

NETCARE LIMITED

# King IV application register



# 2021

Providing YOU with the best and safest care






# King IV<sup>1</sup> application register 2021

## Ethical culture

Principle	Application	Outcomes	Reference
<p><b>1</b></p> <p><b>Ethical leadership</b> The governing body should lead ethically and effectively.</p>	<p>The Board's oversight of strategy rests on an ethical foundation and directors hold one another accountable for acting in the best interests of the Group. This includes discharging the Board's duties with integrity, competence, responsibility, fairness and transparency, in line with the values detailed in King IV<sup>1</sup>.</p> <p>The Board Charter outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the company and declarations of conflicts of interest. The Board Chair monitors and oversees the assessment process as part of her duties.</p> <p>The Board's annual assessment of its performance and that of its committees, directors and executives includes a review on ethical outcomes.</p>	<p>Included in the independently researched FTSE/JSE Top 30 Responsible Investment Index.</p> <p>Included in the Sam Corporate Sustainability DJSI Emerging Markets Index achieving a score of 78%.</p> <p>Assessed by MSCI ESG Research Inc. and rated AA.</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Responsibilities of the Board:</b> PG 10</li> <li>• <b>Social and Ethics Committee:</b> PG 18</li> <li>• <b>Environmental sustainability:</b> PG 25</li> </ul>
<p><b>2</b></p> <p><b>Organisation values, ethics and culture</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The Board, through the Social and Ethics Committee, is responsible for the governance of ethics. Netcare's Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain.</p> <p>The Board ensures the Code is consistently applied, and several initiatives are used to entrench the Code's principles and build and maintain a values-based culture beyond compliance, including training interventions and an annual employee ethics survey.</p> <p>Also in place are a fraud and ethics reporting tool, which supports the anonymity of whistle-blowers, and the anonymous SHOUT hotline for employees to report alleged or perceived discriminatory or racist action or behaviour.</p>	<p>The ethics survey conducted in FY2021 indicated an entrenched ethics culture and greater levels of ethics accountability. The survey also indicated high level of awareness of ethics and related issues.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Our patients:</b> PG 112</li> </ul> <p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Responsibilities of the Board:</b> PG 10</li> <li>• <b>Social and Ethics Committee:</b> PG 18</li> <li>• <b>Ethics:</b> PG 23</li> </ul>

 Information contained in the 2021 Integrated Report

 Information available in the online shareholder report or other annexures on our investor relations website at [www.netcare.co.za/Netcare-Investor-Relations](http://www.netcare.co.za/Netcare-Investor-Relations)

1. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

King IV<sup>1</sup> application register 2021 continued

## Ethical culture continued

Principle	Application	Outcomes	Reference
<p><b>3</b></p> <p><b>Responsible corporate citizenship</b></p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The <b>Quadruple Aim</b> is the foundational principle of Netcare's strategic approach and sets out core objectives that balance the value of providing healthcare services with their cost to society. It underpins Netcare's essential contribution to the effectiveness of the national healthcare systems it serves and is the ultimate expression of the Group's corporate citizenship.</p> <p>The Board delegates accountability for monitoring overall corporate citizenship performance to the Social and Ethics Committee. The committee's mandate includes oversight of human rights, safety, developing and retaining a skilled and diverse workforce, and responding to the changing regulatory context. The Sustainability and Operational Transformation operating committees are responsible for ensuring the implementation of the Group's transformation and environmental sustainability strategies.</p>	<p>Regular recipient of numerous healthcare industry and corporate awards reflecting the Group's socioeconomic contribution, and positive stakeholder perceptions.</p> <p>Raised Africa's first sustainability-linked bond in partnership with Standard Bank as sole arranger and sustainability agent.</p> <p>Included in the independently researched FTSE/JSE Top 30 Responsible Investment Index.</p> <p>Included in the Sam Corporate Sustainability DJSI Emerging Markets Index achieving a score of 78%.</p> <p>ISS Corporate ESG Performance achieved B- rating and performance score of 68.65%.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Board Chair's review:</b> PG 16</li> <li>• <b>Chief Executive Officer's review:</b> PG 22</li> <li>• <b>Value outcomes:</b> PG 88</li> <li>• <b>Social and relationship capital:</b> PG 112</li> <li>• <b>Natural capital:</b> PG 160</li> </ul> <p><b>Shareholder report</b></p>

## Performance and value creation

Principle	Application	Outcomes	Reference
<p><b>4</b></p> <p><b>Strategy, implementation and performance</b></p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board delegates to management the detailed formulation and implementation of Netcare's strategy, which the Board approves and oversees. Strategic priorities are set, reviewed and revised as necessary in line with opportunities, attendant risks and uncertainties relating to cyclical and structural trends in the healthcare, digital and financial services sectors.</p> <p>The Board assesses both the positive and negative outcomes of the Group's business model, monitors performance against financial and non-financial measures, and assesses investments to ensure they are value accretive and meet the reasonable expectations of stakeholders over time.</p>	<p>Continued to monitor the strategy relating to COVID-19.</p> <p>Approved the 2030 environmental sustainability strategy.</p> <p>Considered the three-year view of global, South African and Netcare-specific scenarios.</p> <p>Raised Africa's first sustainability-linked bond in partnership with Standard Bank as sole arranger and sustainability agent.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Board Chair's review:</b> PG 16</li> <li>• <b>Chief Executive Officer's review:</b> PG 22</li> <li>• <b>Our strategy:</b> PG 08</li> <li>• <b>Natural capital:</b> PG 160</li> <li>• <b>Chief Financial Officer's review:</b> PG 170</li> </ul> <p><b>Shareholder report</b></p>
<p><b>5</b></p> <p><b>Reports and disclosure</b></p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</p>	<p>The Group's annual reporting suite is prepared according to the applicable reporting frameworks, including the International Integrated Reporting &lt;IR&gt; Framework (January 2021) and Global Reporting Initiative (GRI) Standards. The integrated report explains how Netcare creates sustainable, measurable value for the Group and its stakeholders over time, through its business model, governance and risk management processes, management systems and strategy.</p> <p>The Board reviews and approves the material matters, which form the basis for preparing the integrated report. This ensures that the report includes sufficient forward-looking information that reflects the key considerations of the Board and management. The Board, through the Audit and Risk Committees, ensures the necessary controls are in place to verify the integrity of the integrated report and other disclosures.</p>	<p>The 2020 Integrated Report ranked sixth in the top 10 of the EY Excellence in Integrated Reporting Awards.</p> <p>Assurance on financial information and certain non-financial performance indicators was obtained in line with the combined assurance model.</p> <p>The Group's annual financial statements for FY2021 were unqualified.</p>	<p><b>Shareholder report</b></p> <p><b>2021 Integrated Report and its online annexures:</b></p> <ul style="list-style-type: none"> <li>• <b>GRI report</b></li> <li>• <b>Complete Group annual financial statements</b></li> <li>• <b>Independent auditor's report in the Group annual financial statements</b></li> </ul>

King IV<sup>1</sup> application register 2021 continued

## Adequate and effective controls

Principle	Application	Outcomes	Reference
<p><b>6</b></p> <p><b>Role of the governing body</b></p> <p>The governing body should serve as the focal point and custodian of the corporate governance in the organisation.</p>	<p>A well-developed governance framework places the Board at the helm of the Group's governance structure and processes, which give effect to its strategic stewardship and oversight of all Group operations. Relevant policies and oversight procedures are in place to ensure all entities adhere to the governance standards and best practices adopted by the Board.</p> <p>The Board's terms of reference were reviewed and updated to reflect prevailing good corporate governance.</p>	<p>An independent assessment of the Board's effectiveness and independence indicated a high adherence to King IV principles of good corporate governance and the Board scored above average across the assessed dimensions.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Board Chair's review:</b> PG 16</li> <li>• <b>Chief Executive Officer's review:</b> PG 22</li> <li>• <b>Our strategy:</b> PG 08</li> <li>• <b>Natural capital:</b> PG 160</li> <li>• <b>Chief Financial Officer's review:</b> PG 170</li> </ul> <p><b>Shareholder report</b></p>
<p><b>7</b></p> <p><b>Composition of the governing body</b></p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The composition of the Board is appropriate for the nature, complexity and strategic demands of the Group, and provides the requisite mix of knowledge, skills, experience, independence and diversity.</p> <p>A Board appointment policy ensures a formal and transparent appointment process with a focus on gender, attributes of culture, age, field of knowledge, skills and experience and diversity. Formal succession planning, director training and induction programmes are in place. The Board succession planning includes interim measures in the event of an unforeseen loss of expertise.</p>	<p>The Board has a wide range of relevant expertise and experience.</p> <p>The Board effectively reviews the rotation of directors, and where required, commences the process to recruit directors to augment current skills and experience, including having regard to gender and race diversity. The Board commenced the process to recruit new directors to refresh the skill set and ensure continuity. Two black female directors were appointed, with effect from 01 January 2022</p> <p>Netcare is committed to promoting diversity, including gender, which is evident in the composition of the Board, which comprises of 44% female and 44% black representation</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Board of directors:</b> PG 06</li> <li>• <b>Board composition:</b> PG 08</li> </ul>

## Adequate and effective controls continued

Principle	Application	Outcomes	Reference
<p><b>8</b></p> <p><b>Committees of the governing body</b></p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.</p>	<p>The Board determines the delegation of authority to individual members, groups of members and standing or ad-hoc committees according to a defined framework. Specific aspects of governance are addressed in greater depth through Board committees. These committees are supported by operating committees convened to address specific business imperatives.</p> <p>Each committee has formal terms of reference, approved by the Board, which specify its responsibilities. The composition of the committees and the distribution of authority between the Chair and other directors is balanced and eliminates instances where individual(s) dominate decision making or undue dependency is created.</p>	<p>Each of the committees reviewed their respective terms of reference.</p> <p>The Board and its governance committees fully complied with their terms of reference. This was confirmed by the Company Secretary.</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Governance committees:</b> PG 13</li> <li>• <b>Operating committees:</b> PG 20</li> </ul>
<p><b>9</b></p> <p><b>Performance evaluation</b></p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>Assessments of the performance of the Board, its sub-committees and the Company Secretary are conducted annually. This has been appropriately delegated to the Chairpersons' Forum and Nomination Committee. The assessment of the Board's performance covers the governance of financial, economic, quality, social and environmental issues.</p>	<p>An independent assessment of the Board's effectiveness and independence indicated a high adherence to King IV principles of good corporate governance and the Board scored above average across the assessed dimensions.</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Board composition:</b> PG 08</li> <li>• <b>Evaluation of performance and independence:</b> PG 10</li> </ul>
<p><b>10</b></p> <p><b>Delegation of management</b></p> <p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</p>	<p>The delegation of authority framework details the powers and matters reserved for the Board, and the responsibilities delegated to management via the CEO.</p> <p>The Board ensures that key management functions are led by competent and appropriately authorised individuals, supported by functions that are adequately resourced.</p>	<p>The Nomination Committee reviewed the performance and skillset of each Executive Committee member, as well as the succession plans for each Executive Committee member.</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Governance and delegation of authority framework:</b> PG 04</li> </ul>

King IV<sup>1</sup> application register 2021 continuedAdequate and effective controls continued

Principle	Application	Outcomes	Reference
<p><b>11</b></p> <p><b>Risk and opportunity governance</b></p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board has direct responsibility for the governance of risk and approves the risk policy that gives effect to its risk appetite. The policy affirms that the overarching aim of effective risk management is to protect and grow sustainable value for all stakeholders by embedding risk management into strategic decision making.</p> <p>The Audit and Risk Committees assist the Board with the governance of risk. The committees oversee the implementation of clearly defined processes to identify and effectively manage risks. This entails delegating responsibility to management to continuously identify, assess, mitigate and manage risks in the pursuit of strategic opportunities, within clearly defined parameters.</p>	<p>Management developed a three-year strategic scenario. Four scenarios were developed based on the two most fundamental factors influencing the future performance of Netcare – the effectiveness of a COVID-19 vaccine and its roll out in SA, and overall demand for private healthcare.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Our risks and opportunities:</b> PG 62</li> <li>• <b>Chief Executive Officer's review:</b> PG 22</li> </ul>
<p><b>12</b></p> <p><b>Technology and information governance</b></p> <p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>The Board, together with the Audit and Risk Committees, oversee the governance of IT. The Risk Committee oversees technology, information, compliance and maximisation of opportunities while also managing risk factors.</p> <p>The IT Steering Committee (ITSC), a key operating committee, is integral to the IT governance framework. The ITSC has overall responsibility for recommendations and decisions regarding IT priorities, funding and other IT and security requirements. This committee provides strategic and governance direction for IT across the business. The ITSC reviews IT risk and opportunity management and reports to the Board or other relevant committees in accordance with King IV.</p>	<p>The Board is satisfied that Netcare's strategy addresses changes in global healthcare, person-centred health and care and trends in the operating environment.</p> <p>The joint venture with A2D24 placed second in the BCX 2020 Digital Innovations Awards.</p> <p>The Board regularly reviewed the implementation of the projects to deliver person-centred health and care, which is digitally enabled and data driven.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Our risks and opportunities:</b> PG 62</li> </ul> <p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>IT governance:</b> PG 32</li> </ul>



## Adequate and effective controls continued

Principle	Application	Outcomes	Reference
<p><b>13</b></p> <p><b>Compliance governance</b></p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.</p>	<p>The Board, with the assistance of the Audit and Risk Committees, ensures that the Group complies with applicable laws, regulations, codes and standards.</p> <p>Compliance risk is monitored by the Risk Committee and managed through the compliance framework and compliance reviews. The committee monitors the legislative landscape and assesses the impact of new laws and regulations, and keeps the Board apprised of material developments.</p> <p>Changes required are delegated to management and must be achieved within defined timeframes.</p>	<p>No material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations were incurred during FY2021.</p> <p>The Group complies with the amended JSE Listings Requirements and has noted the developments presented by the Companies Amendment Bill, 2021.</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Social and Ethics Committee:</b> PG 18</li> <li>• <b>Compliance:</b> PG 22</li> </ul>
<p><b>14</b></p> <p><b>Remuneration governance</b></p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>The Board, assisted by the Remuneration Committee, ensures that executive directors and prescribed officers, as well as employees are remunerated fairly, responsibly, transparently and in line with industry standards, to attract and retain the talent required to achieve the Group's strategy and to create sustainable value. The Remuneration Committee engages proactively with shareholders on changes to the remuneration policy and the implementation report.</p>	<p>The Board is satisfied that the remuneration policy and its implementation reflect appropriate alignment between the Group's strategic imperatives and stakeholder interests.</p> <p>89.84% of shareholders voted in favour of the remuneration policy at the 2021 annual general meeting.</p> <p>The Remuneration Committee reviewed the appropriateness of the Forfeitable Share Plan (FSP) 4 and commissioned the roll out of the Single Incentive Plan for implementation in FY2022.</p>	<p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Remuneration report:</b> PG 36</li> </ul>

King IV<sup>1</sup> application register 2021 continuedAdequate and effective controls continued

Principle	Application	Outcomes	Reference
<p><b>15</b></p> <p><b>Assurance</b></p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and the organisation's external reports.</p>	<p>The Audit Committee has adopted the five levels of assurance model. The Combined Assurance Committee considers the appropriateness of assurance providers, risk mitigation and quality of assurance received on top business risks.</p> <p>The Audit Committee is functionally responsible for the Group internal audit function and receives a detailed quarterly report on the department's progress against its annual risk-based planning.</p> <p>The Audit and Risk Committees are satisfied that the external auditor for FY2021 is independent and that no non-audit services that may impair their independence were performed.</p>	<p>The Board is satisfied that the assurance results indicate an adequate and effective control environment and integrity of reports for better decision making.</p> <p>No key governance or control failures were experienced in the period under review.</p>	<p><b>Integrated report</b></p> <ul style="list-style-type: none"> <li>• <b>Our risks and opportunities:</b> PG 62</li> </ul> <p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Accountability and control:</b> PG 28</li> </ul>

## Trust, good reputation and legitimacy

<p><b>16</b></p> <p><b>Stakeholders</b></p> <p>In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Group has clearly identified its key stakeholder groups and a formal stakeholder communication strategy ensures a comprehensive stakeholder inclusive approach. The Board monitors stakeholder management, which is implemented through a decentralised stakeholder engagement model. This delegates responsibility for proactive and constructive stakeholder engagement to management, which entails consistent and relevant interaction, underpinned by appropriate measurement tools.</p>	<p>During FY2021, management engaged a service provider to help it review the stakeholder engagement strategy. The plan was adopted by the Board and certain policies and protocols have been updated to enhance stakeholder engagement.</p>	<p><b>Integrated report</b></p> <p><b>Shareholder report</b></p> <ul style="list-style-type: none"> <li>• <b>Stakeholder inclusion:</b> PG 25</li> </ul>
<p><b>17</b></p> <p><b>Responsibility to shareholders</b></p> <p>The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>	Not applicable.		



**[www.netcare.co.za](http://www.netcare.co.za)**

Investor relations: [ir@netcare.co.za](mailto:ir@netcare.co.za)