 589	9 799
Borrowings	6 787	7 873
Lease liabilities – long and short term	4 096	4 045
Other liabilities	4 149	4 227
<b>Total equity and liabilities</b>	<b>25 621</b>	25 944

At 30 September 2021, total assets decreased to R25 621 million from R25 944 million in the previous year.

Capital expenditure on critical strategic projects continued during the year despite stop-start implementation as a result of COVID-19. Total capital expenditure (including intangible assets) amounted to R1.1 billion for the year (2020: R1.0 billion), of which R460 million was invested in expansionary projects.

The optimisation of working capital is a key focus at operating level, managed and monitored by the Working Capital Committee. Working capital was well managed in the year and inventory had normalised by the end the year. Most of the higher-priced PPE and drugs procured during the first wave were consumed, and inventory balances decreased by R566 million versus the prior year.

Total shareholders' equity increased to R10 589 million from R9 799 million.



## Financial capital | Chief Financial Officer's review continued

### Net debt

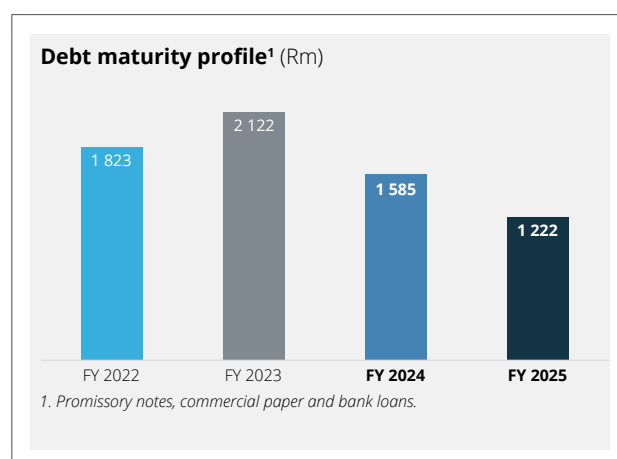
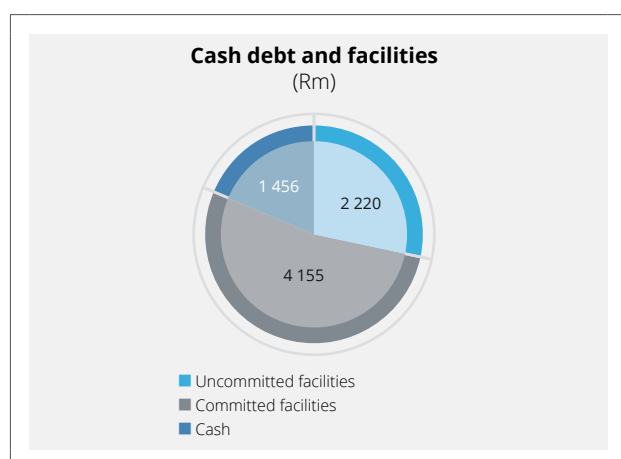
Rm	30 September 2021	30 September 2020
Gross debt	6 787	7 873
Cash	(1 456)	(1 450)
<b>Net debt</b>	<b>5 331</b>	6 423
Net debt to EBITDA <sup>1</sup> (times)		
Pre-IFRS 16	2.0	3.1
Post-IFRS 16	1.7	2.5
<b>Cost of debt (%)</b>	<b>5.9</b>	6.4
EBITDA/net interest (times)		
Pre-IFRS 16	6.4	4.1
Post-IFRS 16	4.1	2.9
<b>Interest cover<sup>1</sup> (%)</b>	<b>2.6</b>	1.6

1. Normalised to exclude impact of exceptional items.

At 30 September 2021, Group net debt (exclusive of IFRS 16 liabilities) decreased to R5 331 million (FY2020: R6 423 million), reflecting solid cash generation and the benefits of our cash preservation measures. Net debt to annualised EBITDA strengthened to 1.7 times coverage at September 2021 from 2.5 times the year before, driven by the Group's improved performance.

The cost of debt decreased from 6.4% to 5.9% as a result of reductions in borrowing rates during the year. Net interest paid reduced to R413 million from R504 million in FY2020. Interest cover improved from 1.6 times to 2.6 times due to a better trading performance.

### Debt facilities



The pressures introduced by the pandemic heightened the need to secure access to liquidity. At year-end, Netcare had cash balances of R1.5 billion and undrawn committed debt facilities of R4.1 billion. We have access to sufficient resources from which to fund the Group’s future needs, which includes the proceeds of the sustainability-linked bond.

Our debt tenure reflects a manageable and appropriately staggered debt profile, with R1.8 billion maturing in FY2022.

**Statement of cash flows**

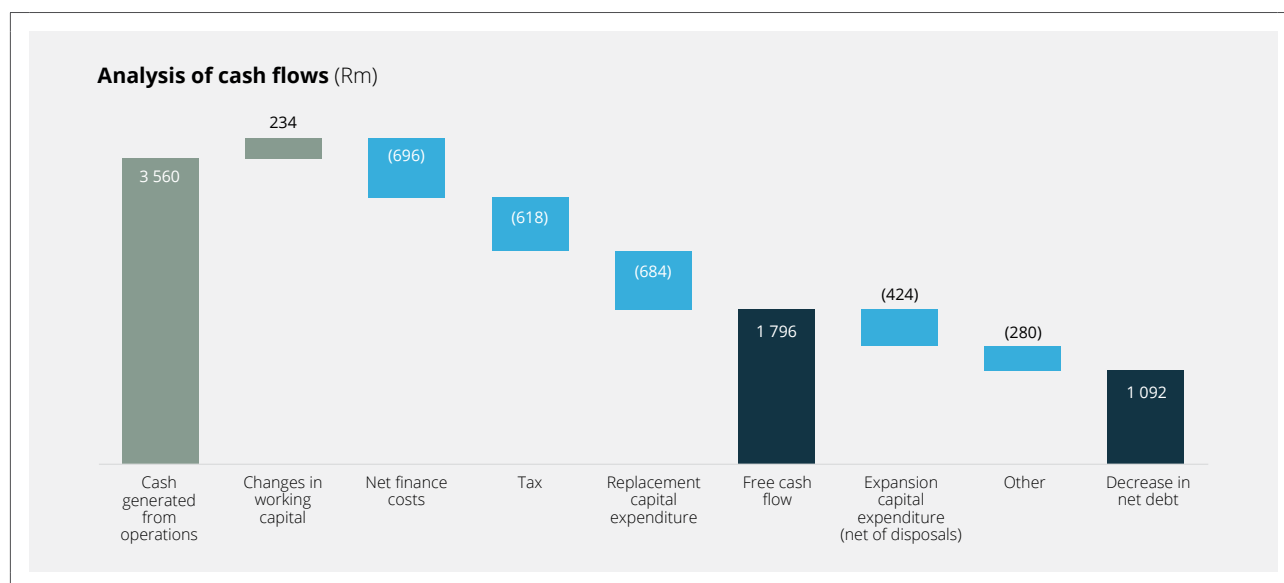
Rm	30 September 2021	30 September 2020
<b>Cash generated from operations</b>	<b>3 794</b>	1 492
Interest paid on debt	(441)	(580)
Interest paid on lease liabilities	(371)	(367)
Taxation paid	(618)	(601)
Ordinary dividends paid by subsidiaries	(19)	(11)
Ordinary dividends paid	-	(860)
Preference dividends paid	(39)	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts	(1)	(11)
<b>Net cash from operating activities</b>	<b>2 305</b>	(992)
<b>Net cash from investing activities</b>	<b>(1 026)</b>	58
<b>Net cash from financing activities</b>	<b>(1 269)</b>	653

1. Health Partners for Life Broad-based Black Economic Empowerment.

Better trading results in FY2021 improved cash generated from operations from R1 492 million to R3 794 million. Cash inflows included R234 million related to the net decrease in working capital, and benefited from normalised inventory holdings. After paying net finance costs of R696 million and cash taxes of R618 million, and investing R684 million to maintain our facilities, we achieved a free cash inflow of R1 796 million. An amount of R424 million, net of disposal proceeds, was invested in expansionary capital projects.

As a result, the Group’s net debt decreased by R1 092 million, with a closing net to EBTDA leverage of 1.7 times.

**Analysis of cash flows (Rm)**



## Financial capital | Chief Financial Officer's review continued

### Outlook

The outlook for FY2022 depends largely on the evolution of the COVID-19 pandemic. The likelihood of further waves driven by new variants is high, as the emergence of the Omicron variant in late November 2021 indicates. Subject to a better understanding of the virulence of Omicron, we expect the severity of potential waves to wane due to higher levels of immunity from natural infection and vaccination.

Immunisation against the virus, and the speed at which vaccines can be modified for new variants, remain the most influential factors in alleviating our operating constraints. If SA is able to move from a pandemic to an endemic state in which outbreaks are not overly disruptive and are largely controlled by significant and frequent vaccination, faster recovery to pre-COVID-19 levels of activity will be possible.

We expect EBITDA margins in our divisions to strengthen. However, the Group margin is likely to remain unchanged due to planned operating costs of R273 million (FY2021: R172 million) associated with the implementation of our strategy.

The strength of the Group's balance sheet and underlying businesses, and our pipeline of new initiatives should support continued dividend payments and position Netcare to return to pre-COVID-19 levels of profitability and growth over the medium term.

### Appreciation

I extend my gratitude to our finance staff across the Group for their skill and dedication to quality reporting in an extraordinarily challenging operating environment.



**Keith Gibson**  
Chief Financial Officer



OUR BUSINESS

HOW WE CREATE VALUE

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

ADMINISTRATION

# Five-year review

Rm	2021	2020	2019	2018	2017
<b>Summarised statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	12 915	12 665	12 541	12 098	13 908
Right of use assets	3 600	3 755	–	–	–
Goodwill and intangible assets	1 806	1 804	1 781	1 749	2 037
Deferred taxation	987	812	512	447	1 092
Other non-current assets	718	858	1 057	1 006	2 916
<b>Total non-current assets</b>	<b>20 026</b>	19 894	15 891	15 300	19 953
<b>Total current assets<sup>1</sup></b>	<b>5 595</b>	6 050	5 524	5 464	8 159
<b>Total assets</b>	<b>25 621</b>	25 944	21 415	20 764	28 112
<b>Equity and liabilities</b>					
<b>Total shareholders' equity</b>	<b>10 589</b>	9 799	10 235	10 415	8 862
Long-term debt	4 936	6 761	5 061	5 114	7 232
Long-term lease liabilities	3 588	3 546	–	–	–
Financial liabilities	32	64	44	21	1 187
Deferred taxation	309	288	238	210	1 049
Other non-current liabilities	545	469	541	582	2 116
<b>Total non-current liabilities</b>	<b>9 410</b>	11 128	5 884	5 927	11 584
<b>Total current liabilities<sup>2</sup></b>	<b>5 622</b>	5 017	5 296	4 422	7 666
<b>Total equity and liabilities</b>	<b>25 621</b>	25 944	21 415	20 764	28 112
<b>Summarised statement of cash flows</b>					
Cash generated from operations before working capital changes	3 560	2 887	4 516	4 570	4 395
Working capital changes	234	(1 395)	372	(343)	(126)
<b>Cash generated from operations</b>	<b>3 794</b>	1 492	4 888	4 227	4 269
Interest paid on debt	(441)	(580)	(602)	(729)	(732)
Interest paid on lease liabilities	(371)	(367)	–	–	–
Taxation paid	(618)	(601)	(967)	(916)	(874)
Ordinary dividends paid by subsidiaries	(19)	(11)	(21)	(23)	(37)
Ordinary dividends paid	–	(860)	(1 454)	(1 388)	(1 296)
Special dividends paid	–	–	(542)	–	–
Preference dividends paid	(39)	(54)	(54)	(55)	(56)
Distributions to beneficiaries of the HPFL <sup>3</sup> trusts	(1)	(11)	(26)	(21)	(49)
<b>Net cash from operating activities</b>	<b>2 305</b>	(992)	1 222	1 095	1 225
<b>Net cash from investing activities</b>	<b>(1 026)</b>	58	(1 125)	(3 087)	(2 029)
<b>Net cash from financing activities</b>	<b>(1 269)</b>	653	265	884	1 360
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>10</b>	(281)	362	(1 108)	556
Translation effects on cash and cash equivalents of foreign entities	–	–	–	(81)	21
Cash and cash equivalents at beginning of year	1 446	1 727	1 365	2 525	1 979
Cash and cash equivalents related to assets held-for-sale	–	–	–	29	(31)
<b>Cash and cash equivalents at end of year</b>	<b>1 456</b>	1 446	1 727	1 365	2 525

1. Includes assets held for sale.

2. Includes liabilities held for sale.

3. Health Partners for Life.

	Compound growth % <sup>1</sup>	2021	2020	2019	2018	2017
<b>Summarised income statement</b>						
<b>Continuing operations</b>						
Revenue	2.6	<b>21 200</b>	18 843	21 589	20 717	19 114
Operating profit before items listed below	(11.1)	<b>2 076</b>	1 393	3 640	3 486	3 331
Profit on disposal of investment in associate		-	522	-	-	-
Share-based payment expense on B-BBEE transaction		-	(348)	-	-	-
Realisation of foreign currency translation reserve		-	-	128	-	-
Impairment of contractual economic interest in the debt of BMI Healthcare		-	-	-	(1 544)	-
Profit on sale of old Netcare CBMH <sup>2</sup> land and buildings		-	-	-	-	203
<b>Operating profit</b>		<b>2 076</b>	1 567	3 768	1 942	3 534
Net financial expenses		<b>(786)</b>	(893)	(486)	(327)	(143)
Attributable earnings of associates and joint ventures		<b>(114)</b>	56	75	73	89
<b>Profit before taxation</b>		<b>1 176</b>	730	3 357	1 688	3 480
Taxation		<b>(416)</b>	(291)	(879)	(682)	(942)
<b>Profit for the year from continuing operations</b>		<b>760</b>	439	2 478	1 006	2 538
<b>Discontinued operations</b>						
Loss for the year from discontinued operations		-	-	-	(467)	(5 267)
Profit on loss of control		-	-	-	4 205	-
<b>Profit/(loss) for the year</b>		<b>760</b>	439	2 478	4 744	(2 729)
Attributable to:						
Owners of the parent		<b>730</b>	392	2 393	4 885	(549)
Preference shareholders		<b>39</b>	54	54	55	56
		<b>769</b>	446	2 447	4 940	(493)
Non-controlling interest		<b>(9)</b>	(7)	31	(196)	(2 236)
		<b>760</b>	439	2 478	4 744	(2 729)
<b>Divisional analysis</b>						
<b>Revenue</b>						
Hospitals and emergency services	2.9	<b>20 617</b>	18 250	20 904	20 000	18 403
Primary Care	(4.4)	<b>595</b>	611	701	717	711
Inter-segment elimination		<b>(12)</b>	(18)	(16)	-	-
	2.6	<b>21 200</b>	18 843	21 589	20 717	19 114
<b>Operating profit</b>						
Hospitals and emergency services		<b>2 040</b>	1 403	3 577	3 427	3 268
Primary Care		<b>36</b>	(10)	63	59	63
<b>Operating profit before items below</b>		<b>2 076</b>	1 393	3 640	3 486	3 331
Profit on disposal of investment in associate		-	522	-	-	-
Share-based payment expense on B-BBEE transaction		-	(348)	-	-	-
Realisation of foreign currency transaction reserve		-	-	128	-	-
Impairment of contractual economic interest in the debt of BMI Healthcare		-	-	-	(1 544)	-
Profit on sale of old Netcare CBMH <sup>2</sup> land and buildings		-	-	-	-	203
		<b>2 076</b>	1 567	3 768	1 942	3 534

1. Compound annual growth rate for the period 2017 to 2021.

2. Christiaan Barnard Memorial Hospital.



## Financial capital | Five-year review continued

		Compound growth % <sup>1</sup>	2021	2020	2019	2018	2017
<b>Key performance indicators</b>							
<b>Ratios</b>							
EBITDA margin <sup>2</sup>	%		<b>15.4</b>	13.6	20.3	20.3	20.8
Operating profit margin <sup>2</sup>	%		<b>9.6</b>	7.4	16.9	16.8	17.4
Interest cover <sup>2</sup>	times		<b>2.6</b>	1.6	7.5	10.7	22.8
Effective tax rate <sup>2</sup>	%		<b>35.4</b>	43.7	27.2	28.0	27.7
Return on invested capital	%		<b>7.9</b>	5.6	20.1	20.0	19.7
Current ratio	:1		<b>1.0</b>	1.2	1.0	1.2	1.1
<b>Invested capital</b>							
Property, plant and equipment			<b>12 915</b>	12 665	12 541	12 098	11 127
Right of use assets			<b>3 600</b>	3 755	–	–	–
Intangible assets			<b>200</b>	198	175	135	127
Deferred lease assets			<b>12</b>	32	28	25	23
Deferred taxation			<b>987</b>	812	512	447	433
Current assets			<b>4 003</b>	4 446	3 444	3 748	3 150
Inventories			<b>640</b>	1 206	564	589	565
Trade and other receivables			<b>3 251</b>	3 102	2 837	3 124	2 579
Taxation receivable			<b>112</b>	138	43	35	6
Current liabilities			<b>(3 225)</b>	(3 291)	(3 485)	(3 350)	(2 716)
Trade and other payables			<b>(3 207)</b>	(3 230)	(3 462)	(3 288)	(2 653)
Taxation payable			<b>(18)</b>	(61)	(23)	(62)	(63)
			<b>18 492</b>	18 617	13 215	13 103	12 144
<b>Shareholder returns</b>							
Basic earnings/(loss) per share	cents		<b>54.6</b>	28.3	176.7	357.7	(40.9)
Continuing operations	cents		<b>54.6</b>	28.3	176.7	68.5	182.1
Discontinued operations	cents		<b>–</b>	–	–	289.2	(223.0)
Headline earnings/(loss) per share	cents	(13.5)	<b>61.5</b>	(3.6)	165.9	49.3	109.9
Continuing operations	cents		<b>61.5</b>	(3.6)	165.9	68.8	169.2
Discontinued operations	cents		<b>–</b>	–	–	(19.5)	(59.3)
Adjusted headline earnings per share	cents	(17.6)	<b>67.4</b>	32.5	171.2	152.1	146.2
Continuing operations	cents		<b>67.4</b>	32.5	171.2	171.6	170.6
Discontinued operations	cents		<b>–</b>	–	–	(19.5)	(24.4)
Total dividends per share	cents		<b>34.0</b>	–	111.0	144.0	95.0
Ordinary dividends per share	cents		<b>34.0</b>	–	111.0	104.0	95.0
Special dividend per share	cents		<b>–</b>	–	–	40.0	–
Dividend cover	times		<b>1.8</b>	–	1.5	0.3	1.2
Net asset value per share	cents		<b>792</b>	733	761	764	652

1. Compound annual growth rate for the period 2017 to 2021.

2. Based on continuing operations and excluding extraordinary items.

	2021	2020	2019	2018	2017
<b>Key performance indicators continued</b>					
<b>Operational performance indicators</b>					
<b>South African acute hospitals</b>					
Number of hospitals <sup>1</sup>	53	53	55	57	58
Registered beds	10 005	9 986	10 046	10 187	10 181
Theatres	349	349	350	360	364
Hybrid theatres, catheterisation and electrophysiology laboratories	34	34	33	34	33
Day clinics	12	15	-	-	-
Increase/(decrease) in patient days %	6.2	(19.6)	(1.4)	1.7	(1.0)
Average length of stay days	4.78	4.27	3.88	3.83	3.79
<b>Mental health</b>					
Number of facilities	12	12	12	12	-
Registered beds	891	891	891	834	-
Increase/(decrease) in patient days	12.7	(21.2)	17.9	25.8 <sup>3</sup>	-
Average length of stay	12.64	12.22	12.23	12.08	-
<b>Emergency services</b>					
Netcare 911 sites	82	82	83	80	84
<b>Oncology</b>					
Number of oncology radiation facilities	15	15	15	15	10
<b>National Renal Care</b>					
Renal dialysis facilities	69	68	67	63	63
Renal dialysis stations	956	979	936	867	843
<b>Primary Care</b>					
Primary healthcare centres and travel clinics	67	68	75	83	83
Sub-acute facilities	1	2	2	3	3
Registered sub-acute beds	31	46	46	66	66
Day clinics	-	-	15	15	15
Total number of visits – millions	2.1	2.1	2.7	2.9	3.0
<b>United Kingdom hospitals</b>					
Number of hospitals <sup>1</sup>	-	-	-	-	56
Registered beds	-	-	-	-	2 797
Increase in inpatient and day admissions (total cases) %	-	-	-	-	0.5
Increase in outpatient cases %	-	-	-	-	0.4

1. Owned and managed hospitals.

2. 2018 exclude Netcare Bell Street and Netcare Rand hospitals. 2019 and 2020 exclude Netcare Bell Street, Netcare Rand, Port Alfred and Settlers Hospitals.

3. Year-on-year growth.

## Financial capital | Five-year review continued

		2021	2020	2019	2018	2017
<b>Key performance indicators</b> <small>continued</small>						
<b>Social performance indicators</b>						
Total employees		<b>18 346</b>	19 214	20 193	22 165	30 056
South Africa <sup>1</sup>		<b>18 346</b>	19 214	20 193	22 165	21 172
United Kingdom		-	-	-	-	8 884
Employee turnover						
South Africa	%	<b>15.9</b>	13.9	14.6	12.1	13.3
United Kingdom	%	-	-	-	-	18.5
Gender split						
South Africa						
Male	%	<b>18.8</b>	18.4	17.9	17.5	18.6
Female	%	<b>81.2</b>	81.6	82.1	82.5	81.4
United Kingdom						
Male	%	-	-	-	-	42.8
Female	%	-	-	-	-	57.2
Employees trained						
South Africa		<b>12 731</b>	15 276	16 314	13 693	14 335
United Kingdom		-	-	-	-	8 884
Training costs						
South Africa	Rm	<b>49</b>	66	84	70	54
United Kingdom	£m	-	-	-	-	1.9
Black (African, Coloured and Indian) employee representation <sup>2</sup>	%	<b>79.7</b>	79.0	78.3	77.0	75.4
Unionised employees <sup>2</sup>	%	<b>50.9</b>	52.8	52.7	50.8	51.3
Corporate social investment <sup>2,3</sup>	Rm	<b>31</b>	18	31	35	26
<b>Environmental performance indicators</b>						
<b>South Africa and Lesotho</b>						
Energy usage	gigajoules	<b>954 692</b>	956 560	983 418	961 802	1 052 635
Water usage	kilolitres	<b>1 895 020</b>	1 878 400	2 132 022	2 072 375	2 015 752
Carbon dioxide equivalent (CO <sub>2</sub> e) emissions	tonnes	<b>306 304</b>	272 920	275 613	256 469	281 632
Scope 1 and Scope 2 CO <sub>2</sub> e per R1 million revenue		<b>11.65</b>	12.73	11.36	10.99	13.16
<b>United Kingdom</b>						
Energy usage	megawatt hours	-	-	-	-	135 740
Carbon dioxide equivalent (CO <sub>2</sub> e) emissions	tonnes	-	-	-	-	41 840

1. Includes PPPs.

2. SA operations only.

3. Inclusive of bursaries.

		2021	2020	2019	2018	2017
<b>Key performance indicators</b> continued						
<b>Ordinary share statistics</b>						
Shares in issue	million	<b>1 439</b>	1 439	1 452	1 471	1 462
Shares in issue net of treasury shares	million	<b>1 337</b>	1 335	1 345	1 363	1 360
Weighted average number of shares	million	<b>1 336</b>	1 336	1 345	1 362	1 359
Diluted weighted average number of shares	million	<b>1 344</b>	1 343	1 358	1 378	1 374
Market capitalisation <sup>1</sup>	R million	<b>23 312</b>	18 592	25 483	35 613	34 796
<b>JSE statistics</b>						
Market price per share						
at 30 September	cents	<b>1 620</b>	1 292	1 755	2 421	2 380
highest	cents	<b>1 738</b>	2 132	2 762	3 161	3 632
lowest	cents	<b>1 130</b>	1 154	1 481	2 144	2 310
weighted average	cents	<b>1 416</b>	1 676	2 123	2 632	2 879
Number of share transactions		<b>508 997</b>	730 041	761 431	570 951	833 192
Value of share transactions	R million	<b>17 076</b>	30 711	26 233	31 499	39 232
Volume of shares traded	million	<b>1 205.7</b>	1 832.5	1 235.5	1 196.8	1 362.7
Volume traded to issued	%	<b>83.8</b>	127.3	85.1	81.4	93.2
<b>Market performance ratios</b>						
Earnings yield <sup>2</sup>	%	<b>3.8</b>	(0.3)	9.5	2.0	4.6
Distribution yield <sup>2</sup>	%	<b>2.1</b>	-	6.3	4.3	4.0
Price:earnings ratio <sup>2</sup>	times	<b>26.3</b>	(358.9)	10.6	49.1	21.7

1. Based on shares in issue.

2. Based on continuing operations.

## Financial capital continued

# Summarised Group annual financial statements

for the year ended 30 September 2021

*These summarised Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2021 that were approved by the Netcare Board on 18 November 2021. The summarised Group annual financial statements do not contain sufficient information to allow for a complete understanding of the results of the Group, as would be provided in the complete audited Group annual financial statements. These summarised Group financial statements, and the audited Group financial statements from which they have been derived, were compiled under the supervision of KN Gibson CA(SA), Chief Financial Officer of the Group.*

The summarised consolidated annual financial statements comprise:

- Summarised Group statement of profit or loss.
- Summarised Group statement of comprehensive income.
- Summarised Group statement of financial position.
- Summarised Group statement of cash flows.
- Summarised Group statement of changes in equity.
- Headline earnings.
- Summarised segment report.

The directors are responsible for the preparation and fair representation of the annual financial statements in accordance with the requirements of the Companies Act No. 71 of 2008 and in compliance with the Company's Memorandum of Incorporation.



The complete audited annual financial statements are available at [www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results](http://www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results).

## Operating activities

The activities of the Group's operating segments are described below:

### • Hospital and emergency services

This segment is further disaggregated into Hospital and pharmacy operations covering our private acute hospital network which includes day clinics, and non-acute services. The non-acute services include emergency medical services, the operation of private mental health clinics, the sale of healthcare products and vouchers and cancer care services.

### • Primary Care

This segment offers comprehensive primary healthcare services, employee health and wellness services and administrative services to medical and dental practices.

## Going concern

Since the emergence of COVID -19 in South Africa in early March 2020, trading circumstances have changed dramatically, resulting in increased levels of uncertainty prevalent in the global and domestic economies, the healthcare sector and Netcare specifically. This heightened uncertainty has predicated a need to consider, in line with

remodelled existing forecasts, the going concern assertion applicable to the Group.

Netcare achieved an improved performance in the current financial year, despite the impact of highly transmissible COVID-19 variants and rolling waves which affected the Group's ability to recover to pre-pandemic levels. Netcare remains in a healthy financial position with acceptable levels of gearing as reflected by its net debt to EBITDA coverage of 2.0 times (pre-IFRS 16) at 30 September 2021. Cash balances and available committed undrawn facilities amount to R5.6 billion which will ensure the availability of liquidity for the foreseeable future. The budget prepared for the 2022 year represents a recovery period as the impact of COVID-19 waves continue to affect profitability, and the Group's strategic projects gather momentum. However, improved profitability and cash generation is expected, with a return to pre-COVID-19 profitability levels expected thereafter within the five-year forecast period. On this basis the Board is confident in the ability of the Group and Company to continue as a going concern for the foreseeable future.

## Accounting policies

The accounting policies and methods of computation applied in the preparation of the Group annual financial statements are in accordance with IFRS. All policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2020.

## Report of the independent auditor's

These summarised Group annual financial statements for the year ended 30 September 2021 have been extracted from the complete audited Group annual financial statements on which the auditors, Deloitte & Touche, have expressed an unmodified audit opinion, with a reportable irregularity included therein, on the full set.

The directors take full responsibility for the preparation of the summarised Group financial statements, which have been extracted from and are consistent in all material respects with the Group's consolidated financial statements.



## Summarised Group statement of profit or loss

for the year ended 30 September

Rm	2021	2020	
<b>Revenue</b>	<b>21 200</b>	18 843	<ul style="list-style-type: none"> <li>• Two severe COVID-19 waves causing suspension of elective surgeries</li> <li>• ▼ 2.7% on FY 2019</li> </ul>
Cost of sales	<b>(10 748)</b>	(9 810)	
<b>Gross profit</b>	<b>10 452</b>	9 033	
Other income	<b>330</b>	386	
Administrative and other expenses	<b>(8 518)</b>	(7 752)	
Impairment of financial assets	<b>(188)</b>	(274)	R73 million impairment of properties
<b>Operating profit before items below</b>	<b>2 076</b>	1 393	
Profit on disposal of investment in associate	-	522	
Share-based payment expense on B-BBEE transaction	-	(348)	
<b>Operating profit</b>	<b>2 076</b>	1 567	
Investment income	<b>116</b>	156	
Finance costs	<b>(903)</b>	(1 031)	R71 million recognised on termination of the Lesotho PPP <sup>1</sup>
Other financial gains/(losses) – net	<b>1</b>	(18)	
Attributable (losses)/earnings of associates	<b>(147)</b>	20	
Attributable earnings of joint ventures	<b>33</b>	36	
<b>Profit before taxation</b>	<b>1 176</b>	730	R172 million strategic project costs
Taxation	<b>(416)</b>	(291)	
<b>Profit for the year</b>	<b>760</b>	439	
<i>Attributable to:</i>			
Owners of the parent	<b>730</b>	392	
Preference shareholders	<b>39</b>	54	
Profit attributable to shareholders	<b>769</b>	446	
Non-controlling interest	<b>(9)</b>	(7)	
	<b>760</b>	439	Lower average net debt and lower average cost of debt
Cents			
<b>Basic earnings per share</b>	<b>54.6</b>	28.3	Losses primarily related to impairment of Lesotho debtors of R159 million
<b>Diluted earnings per share</b>	<b>54.3</b>	28.1	

1. Public Private Partnership.

# Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	2021	2020
<b>Profit for the year</b>	<b>760</b>	439
<b>Items that will not subsequently be reclassified to profit or loss</b>	<b>(25)</b>	(14)
Remeasurement of defined benefit obligation	<b>1</b>	50
Fair value adjustment on equity investments	<b>(26)</b>	(50)
Taxation on items that will not subsequently be reclassified to profit or loss	<b>-</b>	(14)
<b>Items that may subsequently be reclassified to profit or loss</b>	<b>75</b>	(55)
Effect of cash flow hedge accounting	<b>104</b>	(82)
Amortisation of cash flow hedge accounting reserve	<b>103</b>	86
Change in the fair value of cash flow hedges	<b>1</b>	(168)
Realisation of foreign currency translation reserve	<b>-</b>	4
Taxation on items that may subsequently be reclassified to profit or loss	<b>(29)</b>	23
<b>Other comprehensive income for the year</b>	<b>50</b>	(69)
<b>Total comprehensive income for the year</b>	<b>810</b>	370
<i>Attributable to:</i>		
Owners of the parent	<b>780</b>	323
Preference shareholders	<b>39</b>	54
Non-controlling interest	<b>(9)</b>	(7)
	<b>810</b>	370

## Summarised Group statement of financial position

as at 30 September

Rm	2021	2020	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12 915	12 665	← Capital expenditure of R 1 144 million including R460 million spent on expansionary projects.
Right of use assets	3 600	3 755	
Goodwill	1 606	1 606	
Intangible assets	200	198	
Investment in joint ventures	185	213	
Investment in associates	239	378	
Loans and receivables	219	158	
Financial assets	63	77	
Deferred lease assets	12	32	
Deferred taxation	987	812	
<b>Total non-current assets</b>	<b>20 026</b>	19 894	
<b>Current assets</b>			
Loans and receivables	132	154	
Financial assets	4	—	
Inventories	640	1 206	← Working capital has been well managed and inventory levels continued to decline.
Trade and other receivables	3 251	3 102	
Taxation receivable	112	138	
Cash and cash equivalents	1 456	1 450	
<b>Total current assets</b>	<b>5 595</b>	6 050	
<b>Total assets</b>	<b>25 621</b>	25 944	
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital	4 297	4 297	
Treasury shares	(3 557)	(3 851)	
Other reserves	413	783	
Retained earnings	8 780	7 894	
Equity attributable to owners of the parent	9 933	9 123	
Preference share capital and premium	644	644	
Non-controlling interest	12	32	
<b>Total shareholders' equity</b>	<b>10 589</b>	9 799	← Net debt/equity ratio 0.5x (2020: 0.7x)
<b>Non-current liabilities</b>			
Long-term debt	4 936	6 761	
Long-term lease liabilities	3 588	3 546	
Financial liabilities	32	64	
Post-employment healthcare benefit obligations	503	469	
Deferred taxation	309	288	
Provisions	42	—	
<b>Total non-current liabilities</b>	<b>9 410</b>	11 128	
<b>Current liabilities</b>			
Trade and other payables	3 207	3 230	← Reduction of net debt due to higher operating profit, improved working capital and suspension of ordinary dividends, partially offset by ongoing capital expenditure.
Short-term debt	1 851	1 108	
Short-term lease liabilities	508	499	
Financial liabilities	38	115	
Taxation payable	18	61	
Bank overdrafts	—	4	
<b>Total current liabilities</b>	<b>5 622</b>	5 017	
<b>Total equity and liabilities</b>	<b>25 621</b>	25 944	

# Summarised Group statement of cash flows

for the year ended 30 September

Rm	2021	2020
<b>Cash flows from operating activities</b>		
Cash received from customers	<b>20 702</b>	18 409
Cash paid to suppliers and employees	<b>(16 908)</b>	(16 917)
<b>Cash generated from operations</b>	<b>3 794</b>	1 492
Interest paid on debt	<b>(441)</b>	(580)
Interest paid on lease liabilities	<b>(371)</b>	(367)
Taxation paid	<b>(618)</b>	(601)
Ordinary dividends paid by subsidiaries	<b>(19)</b>	(11)
Ordinary dividends paid	<b>-</b>	(860)
Preference dividends paid	<b>(39)</b>	(54)
Distribution paid to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts	<b>(1)</b>	(11)
<b>Net cash from operating activities</b>	<b>2 305</b>	(992)
<b>Cash flows from investing activities</b>		
Payment for acquisition of interest in associate	<b>(12)</b>	-
Payment for acquisition of interest in joint venture	<b>(9)</b>	-
Payments for acquisition of property, plant and equipment	<b>(1 132)</b>	(961)
Payments for additions to intangible assets	<b>(12)</b>	(38)
Proceeds on disposal of property, plant and equipment and intangible assets	<b>36</b>	38
Proceeds on disposal of investment in associate	<b>-</b>	778
Payments for investments and loans	<b>(105)</b>	(4)
Interest received	<b>116</b>	156
Dividends received	<b>92</b>	89
<b>Net cash from investing activities</b>	<b>(1 026)</b>	58
<b>Cash flows from financing activities</b>		
Proceeds on disposal of treasury shares	<b>1</b>	2
Purchase of ordinary shares	<b>-</b>	(251)
Debt raised	<b>1 000</b>	3 621
Debt repaid	<b>(2 108)</b>	(2 575)
Payment for acquisition of non-controlling interests	<b>(1)</b>	(2)
Proceeds from issue of shares to non-controlling interests	<b>9</b>	-
Payment of principal elements of lease liabilities	<b>(170)</b>	(142)
<b>Net cash from financing activities</b>	<b>(1 269)</b>	653
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10</b>	(281)
Cash and cash equivalents at the beginning of the year	<b>1 446</b>	1 727
<b>Cash and cash equivalents at the end of the year</b>	<b>1 456</b>	1 446

1. Health Partners for Life Broad-based Black Economic Empowerment.

## Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve	Foreign currency translation reserve
<b>Balance at 1 October 2019</b>	4 334	(3 853)	(47)	(4)
Shares purchased and cancelled during the year <sup>1</sup>	(37)	-	-	-
Sale of treasury shares	-	2	-	-
Share-based payment reserve movements	-	-	-	-
Tax recognised in equity	-	-	-	-
Preference dividends paid	-	-	-	-
Ordinary dividends paid	-	-	-	-
Distributions paid to beneficiaries of the HPFL B-BBEE <sup>2</sup> trusts	-	-	-	-
Changes in equity interest in subsidiaries	-	-	-	-
Total comprehensive income for the year	-	-	(59)	4
Profit for the year	-	-	-	-
Other comprehensive income	-	-	(59)	4
<b>Balance at 1 October 2020</b>	<b>4 297</b>	<b>(3 851)</b>	<b>(106)</b>	-
Sale of treasury shares	-	2	-	-
Transfer <sup>3</sup>	-	292	-	-
Share-based payment reserve movements	-	-	-	-
Preference dividends paid	-	-	-	-
Ordinary dividends paid	-	-	-	-
Other reserve movements	-	-	-	-
Distributions paid to beneficiaries of the HPFL B-BBEE <sup>2</sup> Trusts	-	-	-	-
Tax recognised in equity	-	-	-	-
Changes in equity interests in subsidiaries	-	-	-	-
Total comprehensive income for the year	-	-	75	-
Profit for the year	-	-	-	-
Other comprehensive income	-	-	75	-
<b>Balance at 30 September 2021</b>	<b>4 297</b>	<b>(3 557)</b>	<b>(31)</b>	-

1. In the prior year 12.7 million shares were repurchased at an average price of R19.68 per share. The shares were subsequently cancelled and now form part of authorised shares not issued.

2. Health Partners for Life Broad-based Black Economic Empowerment.

3. Transfer of treasury shares and share-based payment reserve in respect of vested shares.

Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interest	Total shareholders' equity
498	8 611	9 539	644	52	10 235
-	(214)	(251)	-	-	(251)
-	-	2	-	-	2
391	-	391	-	-	391
-	(11)	(11)	-	-	(11)
-	-	-	(54)	-	(54)
-	(860)	(860)	-	(11)	(871)
-	(11)	(11)	-	-	(11)
-	1	1	-	(2)	(1)
-	378	323	54	(7)	370
-	392	392	54	(7)	439
-	(14)	(69)	-	-	(69)
<b>889</b>	<b>7 894</b>	<b>9 123</b>	<b>644</b>	<b>32</b>	<b>9 799</b>
-	-	<b>2</b>	-	-	<b>2</b>
<b>(471)</b>	<b>179</b>	-	-	-	-
<b>26</b>	-	<b>26</b>	-	-	<b>26</b>
-	-	-	<b>(39)</b>	-	<b>(39)</b>
-	-	-	-	<b>(19)</b>	<b>(19)</b>
-	<b>(6)</b>	<b>(6)</b>	-	<b>8</b>	<b>2</b>
-	<b>(1)</b>	<b>(1)</b>	-	-	<b>(1)</b>
-	<b>(1)</b>	<b>(1)</b>	-	-	<b>(1)</b>
-	<b>10</b>	<b>10</b>	-	-	<b>10</b>
-	<b>705</b>	<b>780</b>	<b>39</b>	<b>(9)</b>	<b>810</b>
-	<b>730</b>	<b>730</b>	<b>39</b>	<b>(9)</b>	<b>760</b>
-	<b>(25)</b>	<b>50</b>	-	-	<b>50</b>
<b>444</b>	<b>8 780</b>	<b>9 933</b>	<b>644</b>	<b>12</b>	<b>10 589</b>



## Headline earnings

for the year ended 30 September

Rm	2021	2020
<b>Reconciliation of headline earnings</b>		
Profit for the year	<b>760</b>	439
<i>Adjusted for:</i>		
Dividends paid on shares attributable to the Forfeitable Share Plan and HPFL B-BBEE <sup>1</sup> Trust units	-	(14)
Preference shareholders	<b>(39)</b>	(54)
Non-controlling interest	<b>9</b>	7
<b>Profit for the purposes of basic and diluted earnings per share</b>	<b>730</b>	378
<i>Adjusted for:</i>		
Recognition of impairment of intangible assets in equity accounted earnings	<b>13</b>	-
Profit on disposal of investment in associate	-	(522)
Net loss on disposal of property, plant and equipment and intangibles	<b>5</b>	8
Recognition of impairment of right of use assets	-	1
Realisation of foreign currency translation reserve	-	4
Recognition of impairment of property, plant and equipment in operating profit and equity accounted earnings	<b>75</b>	3
Recognition of impairment of investment in associate	-	35
Tax effect of headline adjusting items	<b>(1)</b>	45
<b>Headline earnings/(loss)</b>	<b>822</b>	(48)

1. Health Partners for Life Broad-based Black Economic Empowerment.

Rm	2021	2020
<b>Adjusted headline earnings</b>		
Headline earnings/(loss)	<b>822</b>	(48)
<i>Adjusted for:</i>		
Amortisation of cash flow hedge accounting reserve	<b>14</b>	17
Fair value gains on derivative financial instruments	<b>(3)</b>	-
De-designation of a portion of a hedging instrument	<b>1</b>	16
Ineffectiveness losses on cash flow hedges	<b>1</b>	2
Reversal of loan impairment	<b>(11)</b>	-
Recognition of loan impairment	<b>9</b>	105
Net impact of Lesotho PPP <sup>1</sup> termination	<b>35</b>	-
Associate restructure costs	-	4
Restructure costs incurred by Netcare in respect of BMI Healthcare	-	1
Share-based payment expense on B-BBEE <sup>2</sup> transaction	-	348
Tax effect of adjusting items	<b>32</b>	(11)
<b>Adjusted headline earnings</b>	<b>900</b>	434
Cents		
<b>Headline earnings/(loss) per share</b>	<b>61.5</b>	(3.6)
<b>Diluted headline earnings/(loss) per share</b>	<b>61.2</b>	(3.6)
<b>Adjusted headline earnings per share</b>	<b>67.4</b>	32.5
<b>Diluted adjusted headline earnings per share</b>	<b>67.0</b>	32.3

1. Public Private Partnership.

2. Broad-based Black Economic Empowerment.

Adjusted headline earnings per share is a measurement used by the chief operating decision maker as a key measure of sustainable earnings from trading operations. The calculation of adjusted headline earnings per share excludes non-trading and/or non-recurring items, and is based on the adjusted profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year. The presentation of adjusted headline earnings is not an IFRS requirement, nor a JSE Listings Requirement.

## Summarised segment report

for the year ended 30 September

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2021</b>						
Statement of profit or loss						
<b>Revenue</b>	<b>19 465</b>	<b>1 152</b>	<b>20 617</b>	<b>595</b>	<b>(12)</b>	<b>21 200</b>
<b>EBITDA<sup>2</sup></b>	<b>3 040</b>	<b>80</b>	<b>3 120</b>	<b>124</b>	<b>-</b>	<b>3 244</b>
Depreciation and amortisation	(896)	(184)	(1 080)	(88)	-	(1 168)
<b>Operating profit</b>	<b>2 144</b>	<b>(104)</b>	<b>2 040</b>	<b>36</b>	<b>-</b>	<b>2 076</b>
<b>Additional segment information</b>						
Impairment of property, plant and equipment	(57)	(16)	(73)	-	-	(73)

1. Relates to revenue earned in the Hospital and emergency services segment.

2. Earnings before interest, tax, depreciation and amortisation.

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2020</b>						
Statement of profit or loss						
<b>Revenue</b>	17 239	1 011	18 250	611	(18)	18 843
<b>EBITDA<sup>2</sup> before items below</b>	2 362	103	2 465	93	-	2 558
Depreciation and amortisation	(885)	(177)	(1 062)	(103)	-	(1 165)
<b>Operating profit – before items below</b>	1 477	(74)	1 403	(10)	-	1 393
Share-based payment expense on B-BBEE <sup>3</sup> transaction	(348)	-	(348)	-	-	(348)
Profit on disposal of investment in associate	522	-	522	-	-	522
<b>Operating profit</b>	<b>1 651</b>	<b>(74)</b>	<b>1 577</b>	<b>(10)</b>	<b>-</b>	<b>1 567</b>
<b>Additional segment information</b>						
Impairment of property, plant and equipment	-	(3)	(3)	-	-	(3)

1. Relates to revenue earned in the Hospital and emergency services segment.

2. Earnings before interest, tax, depreciation and amortisation.

3. Broad-based Black Economic Empowerment.

# Glossary

An explanation of some of the terms and abbreviations used in this integrated report is shown below.

<b>AGM:</b>	annual guaranteed meeting
<b>AI:</b>	artificial intelligence

<b>B4SA:</b>	Business for South Africa
<b>B-BBEE:</b>	broad-based black economic empowerment
<b>Board:</b>	the Board of directors
<b>BSI:</b>	British Standards Institution

<b>CAGR:</b>	compound annual growth rate
<b>CDP:</b>	formerly the Carbon Disclosure Project
<b>CEO:</b>	Chief Executive Officer
<b>CEM:</b>	customer engagement management
<b>CFO:</b>	Chief Financial Officer
<b>CFROI:</b>	cash flow return on investment
<b>COI:</b>	Clinical Outcomes Index
<b>COVID-19:</b>	Coronavirus disease 2019
<b>CPI:</b>	consumer price index
<b>CSI:</b>	corporate social investment
<b>CTC:</b>	cost to company

<b>Dividend cover:</b>	adjusted headline earnings per share dividend by total dividends per share
<b>DoH:</b>	Department of Health
<b>DoEL:</b>	Department of Employment and Labour
<b>dtic:</b>	Department of Trade, Industry and Competition

<b>EAP (in terms of B-BBEE):</b>	economically active population
<b>EBITDA:</b>	earnings before interest, taxation, depreciation and amortisation
<b>EBITDA margin:</b>	EBITDA expressed as a percentage of revenue
<b>Effective tax rate:</b>	taxation expressed as a percentage of profit before taxation
<b>EMEs:</b>	emerging micro enterprises
<b>EMR:</b>	electronic medical record
<b>EOC:</b>	Emergency Operations Centre
<b>ESD:</b>	enterprise and supplier development
<b>ESG:</b>	environmental, social and governance

<b>FFA:</b>	Founders Factory Africa
<b>FSP:</b>	Forfeitable Share Plan

<b>GDP:</b>	gross domestic product
<b>GHG:</b>	greenhouse gas
<b>GJ:</b>	gigajoules
<b>GLEC:</b>	governance, legal, ethics and compliance
<b>GPs:</b>	general practitioners
<b>GRI:</b>	Global Reporting Initiative
<b>GWh:</b>	gigawatt hours

<b>HASA:</b>	Hospital Association of South Africa
<b>HCRW:</b>	healthcare risk waste
<b>HEPS:</b>	headline earnings per share
<b>Headline earnings:</b>	this comprises the earnings attributable to owners of the parent after adjusting for specific re-measurements as defined in Circular 2/2013 issued by the South African Institute of Chartered Accountants
<b>HIMSS:</b>	Healthcare Information and Management Systems Society
<b>HPCSA:</b>	Health Professions Council of South Africa
<b>HPFL:</b>	Health Partners For Life
<b>HVAC:</b>	heating, ventilation and air-conditioning
<b>HWSETA:</b>	Health and Welfare Sector Education and Training Authority

<b>ICAS:</b>	Independent Counselling and Advisory Services
<b>ICU:</b>	intensive care unit
<b>IFRS:</b>	International Financial Reporting Standards
<b>IIA:</b>	Institute of Internal Auditors
<b>IMF:</b>	International Monetary Fund
<b>Interest cover:</b>	operating profit divided by net interest paid
<b>IPC:</b>	infection prevention and control
<b>ISO:</b>	International Organization for Standardization
<b>IT:</b>	information technology

<b>JSE:</b>	JSE Limited
<b>King IV:</b>	King Report on Corporate Governance for South Africa
<b>kg:</b>	kilograms
<b>kl:</b>	kilolitres
<b>kWh:</b>	kilowatt hours
<b>LTI:</b>	long-term incentive
<b>MD:</b>	Managing Director
<b>MEURI:</b>	monitored emergency use of unregistered interventions
<b>MW:</b>	megawatts
<b>NDoH:</b>	National Department of Health
<b>NEC:</b>	Necrotising enterocolitis
<b>Nedlac:</b>	National Economic Development and Labour Council
<b>Net debt:</b>	long-term debt, short-term debt and bank overdrafts net of cash and cash equivalents
<b>Net debt to EBITDA:</b>	net debt divided by EBITDA
<b>NHI:</b>	National Health Insurance (South Africa)
<b>NPAT:</b>	net profit after tax
<b>NPV:</b>	net present value
<b>NQF:</b>	National Qualifications Framework
<b>OHS:</b>	occupational health and safety
<b>PAB:</b>	Physician Advisory Board
<b>PCI:</b>	personalised clinical information
<b>POPIA:</b>	Protection of Personal Information Act
<b>PPE:</b>	personal protective equipment
<b>PPPs:</b>	public private partnerships
<b>PREMs:</b>	patient reported experience measures
<b>PUIs:</b>	persons under investigation
<b>PV:</b>	photovoltaic
<b>PVC:</b>	polyvinyl chloride

<b>QMS:</b>	quality management system
<b>QSEs:</b>	qualifying small enterprises
<b>Return on equity:</b>	profit for the year divided by average total shareholders' equity
<b>ROCE:</b>	return on capital employed
<b>ROIC:</b>	return on invested capital (normalised net operating profit after tax divided by average invested capital)
<b>SA:</b>	South Africa
<b>SAICA:</b>	South African Institute of Chartered Accountants
<b>SANC:</b>	South African Nursing Council
<b>SDP:</b>	skills development period
<b>Sequelae:</b>	a condition which is the consequence of a previous disease or injury.
<b>SBTi:</b>	Science-based Target Initiative
<b>SDG:</b>	Sustainable Development Goals
<b>SHEQ:</b>	safety, health, environmental sustainability and quality management
<b>SMMEs:</b>	small, medium and micro enterprises
<b>STI:</b>	short-term incentive
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>tCO<sub>2</sub>e:</b>	tonnes of carbon dioxide equivalent
<b>VON:</b>	Vermont Oxford Network
<b>YES:</b>	Youth Employment Service
<b>YoY:</b>	year on year
<b>WACC:</b>	weighted average cost of capital
<b>WHO:</b>	World Health Organization

# Corporate information

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**Company registration number**

(Registration number 1996/008242/06)

**Business address and registered office**

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**Company Secretary**

Charles Vikisi  
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Charles.vikisi@netcare.co.za

**Investor relations**

ir@netcare.co.za

**Customer call centre**

0860 NETCARE (0860 638 2273)  
customer.service@netcare.co.za

**Fraud line**

0860 fraud 1 (086 037 2831)  
fraud@netcare.co.za

**JSE information**

JSE share code: NTC (Ordinary shares)  
ISIN code: ZAE000011953  
JSE share code: NTCP (Preference shares)  
ISIN code: ZAE000081121

**Sponsor**

Nedbank Corporate and Investment Banking, a division of  
Nedbank Limited  
Third floor, F Block, Nedbank 135 Rivonia Campus  
135 Rivonia Road  
Sandown, Sandton, 2196

**Transfer secretaries**

4 Africa Exchange  
1st Floor, Cedarwood House  
Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2191  
tel no: +27 (0) 11 100 8352

**Auditors**

Deloitte and Touche

**Principal bankers**

RMB Private Bank  
Nedbank Limited

**Selected websites**

[www.netcare.co.za](http://www.netcare.co.za)  
[www.netcare911.co.za](http://www.netcare911.co.za)  
[www.medicross.co.za](http://www.medicross.co.za)  
[www.nrc.co.za](http://www.nrc.co.za)  
[www.akeso.co.za](http://www.akeso.co.za)

# Shareholders' diary

<b>Annual general meeting</b>	4 February 2022	
<b>Reports</b>		
Interim results announcement	May	
Final results announcement	November	
<b>Dividends</b>		
<b>Ordinary dividend</b>		
	<b>Declared</b>	<b>Paid</b>
Interim	May	July
Final	November	January
<b>Preference dividend</b>		
Interim	April	May
Final	October	November

## Disclaimer

Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Any forward-looking information contained in these annual financial statements has not been reviewed or reported on by the company's external auditors.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake other than in terms of the Listings Requirements of the JSE Limited, to update or revise any statement, whether as a result of new information, future events or otherwise.



**[www.netcare.co.za](http://www.netcare.co.za)**

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