

NETCARE LIMITED

# Shareholder Report

for the year ended 30 September 2021



Providing YOU with the best and safest care



**NETCARE**



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# Our reporting suite

## Our strategic pillars

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

## 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).

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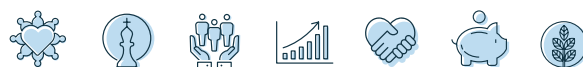
## Integrated report

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>™</sup> (King IV)<sup>\*</sup>



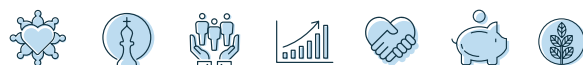
## Supplementary reports

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

# Governance report

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GOVERNANCE REPORT

REMUNERATION REPORT

FINANCIAL STATEMENTS

ADMINISTRATION

# Governance report

The effectiveness of our governance, risk and compliance frameworks, policies and controls are judged by how they support the ability of the business to fulfil its purpose responsibly and efficiently, ensuring that sustainable value is created for stakeholders. The **Quadruple Aim** underpins our essential contribution to the effectiveness of the national health system we serve and is the ultimate expression of the Group's corporate citizenship.

The **Quadruple Aim** challenges us to balance the value of our services with their cost to society, recognising that the quality of relationships with our patients, employees and partners are fundamental to this balance. This aligns to King IV's foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value. Our 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.


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

The Board of directors (the Board) meets a minimum of four times during a reporting year. During FY2021, it met four times, with an additional four special meetings convened to receive and consider updates relating to various strategic projects. All Board directors have an excellent attendance record.

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

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

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

 **Board Chair's review:** page 16 in the 2021 Integrated Report.

 **The King IV Application Register.**

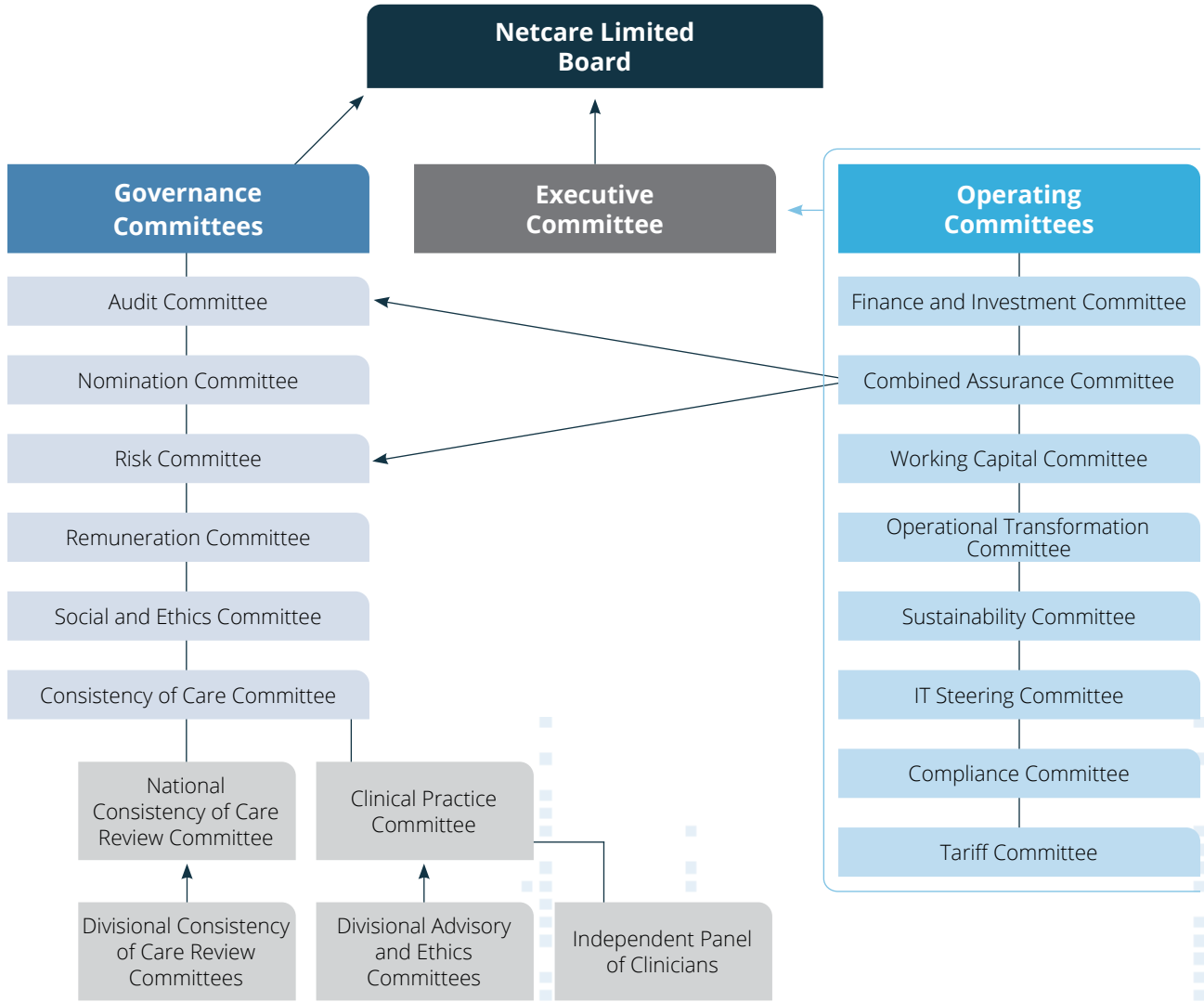
## Governance and delegation of authority framework

Our well-developed governance and delegation of authority framework governs the delivery of our strategy while ensuring we comply with relevant legislation, practice good corporate governance and balance the interests of our stakeholders. The Board delegates duties to its governance committees which provide an in-depth focus on specific areas, assisting it to discharge its responsibilities. The framework includes the subsidiary companies' governance framework, ensuring that there is an appropriate flow of information between the subsidiaries and the Group. Our delegation of authority framework was reviewed during the financial year to incorporate prevailing good governance practices.

Our delegation of authority framework requires that the Board:

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

Governance and delegation of authority framework



# 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

## Governance Report continued

### Board composition

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.

#### Director appointments

The Board, through the Nomination Committee, is responsible for establishing the arrangements for the rotation of its directors. This is done so as to invigorate the capabilities of the Board by introducing directors with new experience and perspective, retain valuable knowledge, skills and experience whilst maintaining continuity. Pursuant to this mandate, the Board appointed Dr Thabi Leoka and Dr Rozett Phillips as independent non-executive directors with effect from 1 January 2022.

A formal induction programme for new non-executive directors helps them familiarise themselves with the Group's operations, commercial risks, financial affairs and strategic objectives. When appointed, new directors are briefed on their fiduciary duties and responsibilities by the Company Secretary, which includes the requisite reading material and the required exposure to the business. In addition, new directors receive information on JSE Listings Requirements, King IV, the Companies Act and obligations with which they must comply. Directors have full and unrestricted access to management and information, when required.

The Company Secretary assists the Board Chair with the induction of directors. The induction programme includes engagements with divisional and functional heads, and the internal and external auditors.

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

#### Board composition (at 30 September 2021)



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

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

#### FY2021 Board opinion

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



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

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

**FY2021 Board opinion**

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

**Diversity**

**Black South African representation**

**44%**

FY2020: 40% | Target: 50%

**Women representation**

**44%**

FY2020: 40% | Target: 35%

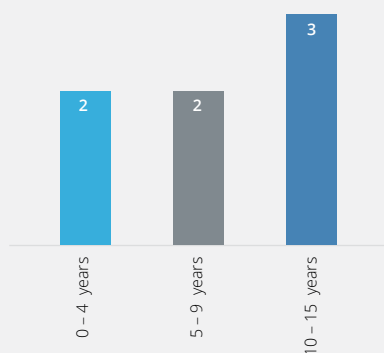
The Board appointment policy ensures a formal and transparent appointment process with a focus on gender and race diversity, as well as skill, experience, qualities and broader diversity aspects.

**FY2021 Board opinion**

The Board will consider racial diversity when recruiting directors for appointment in 2022.

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

**Tenure**  
(Average years of tenure of independent directors: 8)



Richard Friedland: 24 years  
Keith Gibson: 10 years

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

**FY2021 Board opinion**

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

The Board engaged the services of an external service provider to assist with the assessment of its effectiveness and independence. The results indicated a score well above average on the assessed dimensions.

## Governance Report continued

### Evaluation of performance and independence

The annual self-assessment of the Board's performance and effectiveness, as well as that of its governance committees and individual directors, is overseen by the Chairman's Forum and covers the governance of financial, audit, economic, nominations, quality, social and environmental issues. International experts measured the Board's efficacy and independence in FY2021, finding that 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.

### Access to information and professional advice

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

### Conflict of interest

Directors are required to declare any personal financial interests that pose a conflict of interest through a formal disclosure process that takes place on a periodic basis and is a standing agenda item at every Board meeting. Where conflicts of interest may exist, directors are requested to recuse themselves from meetings.

## Responsibilities of the Board

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

Digital transformation continued to be a key focus area for the Board in FY2021. In addition, it received updates on our stakeholder engagement strategy as well as regulatory and policy changes, and undertook a more granular review of our clinical initiatives.

### Strategy

(the Board is assisted by all governance committees)

#### Responsibility

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

#### Key activities in FY2021

- Reviewed the impact of the COVID-19 pandemic on the Group's strategy and approved updates where necessary.
- Continued to assess the Group's business model and strategy to deliver person-centred health and care that is digitally enabled and data driven.
- Supported management's initiative to develop strategic partnerships with black-owned operators both in the healthcare industry and the information and innovation industry.

#### 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. The Board remains convinced that our strategy will generate sustainable competitive advantage, realise balanced value for all our stakeholders, and contribute meaningfully to the wellbeing of our patients.

#### Key objectives for FY2022

- Monitor the implementation of key strategic projects that were delayed due to COVID-19.
- Monitor the implementation of initiatives to support environmental sustainability as a strategic pillar.

### Stakeholder inclusiveness

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

#### Responsibility

Ensure an inclusive stakeholder engagement approach.

#### Key activities in FY2021

- Engaged with various stakeholders on COVID-19 and monitored the implementation of various initiatives to mitigate the spread of the virus.
- Monitored engagement with regulators and government on matters relating to healthcare policy.
- Engaged with various stakeholders on matters of governance and remuneration.
- Assessed the Group's stakeholder engagement strategy.

#### Key objective for FY2022

- Monitor the implementation of the principles, policies and protocols set out in our enhanced stakeholder engagement model.

### Ethics

(the Board is assisted by all governance committees)

#### Responsibility

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

#### Key activities in FY2021

- Oversaw the roll out of the Group-wide governance, legal, ethics and compliance (GLEC) survey.

#### Board opinion

The Board is satisfied with the Group's implementation of the King IV principles and recommended practices, as well as the various best practice risk mitigating approaches undertaken by management.

#### Key objectives for FY2022

- Monitor the implementation of ethics improvement initiatives based on the results of the ethics survey. Initiatives include ethics refresher training for the Board and Executive Committee.

### Material matters and reporting

(the Board is assisted by all governance committees)

#### Responsibility

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

#### Key activities in FY2021

- Oversaw the Group's response to, and management of, matters considered material to its ability to create and protect stakeholder value. Key focus areas included regular feedback on management's COVID-19 response and the progress of key strategic initiatives.
- Considered and approved the Group's material matters for the integrated report (see page 56 of the Integrated Report).
- Oversaw the fair presentation of the Group's annual financial statements and other shareholder information.

#### Board opinion

The Board is satisfied that:

- The Group's risk management systems and processes support its business model and strategy, and that the appetite for risk is appropriate and risks are managed accordingly.
- 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 against its material matters.

#### Key objectives for FY2022

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

## Governance Report continued

### Technology governance

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

#### Responsibility

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

#### Key activities in FY2021

- Approved a partnership between Netcare and a market leader in information technology to ensure delivery of key IT innovative solutions.
- Conducted a full financial review of our Hospitals digitisation project, CareOn, re-examining the expected costs and benefits.
- Reviewed cybersecurity initiatives and disaster recovery plans given the increasing incidents of cybersecurity risk globally.
- Reviewed the results of our data integrity assessments and the initiatives to improve data quality.

#### Board opinion

The Board is satisfied that IT governance is properly managed and aligned with business needs and strategy, and that the disaster recovery programme will support the continuity of critical business processes. It is also of the view that the strategic rationale for CareOn remains a sound response to global healthcare mega trends.

#### Key objective for FY2022

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

### Compliance

(the Board is assisted by all governance committees)

#### Responsibility

Ensure compliance with changing regulation.

#### Key activities in FY2021

- Ensured that partnerships and strategic initiatives complied with applicable legislation.
- Considered matters relating to King IV, the JSE Listings Requirements and developments relating to the Protection of Personal Information Act (POPIA).
- Oversaw the roll out of the electronic governance tool to monitor compliance with the Companies Act, King IV and JSE Listings Requirements.

#### Board opinion

The Board is satisfied that:

- 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.

#### Key objective for FY2022

- Continue to ensure the effectiveness of the Group's governance, risk and compliance frameworks, and implement policies that ensure regulatory compliance and value creation for stakeholders.

**Performance**

(the Board is assisted by all governance committees)

**Responsibility**

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

**Key activities in FY2021**

- Reviewed the performance conditions for the second performance tranche of Forfeitable Share Plan (FSP) 3 and decided not to implement FSP 4 given the difficulties in setting stretch yet realistic and achievable targets in an uncertain environment brought about by the global pandemic.
- Commissioned a review of our remuneration strategy in terms of our short- and long-term incentive schemes.

**Key objectives for FY2022**

- Oversee the implementation of the new Single Incentive Plan, the remuneration policy and associated practices.
- Oversee the Group's recovery plans and progress towards normalising business operations.

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

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

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

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



## Governance Report continued

### Audit Committee

#### Attendance

<b>Chair:</b> MR Bower	<b>3/3</b>
<b>Member:</b> B Bulu	3/3
<b>Member:</b> D Kneale	3/3
<b>Member:</b> T Leoka (appointment effective 1 January 2022)	
<b>By invitation:</b> RH Friedland, KN Gibson	

#### Key responsibilities

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

#### Key activities in FY2021

- Confirmed Internal Audit's Charter and approved the risk-based audit plan.
- 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 public private partnerships.
  - Top business risks, including new key business risks relating to fire and civil unrest.
  - Risk Committee reports, all aspects of financial reporting, and cybercrime and cybersecurity, including comprehensive cyber liability insurance.
  - A reportable irregularity raised by the external auditor and the related responses by management.
  - The JSE annual proactive monitoring reports to ensure compliance.
  - CEO and CFO disclosure statement attestation.
- Monitored and oversaw the outputs of the five levels of the assurance model.
- Oversaw the external audit function and related audit fees.
- Ensured appropriate financial reporting procedures are in place and adhered to, which included consideration of all entities forming part of the consolidated Group financial statements. The Audit Committee has access to all financial information to ensure that Netcare's financial statements are effectively prepared and reported.

#### Key outcome

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



**Audit Committee report in the annual financial statements.**

#### Key objectives for FY2022

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



## Nomination Committee

### Attendance

<b>Chair:</b> T Brewer	<b>3/3</b>
<b>Member:</b> L Human	3/3
<b>Member:</b> D Kneale	3/3
<b>Member:</b> KD Moroka	3/3
<b>By invitation:</b> RH Friedland	

### Key responsibilities

- Sets the primary role and responsibilities of the Board.
- Determines and monitors the composition of the Board, succession planning, director appointment and director independence.
- Reviews the competence and capabilities of the Executive Committee.
- Sets the leadership requirements of the Group.

### Key activities in FY2021

- Identified high-potential leadership talent for development and succession planning.
- Evaluated Mr C Vikisi, finding that he is suitably qualified, experienced, and fit and proper to perform the function of Company Secretary (see page 20).
- Reviewed:
  - The composition of the governance committees, updating membership and appointing new Chairs, where required.
  - The need for the appointment of a Lead Independent Director. It was determined that such a role is not required. The Board will continue to review this aspect as good practice.
  - Interim succession measures for executive and key management roles should any of the incumbents fall ill with COVID-19 or resign.
  - The conflicts of interest management process and concluded that the Group's process is robust and well managed.

### Key outcomes

Appointed Dr Thabi Leoka and Dr Rozett Phillips as independent non-executive directors with effect from 1 January 2022. Dr Leoka will attend the Audit and Social and Ethics Committees, and Dr Phillips will attend the Social and Ethics and Consistency of Care Committees.

### Key objectives for FY2022

- Implement the recommendations from the Board's effectiveness and independence review.
- Appoint new directors and realign Board composition.
- Conclude overseeing the Netcare Leadership Development Journey, which includes coaching interventions for high-potential individuals.

## Governance Report continued

### Risk Committee

#### Attendance

<b>Chair:</b> B Bullo	2/2
<b>Member:</b> MR Bower	2/2
<b>Member:</b> T Brewer	2/2
<b>Member:</b> RH Friedland	2/2
<b>Member:</b> KN Gibson	2/2
<b>Member:</b> L Human	2/2
<b>Member:</b> MJ Kuscus	2/2

#### Key responsibilities

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

#### Key activities in FY2021

- Approved the Group's top business risks and the Group's insurance cover.
- Reviewed:
  - The process and results of risk mitigation and management strategies.
  - The Group's environmental, social and governance (ESG) practices, including the plans to deal with electricity outages and water shortages, as well as the mitigation of the risk of fire.
  - Compliance with POPIA, which became effective 1 July 2021.
- Oversaw interventions to manage cybersecurity, information management and data security.
- Oversaw implementation of the digitisation strategy.

#### Key outcomes

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

 **Our risks and opportunities:** page 62 in the 2021 Integrated Report.

#### Key objectives for FY2022

- Continue to monitor risks associated with fire, water shortages, civil unrest and COVID-19 surges.
- Evaluate the ability of third-party security providers to adequately address emerging cybersecurity risks.

## Remuneration Committee

### Attendance

<b>Chair:</b> D Kneale	5/5
<b>Member:</b> T Brewer	5/5
<b>Member:</b> MR Bower	5/5

**By invitation:** RH Friedland, N Ndzwayiba

### Key responsibilities

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

### Key activities in FY2021

- Reviewed the key performance indicators used to evaluate the performance of executive directors, prescribed officers and senior executives.
- Reviewed the incentive schemes for executive and senior management and how these have been impacted by performance in a COVID-19 environment, and approved the new Single Incentive Plan, which links financial and ESG performance to remuneration, for implementation in FY2022.
- Determined that the vesting criteria for FSP 3 had not been met and that these awards therefore lapse.
- Benchmarked non-executive director remuneration against comparator group of companies listed on the JSE and quartile benchmarks, assisted by PwC, and made recommendations to the Board.
- Approved annual salary increase criteria and incentive payments.
- Approved the King IV-aligned remuneration report.

### Key outcomes

The FY2021 remuneration policy was presented to shareholders for separate non-binding advisory votes at the annual general meeting (AGM) held on 5 February 2021. The policy reflected the improvements that shareholders had requested in recent years. The resolution was approved by 89.8% of the shareholders who voted.

 **Remuneration report:** page 36.

### Key objectives for FY2022

- Implement the new Single Incentive Plan.
- Continue to engage with shareholders and other stakeholders on the Group's remuneration policy and practices.

## Governance Report continued

### Social and Ethics Committee

#### Attendance

<b>Chair:</b> KD Moroka	2/2
<b>Member:</b> T Brewer	2/2
<b>Member:</b> RH Friedland	2/2
<b>Member:</b> MJ Kuscus	2/2
<b>Member:</b> T Leoka (appointment effective 1 January 2022)	
<b>Member:</b> R Phillips (appointment effective 1 January 2022)	

#### Key responsibilities

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

#### Key activities in FY2021

- Reviewed the Group's broad-based black economic empowerment (B-BBEE) plans and scorecard, and progress against the FY2021 employment equity plan.
- Reviewed the results of the ESG assessment indices.
- Reviewed the Group's compliance to the Task Force on Climate-related Financial Disclosures (TCFD) framework.

#### Key outcomes

The Group achieved a B-BBEE score of 88.09 (Level 4). It also continued to perform well in all ESG indices (see page 26).



**Society and environmental sustainability:** PG 128 and 160 respectively in the 2021 Integrated Report.



**ESG report.**

#### Key objectives for FY2022

- Oversee the implementation of ethics improvement initiatives based on the results of the ethics survey.
- Continue to focus on the ESG matters within the committee's mandate.

## Consistency of Care Committee

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

<b>Chair:</b> MJ Kuscus	1/1
<b>Member:</b> B Bullo	1/1
<b>Member:</b> RH Friedland	1/1
<b>Member:</b> L Human	1/1
<b>Member:</b> A Laubscher	1/1
<b>Member:</b> R Phillips (appointment effective 1 January 2022)	

1. The meeting scheduled for June 2021 was cancelled due to COVID-19, however, the meeting pack was circulated for noting.

### Key responsibilities

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

### Key activities in FY2021

- Oversaw the clinical governance and strategies implemented in response to COVID-19.
- Reviewed:
  - Systems to enhance measurable improvements in quality outcomes.
  - Strategic initiatives implemented to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care and close inefficiency gaps.
- Monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare's values and behaviours.
- Implemented a comprehensive approach for identifying and managing employees at high-risk of severe COVID-19 and incorporated this into the Group's Medical Surveillance Protocol.

### Key outcomes

- The Group successfully reconfigured its consistency of care objectives and priorities to better meet healthcare demands introduced and/or intensified by the pandemic. This included new controls to ensure adherence to occupational health and safety and infection prevention and control policies and procedures.
- The Clinical Governance framework and regulatory processes were reviewed and enhanced.
- Strengthened legal and operational compliance and digitised the processes using SafeCyte, the safety, health, environmental sustainability and quality management (SHEQ) compliance platform.

 **Our patients, doctor partnerships and funders:** PG 112, 121 and 124 respectively in the 2021 Integrated Report.

 **Quality report.**

### Key objectives for FY2022

- Continue to monitor controls to manage COVID-19.
- Oversee the progress of the consistency of care strategy across all service platforms, and the ongoing monitoring of all initiatives implemented during the pandemic.

## Governance Report continued

### Company Secretary

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

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

### Operating committees

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

#### Executive Committee

##### Purpose

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

##### Key activities in FY2021

- Continuous monitoring of the COVID-19 strategy.
- Monitored the Group's new business development projects including NetcarePlus and Netcare Digital.
- Reviewed divisional and operational performance.
- Reviewed our data integrity and digitisation strategies.

#### Finance and Investment Committee

##### Purpose

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

##### Key activities in FY2021

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

#### Combined Assurance Committee

##### Purpose

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

##### Key activities in FY2021

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

#### Working Capital Committee

##### Purpose

Monitors and reviews working capital requirements.

##### Key activities in FY2021

- Oversaw working capital targets for FY2021.
- Monitored the economic risks and impact of COVID-19 to ensure that the Group is not unduly exposed.
- Engaged with the Commissioner of Compensation for Occupational Injuries and Diseases to improve payment timeframes of approved claims.

### Operational Transformation Committee

#### Purpose

Guides, monitors, reviews and evaluates the Group's progress on transformation, with specific reference to the seven primary pillars of the B-BBEE scorecard.

#### Key activities in FY2021

- Reviewed progress against the requirements of the dtic Codes<sup>1</sup>.
- Liaised with relevant stakeholders on B-BBEE targets.
- Reviewed progress against the employment equity plan and developed a new plan to FY2026.

### Sustainability Committee

#### Purpose

Responsible for the environmental sustainability strategy and managing key environmental issues, including energy and water efficiency.

#### Key activities in FY2021

- Focus remained on supporting the business in the engineering challenges presented by COVID-19 and its demand on our infrastructure.
- Reviewed the development of the new 10-year environmental sustainability strategy and the various initiatives to reduce our energy intensity usage and water consumption, and better manage our waste.
- Oversaw the Group's environmental reporting.

### IT Steering Committee

#### Purpose

Manages IT risk and provides IT-related strategic and governance direction across the business.

#### Key activities in FY2021

- Assessed the Group's control environment in relation to privacy and information security.
- Made recommendations and decisions regarding IT priorities, including funding and cybersecurity.
- Oversaw the implementation of strategic and continuous business improvement projects.
- Continued to roll out employee awareness campaigns on IT security.

### Compliance Committee

#### Purpose

Monitors the legislative landscape and assesses the potential impact of new laws and regulations on the Group.

#### Key activities in FY2021

- Reviewed our policies and implemented various initiatives to ensure compliance with POPIA.
- Oversaw the POPIA Steering Committee.
- Rolled out the ethics survey across the Group.
- Reviewed and ensured compliance with the Disaster Management Act.

### Tariff Committee

#### Purpose

Provides direction on negotiations with funders.

#### Key activities in FY2021

- Engaged funders on current and future alternative reimbursement models.
- Engaged in value-based contracting negotiations.

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

## Governance Report continued

### Compliance

#### Governance principles

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

Companies are under increasing pressure to declare a social purpose and understand their place in society. Corporate leaders are increasingly expected to focus more on the social and environmental needs of the stakeholders a company serves, supported by enhanced corporate governance oversight. We have noted the King IV guidance paper on the responsibilities of governing bodies in responding to climate change. In FY2021, environmental sustainability was lifted out of the disruptive innovation pillar of our strategy to stand alone as a seventh strategic pillar. The Group's updated scorecard for FY2022 reflects this change.

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

#### Regulatory compliance

All service platforms, business units, operational and administrative business areas and subsidiaries are required to comply with all applicable legislation and regulations. The Compliance Committee and the compliance function monitor the legislative landscape on an ongoing basis and assess the potential impact of new laws and regulations on the Group. The implementation of changes needed is delegated to management and must be achieved within defined timelines. Each area conducts an annual governance, compliance, legislative and contractual risk review, and evaluates the regulatory environment impacting the Group and the healthcare sector.

The Board as well as the Risk Committee are kept informed of regulatory changes, as well as changes to non-binding standards, codes and relevant sector developments that could potentially affect the Group and its operations. Adherence to non-binding rules is considered an integral part of doing business. The Board and governance committees are also regularly updated on the Group's underlying policies and processes to govern compliance. We use a risk-based approach to review the Group's policies and manage compliance risk through compliance reviews.

#### Litigation and legal

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

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

#### Ethics

We are committed to high moral, ethical and legal standards, and support the code, principles and values as espoused in various laws and regulations governing our operations and people. All employees are expected to fulfil this commitment, including our policy of fair dealing and integrity when conducting Netcare's business. A number of initiatives are used to entrench the code's principles and ensure that they are consistently applied within the Group, including training interventions, awareness campaigns and an annual ethics survey.

#### Mechanisms that support an ethical culture

- **Our values, policies and Code of Ethics:** provide a governing framework for ethical leadership and behaviour, which is further supported by a human rights awareness programme that forms part of our induction programme. The Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. Employees are required to disclose any potential conflict of interest, as well as any gifts or invitations by a supplier or third party.
- **Netcare Clinical Practice Committee:** sets guidelines and monitors compliance with clinical governance criteria relating to clinician conduct.
- **Ethics management programme:** we conduct an annual governance, legal, ethics and compliance survey. The results are reported to the Social and Ethics Committee.
- **Incident management system:** logs incidents of a clinical nature (e.g. patient falls or incorrect medication given) as well as issues of a forensic nature. The system is regularly reviewed to identify incidents and initiate the appropriate follow-up with the business.
- **Group Forensics and the Fraud and Ethics Hotline:** available to stakeholders wanting to protect their anonymity (see page 24). Employees can also report unethical behaviour directly to Group Forensics.
- **Anonymous toll-free SHOUT line:** allows employees to report alleged or perceived discriminatory or racist action or behaviour. The service is delivered in partnership with Independent Counselling and Advisory Services (ICAS), which operates a confidential call centre.
- **Remuneration policy:** aligns our corporate strategy, performance and the values and behaviours of our passionate people. It also ensures the fair, equitable and consistent reward of our people.
- **Supplier policies and assessments:** all new suppliers complete a declaration confirming compliance to fair labour practices, human rights and environmental criteria.





## Ethics survey

An annual ethics survey is conducted to measure and assess key aspects of our ethics programme and to gauge how our employees feel about ethics in the organisation. Over 2 049 employees (FY2020: 384) participated in the survey, representing all regions. Non-managerial participation increased to 62% (FY2020: 41%). All responses were anonymous. The questions in this year's survey were based on various ethics surveys, including the South African Business Ethics Survey (Ethics Institute of South Africa) and the Institute of Business Ethics (UK).

### Our key findings were:

- More than 88% of respondents agreed that they are encouraged to do the right thing, ethics is a priority, senior management can be approached on ethical matters and goals are set to support and foster ethical behaviour. 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 which includes industry-specific case studies to foster good ethical decision making.
- Roll out an awareness campaign to raise ethics awareness and stress how we value reports and are committed to confidentiality and anonymity.



## Governance Report continued

### Managing unethical behaviour

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

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

A number of mechanisms are in place for stakeholders to report irregularities such as alleged theft, or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour. These mechanisms are available to all Netcare employees, management and the public, including suppliers and patients. Every incident reported through these mechanisms is investigated. Reports of alleged theft, fraud or unethical behaviour are logged in the defalcation register and reported to management every second month. A summary of the defalcation register, fraud trends and material incidents are provided to the Audit, Risk, Social and Ethics and Consistency of Care Committees.

### Fraud and ethics reporting

	2021	2020	2019
Incidents of alleged fraud and irregularities	182	228	208
Incidents of alleged unethical medical behaviour	0	2	0
<b>Total incidents of alleged misconduct</b>	<b>182</b>	<b>230</b>	<b>208</b>
Incidents investigated and closed <sup>1</sup>	161	209	191
Incidents reported through the fraud and ethics hotline <sup>2</sup>	21	34	30

1. Open cases are still under investigation.

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

The Fraud and Ethics Hotline facilitates anonymous reports of unethical behaviour.

**0680FRAUD1 (0860 372 831)**

If anonymity is not a concern, reports can be made to:

**fraud@netcare.co.za**

Toll-free line to report incidents of discrimination:

**0800 611 036**

## Share dealings

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

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

## Stakeholder inclusion

Our stakeholder engagement strategy focuses on the carefully considered and specifically identified stakeholder groups that are most likely to have an impact on our ability to deliver on our strategic priorities. It ensures a comprehensive stakeholder inclusive approach, and its key goal is to prioritise effective, proactive and consistent stakeholder engagement across all groups. The strategy outlines stakeholder concerns and expectations and how these link to Netcare's top business issues and risks as well as the strategic priorities, suggesting appropriate methods of engagement and considering whether these are in place. Engagement methods vary and have been amplified by significantly enhanced digital communication channels; engagement methods take into account the different needs of each stakeholder group and can range from a single event to engage on a specific issue, and our complaint management processes, to ongoing dialogue with employees, the Department of Health, investors and other government departments.

An independent review undertaken this year found that most of our engagement methods are robust. Based on this review, we will enhance the model to ensure that stakeholder concerns are appropriately escalated and addressed and that the Board is kept informed of key concerns. While implementation of our revised stakeholder engagement plan was scheduled to take place over the course of FY2021, this was disrupted due to pressing COVID-19-related priorities and will be implemented more fully in FY2022. It is however worth noting that the frequency and quality of our engagements with our key stakeholder groups increased during the year, given the collaboration needed to manage the impact of COVID-19 on our business. Our engagement with the media was also enhanced, keeping the media updated on our COVID-19 coverage.

The digital strategy is redefining the way we engage with our patients and healthcare practitioners. Engagement on CareOn (the electronic medical record system in the Hospital division) is extensive and supported by change management interventions for our employees and doctors. A Digital Advisory Board provides a platform for doctors to contribute to the design of the system. The personalised clinical information tool supports improved engagement with doctors, particularly on achieving cost savings and closing any inefficiency gaps. A number of tools have been launched to enhance patient perception, and during FY2021 we introduced Family Connect, where social workers at facility level facilitate communication with the families and loved ones of admitted patients during COVID-19 surges.

We maintain constructive relationships with trade unions. In FY2021, topics of engagement included COVID-19, occupational health and safety, sector skills gaps and skills development opportunities, and progress made in this regard. In addition, our efforts to engage proactively with our shareholders on our remuneration policy resulted in the approval of the policy at the 2021 AGM.

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

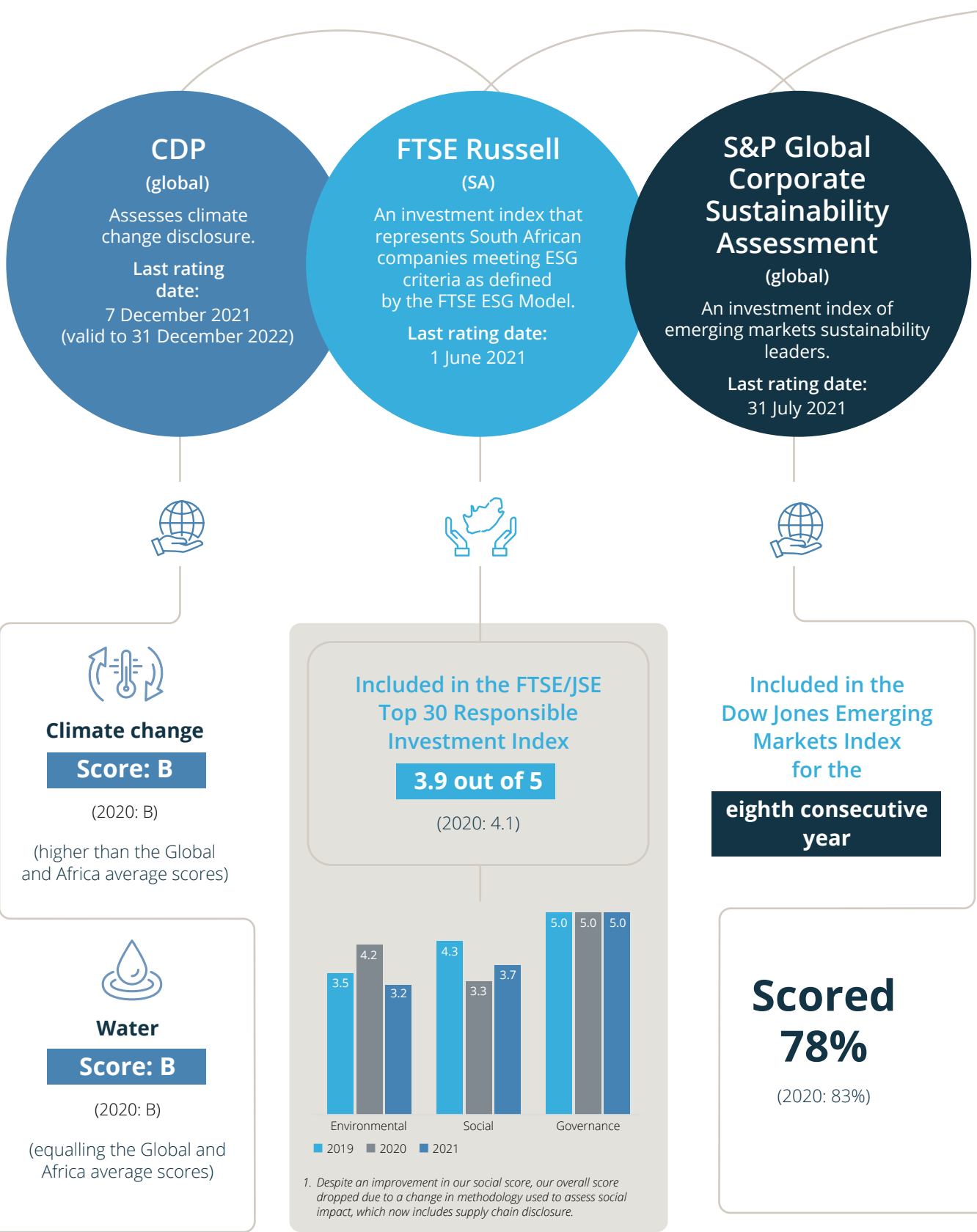
The Netcare Group's stakeholder engagement strategy is well positioned to support its corporate strategy and facilitate the maintenance of the Group's economic and social imperatives. Implementing this framework, which targets relevant stakeholders, ensures engagement at regular intervals while taking account of the challenging environment in which we operate. Ultimately, this will continue to enhance the Netcare purpose and ensure a better understanding of the Group.

## Environmental sustainability

Environmental sustainability reporting enables us to demonstrate our commitment to environmental improvement, and communicate our related risks and opportunities. We provide tangible and credible demonstrations of the degree to which sustainability is embedded in our strategy and business model through disclosures relating to our ESG practices and performance. Our ESG performance is independently assessed and benchmarked on an annual basis by multiple independent global sustainability institutions.

Our direct impact on the environment is limited. We prioritise minimising our carbon footprint, enhancing our energy and water efficiency, and waste control and recycling. Our environmental policy and management plan comprise defined action plans and targets.

Governance Report continued



**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.

## Governance Report continued


### Accountability and control

#### Going concern

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

 **Board opinion:** page 08.

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

 **Audit Committee report in the annual financial statements.**

#### Independent quality review

In line with the requirements of the Institute of Internal Auditors (IIA) Standards, Internal Audit undergoes an independent quality review at least once every five years. An assessment was undertaken in FY2019 by a globally recognised consulting firm. Internal Audit received a 'generally conforms' rating in the review (the highest level of compliance to the IIA Standards). The review indicated that we have a professional and established internal audit function, which achieved an 'established' maturity rating and is regarded as a trusted advisor to the business. The next independent quality review is planned for FY2024.

#### Internal control and internal audit

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

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

The Board delegates these responsibilities to the Audit Committee and Internal Audit assists the committee by fulfilling an assurance and consulting function, and providing

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

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

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

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

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

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

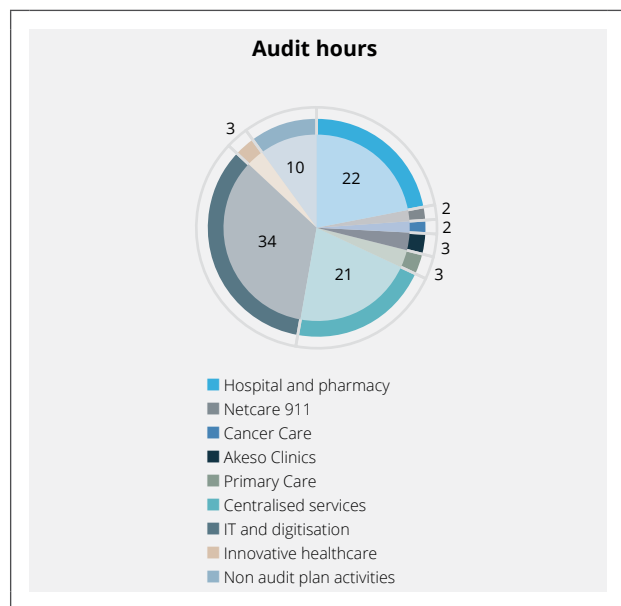


## FY2021 performance

- Presented the results of the audit reviews to the Board, Audit Committee and senior management.
- Kept the Board and Audit Committee updated on the adequacy of the department's resources.
- Reported to the Audit Committee on the quality assurance and improvement programme and the critical success factors used to monitor its performance.
- Coordinated the process to be undertaken by various functions within the Group to ensure that the CEO and CFO are in a position to attest to an adequate and effective internal financial control environment as required by the JSE Listings Requirements.
- Provided either assurance or consulting services in various areas of the business in line with management requests and authorised by the Audit Committee's Chair and the CFO, when required.
- Regularly reported to the Divisional Internal Audit Committees and the Audit Committee on the progress of agreed remedial actions implemented to support and maintain a sound control environment.
- Continued to drive digitisation using a data analytics tool to enhance the auditing process.
- Continued to achieve remote working efficiencies, which will be carried through to FY2022.
- Effectively used an agile audit approach to revise the Internal Audit Plan to cater for the changing environment.

### Audit hours

Audit hours are allocated to the various areas within the Group to ensure adequate coverage of the current Netcare environment as well as alignment with strategy and risk areas.




### Internal Audit conclusions for FY2021 (as submitted to the Audit Committee)

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

## Governance Report continued

### Combined assurance

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

Level <b>1</b> assurance	Level <b>2</b> assurance	Level <b>3</b> assurance
Assurance provided to the Board by governance committees	Non-independent assurance	Non-independent assurance
<div data-bbox="206 745 596 943" style="border: 1px dashed black; padding: 5px;"> <p><b>Risk Committee</b></p> <p><b>Audit Committee</b></p> <p><b>Social and Ethics Committee</b></p> <p><b>Consistency of Care Committee</b></p> </div> <div data-bbox="194 976 596 1032" style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p> <b>Committee responsibilities:</b> page 16.</p> </div>	<p data-bbox="624 734 1027 853">Executive management, including elements of strategy implementation, performance measurement and continuous monitoring mechanisms.</p> <div data-bbox="624 887 1027 1630" style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Management</b></p> <ul style="list-style-type: none"> <li>• Accountable to the Board for identifying and assessing risks.</li> <li>• Responsible for developing, implementing, maintaining and reporting on the internal policies and control procedures to mitigate identified risks, without compromising the Group's ability to achieve its strategic objectives.</li> <li>• Submits quarterly statements of assurance to the Executive Committee.</li> <li>• All major service platforms, business units and operational and administrative business areas conduct at least three management self-assessments each year. The results are reported to the Audit Committee. The self-assessment process enhances overall risk management practices and supports a culture of ownership over internal control procedures.</li> </ul> </div>	<p data-bbox="1050 734 1453 853">Specialist functions independent from management, which facilitate and oversee risk management and compliance.</p> <div data-bbox="1050 887 1453 1211" style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Risk Management function</b></p> <ul style="list-style-type: none"> <li>• Acts as the custodian of the risk management policy and plan.</li> <li>• Coordinates risk management activities throughout the Group, including reporting to the Risk Committee.</li> <li>• Benchmarks the systems and processes of risk management against local and international standards and best practices.</li> </ul> </div> <div data-bbox="1050 1223 1453 1794" style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Quality assurance reviews</b></p> <ul style="list-style-type: none"> <li>• All Netcare facilities and services are reviewed against comprehensive clinical quality and risk management criteria. Facility, service platform and Group level reports highlight any high-risk areas.</li> <li>• Independent subject matter experts conduct verification reviews. A standardised tool is used, which incorporates the National Department of Health's Core Standards, Netcare's additional standards, and specific criteria based on trends and risks identified by quality data. Risk-based policies and standard operating procedures support quality assurance.</li> </ul> </div> <div data-bbox="1050 1805 1453 2024" style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><b>Data Council</b></p> <ul style="list-style-type: none"> <li>• Prioritises data initiatives and implements Group-wide data definitions and standards of critical data sets to ensure data integrity and continuous data monitoring.</li> </ul> </div>



Level 4 assurance	Level 5 assurance
Independent assurance	Independent assurance
Independent internal assurance provider.	Independent external assurance provider.
<p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>Provides independent and objective assurance to the Audit and Consistency of Care Committees on the effectiveness of internal control and risk management systems, and recommends improvements.</li> </ul>	<p><b>British Standards Institution</b></p> <ul style="list-style-type: none"> <li>Conducts annual surveillance audits on sample facilities across all service platforms to ensure Netcare remains compliant with the ISO 9001:2015 certification standards.</li> </ul> <p><b>Deloitte &amp; Touche</b></p> <ul style="list-style-type: none"> <li>Deloitte &amp; Touche are Netcare's external auditors.</li> </ul>

*Note: not all assurance providers are covered in the table. However, more detail on internal and independent assurance is provided per top business risk in the integrated report, 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 as well as the nature and extent of the assurance work provided. The committee meets three times a year (or as is required) and reports to the Audit Committee. The Chair of the Audit Committee approves the Combined Assurance Committee's terms of reference.

**Assurance and verification**

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

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

## Governance Report continued

### IT governance

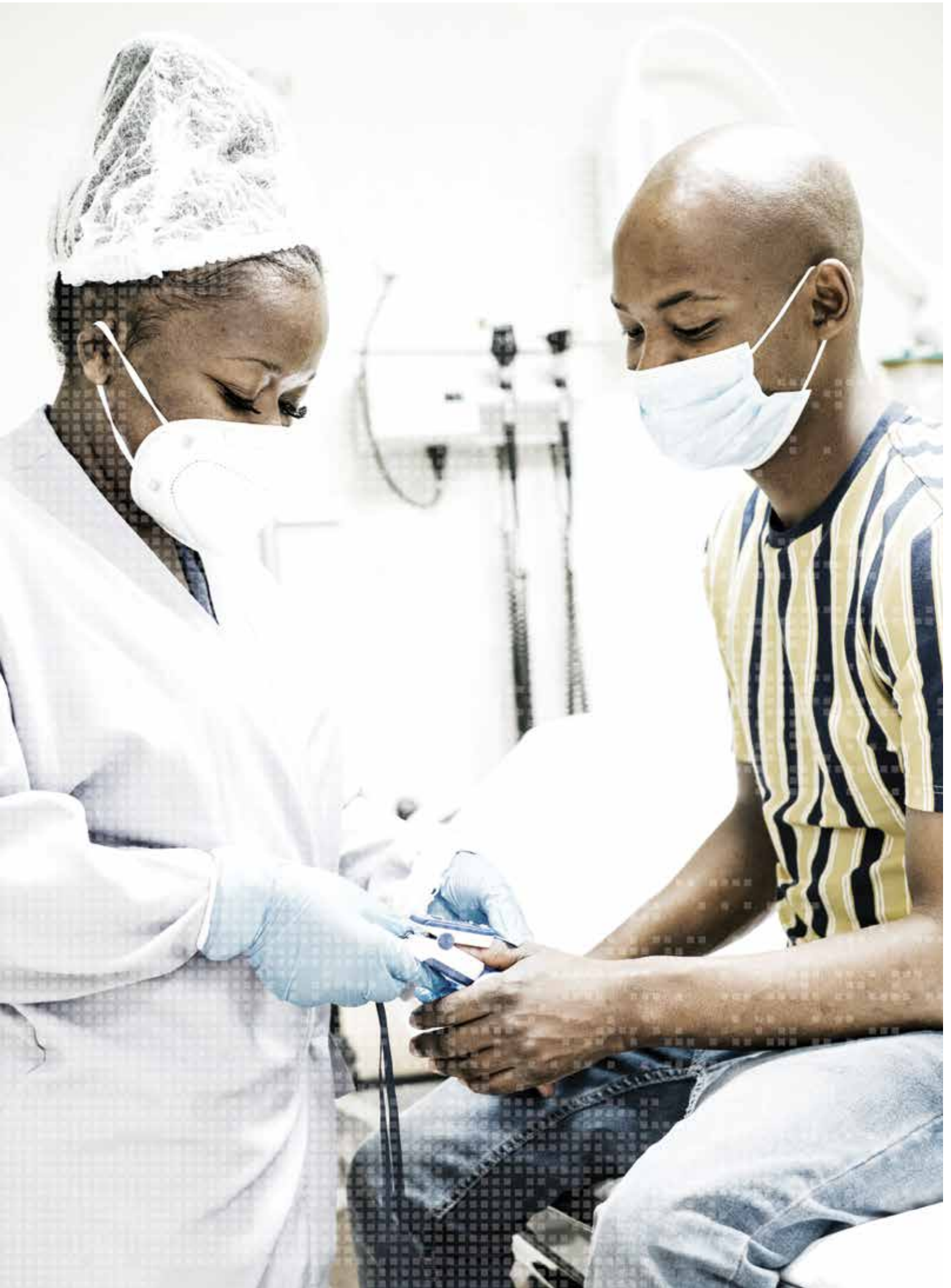
IT is an integral part of our business and is fundamental to the Group's sustainability and growth. It spans across all aspects, components and processes of our business and is therefore not only an operational enabler for Netcare, but an important strategic asset to create opportunities and to gain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

We have a robust IT governance framework in line with international best practice, managing information and technology in an effective and efficient manner that ensures integrity, continuity, confidentiality and availability. The framework includes the involvement of various stakeholders, and the structures, processes, responsibilities and other mechanisms required to increase stakeholder value.

The Board and delegated sub-committees oversee the governance of IT and are supported by the following IT governance structures:

- **IT Steering Committee:** provides oversight and strategic direction for IT across the business and reviews IT priorities, risks and opportunity management.
- **IT Management Committee:** headed by the Chief Information Officer, provides ongoing oversight and management of all technology and information assets which include, but are not limited to, strategic alignment, performance of operations, information security, governance, compliance and risk management.
- **Continuous Business Improvement Committee:** evaluates, prioritises and monitors infrastructure, systems and process enhancements.
- **Information Security Management Committee:** proactively monitors information security to identify and respond to incidents, provides direction for establishing best practices, ensures the continual monitoring of the security of information assets, reviews information security-related projects and initiatives, and communicates common information security practice requirements.
- **Enterprise Architecture Committee:** provides a forum for IT decision makers on topics of enterprise-wide IT architecture, enabling a technology architecture that supports the achievement of strategic and operational objectives.
- **Change Advisory Board:** reviews and prioritises requested technology changes and ensures adherence to the change management process.
- **POPIA Steering Committee:** oversees the Group's initiatives to ensure that legal and regulatory compliance objectives are achieved as intended as they relate to data protection supported by technology, policies and procedures.
- **Data Council:** provides strategic guidance relating to the data governance programme and the prioritisation of the data governance projects and initiatives. It also approves Group-wide data policies and standards and enables ongoing support, understanding and awareness of the data.





# Remuneration report

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# Remuneration report

Part

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## Background

### Netcare's remuneration report:

- Aligns with the principles and recommended practices of King IV and applies Principle 14's three-part structure.
- Meets the JSE Listings Requirements.
- Meets, to the extent applicable, the requirements of the Companies Act.
- Requests support through a non-binding advisory vote for the remuneration policy and implementation report.
- Includes feedback from shareholder engagement on remuneration, as part of our inclusive stakeholder engagement approach.
- Sets out our approach to fair and responsible remuneration.

### Report by the Remuneration Committee Chair:

On behalf of the Remuneration Committee (the Committee), I am pleased to present Netcare's remuneration report for the financial year ended 30 September 2021.

The first section of this report provides an overview of the key decisions made by the committee during the financial year on executive remuneration, and the details of our engagement with shareholders.

The second section outlines the changes effected on our remuneration policy for the 2022 financial year onwards with financial and non-financial strategic performance targets that take into account Netcare's transition to recovery following two successive years of the COVID-19 outbreak.

The third section provides an outline of the implementation report of our current remuneration policy.

Despite the severity of the third wave of COVID-19, particularly in the Gauteng province where majority of our hospitals are located and the resultant impact on operations, this report shows that we have maintained focus on executing our strategic projects resulting in improved overall performance for both the financial and non-financial targets compared to the 2020 financial year.

The improved performance would have not been achieved without our passionate employees to whom we are grateful. Our employees across the value chain have remained steadfast in providing the best and safest care to our patients under the most challenging circumstances. We thank them for the resilience, dedication and unwavering commitment to the delivery of our patient-centred health and care strategy that is digitally enabled and data driven.

The committee convened five times during the reporting year, mainly for the purpose of providing strategic guidance and oversight on the review of the company's remuneration policy and to set and review the organisational performance, and to give feedback to shareholders. The committee noted the positive feedback from shareholders. At the March 2021 meeting, the committee took a decision to review the company's remuneration policy to cater for setting targets in challenging times and to motivate and incentivise both the performance and retention of executives and management.

Issue	Key activities and decisions	Page
<b>Remuneration for executive and non-executive directors</b>	Engaged PwC to conduct an independent benchmarking exercise of the executive and non-executive director remuneration practices. The outcome informed the proposed non-executive director fee adjustments for 2022 to be presented at the annual general meeting (AGM) on 4 February 2022.	56
<b>Short-term incentives (STIs)</b>	<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 performance parameters as set out on pages 23 to 25.</p>	49
<b>Long-term incentives (LTIs)</b>	<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 headline earnings per share 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 the 2020 and 2021 financial periods was affected by COVID-19 disruptions to our operations resulting in the failure to meet the second performance tranche of FSP 3. As a result, the awards relating to the second tranche of FSP 3, 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, which had been approved by shareholders in 2019.</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 details of the Single Incentive Plan and Deferred Share Plan are provided under the remuneration policy on page 17:</li> <li>• The committee also reviewed the minimum shareholding requirements for executives, outlined in more detail on page 21; and malus and clawback provisions.</li> </ul>	53
<b>Annual salary increases</b>	<p>Approved annual salary increases, which are linked to the CPI index 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>	
<b>Feedback on salary negotiations</b>	Successfully concluded the 2020/21 wage negotiations with three of the four recognised trade unions; and have yet to reach agreement with one trade union.	

## Remuneration report continued

### Remuneration Committee

The committee's core function is to ensure that the remuneration at a senior level motivates superior performance and that executives are suitably rewarded and retained. The committee is committed to ensuring that Netcare's remuneration reporting is straightforward, comprehensive and transparent, and recognises the need for continuous improvement in this regard.

The committee comprises three independent non-executive directors; namely,

- Mr. D Kneale (appointed to the Board and the committee with effect 1 January 2020);
- Mrs. T Brewer (appointed to the committee on 28 October 2011); and
- Mr. MR Bower (appointed to the committee on 1 October 2019).

The committee and the company utilised the services of PwC and Bowmans and survey data from Old Mutual RemChannel during the year and is satisfied that their advice was independent and objective.

The committee is satisfied that the policy achieved its objectives for the year.

### Shareholder engagement

The committee is committed to enhancing Netcare's remuneration practices and ensuring that our reporting is comprehensive, transparent, and meets shareholder expectations. It also ensures that the performance measures used to determine the awards of short- and long-term incentives are clearly articulated and well understood.

The committee is satisfied that it has successfully responded to shareholder feedback and expectations, as well as the challenging operating environment, as evidenced by the overview of the committee's activities and revisions to the remuneration policy.

It is pleasing that despite the complexities presented by COVID-19 and the resultant impact on remuneration policy and practices, at the AGM held in February 2021, 89.8% of shareholders voted in favour of our remuneration policy (FY2020: 96.7%) and 95.4% voted in favour of our implementation report (FY2020: 96.2%).

	<b>Votes in favour</b>	Votes against	Abstentions
Remuneration policy	<b>89.84%</b>	10.16%	0.07%
Implementation report	<b>95.37%</b>	4.63%	0.07%

### Non-binding advisory votes

The remuneration policy and implementation report that are presented in this report will be presented for separate non-binding advisory votes from shareholders at the AGM to be held on 4 February 2022. These resolutions are set out in the 2021 AGM Notice.

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

### Board approval

The committee reviewed and recommended the remuneration report to the Board for approval, which was obtained on 18 November 2021.

#### Mr. David Kneale

Remuneration Committee Chair






Part

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# Remuneration policy overview

Subject to non-binding advisory vote at the AGM on 4 February 2022

We strongly believe that our passionate people are the cornerstone of our sustainable business growth and success. Accordingly, our remuneration policy (the policy) is designed to create a strong performance culture and to drive the delivery of our person-centered health and care strategy that is digitally enabled and data driven and is underpinned by the delivery of the following seven strategic priorities:

 <p><b>Consistency of care</b></p> <p>Delivering consistently excellent clinical services, ensuring the best and safest person-centred care</p>	 <p><b>Disruptive innovation</b></p> <p>Implementing medical technologies, digitisation and data solutions for the benefit of our business and patients</p>	 <p><b>Transformation of our society</b></p> <p>Continuing to invest in and develop our workforce and communities</p>	 <p><b>Organic growth</b></p> <p>Driving strategic engagements with doctors and funders, investing to maintain the quality of our facilities and developing new products and services to promote inclusivity and access</p>
 <p><b>Integration</b></p> <p>Creating strategic and synergistic partnerships between all service platforms and functions</p>	 <p><b>Investment</b></p> <p>Creating economic value and optimising capacity utilisation</p>	 <p><b>Environmental sustainability</b></p> <p>Ensuring minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment</p>	

In addition to adhering to good governance principles and best practice, the 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, STIs, 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.

### 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.

## Remuneration report 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.

### Benchmarking

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

The guaranteed remuneration packages of executive directors, prescribed officers and senior executives are benchmarked against relevant comparators.

In FY2021, we engaged PwC to conduct a benchmarking exercise on executive remuneration and non-executive director fees. The benchmark results for non-executive directors confirmed broad alignment with market peers, with some adjustments required to the fees of two non-executive directors as set out on page 56.

For executive directors, the benchmarks showed that the annual guaranteed package of the CEO and the CFO compare well to the market. However, their total rewards inclusive of STI and LTI were lower than the benchmarks, largely due to lower STIs (ex gratia) and the deferral of FSP 4 allocations in FY2020. Notwithstanding this, the new Single Incentive Plan discussed on pages 43 to 47 will address these gaps and bring both the CEO's and the CFO's total rewards in alignment with the median of comparator groups.

In FY2020, the total cost for the benchmarking exercise amounted to approximately R75 000, excluding value added tax (VAT), and the benchmarking was only done for independent non-executive directors. In FY2021, we conducted the benchmark for both the independent non-executive directors and executive directors at a cost of approximately R148 000 (excluding VAT).

### 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 (short- and long-term incentives) 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

Bonus paid if targets met	=	Annual structured package	X	Potential eligibility (%)	X	Weighted average of balanced scorecard
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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.

The Remuneration Committee has approved the following Group-wide performance conditions and targets relating to:

- Financial targets: earnings before interest, tax, depreciation and amortisation (EBITDA) margin, cash conversion and economic profit.
- Disruptive innovation.
- Transformation of society.
- Consistency of care.
- Organic growth.
- Integration of services.
- Environmental sustainability.

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

## Remuneration report continued

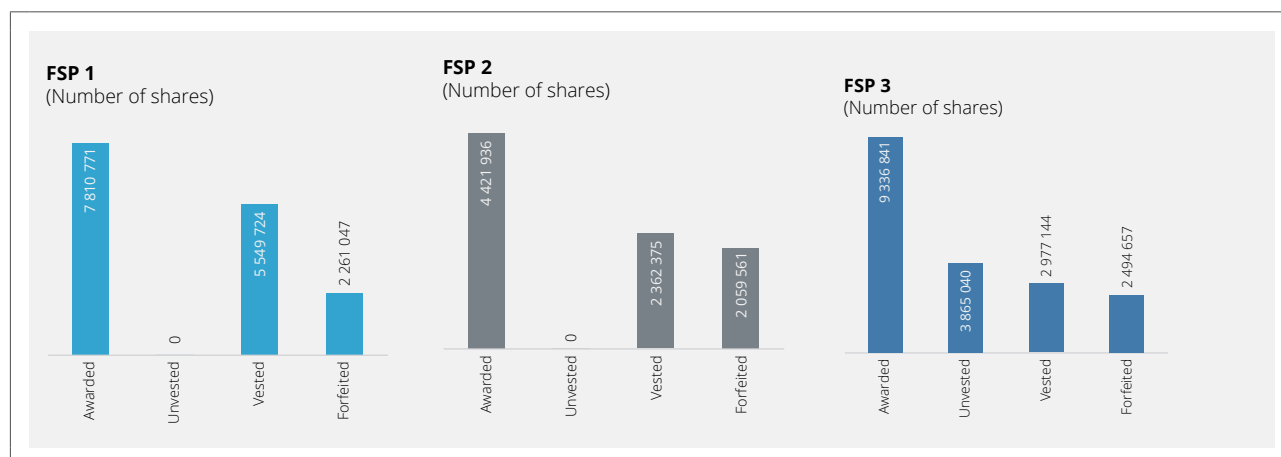
### Looking forward to FY2022

Following the deferral of FSP 4 due to challenges in setting long-term targets within the context of the unfolding global pandemic, the Remuneration Committee resolved not to progress with the implementation of FSP 4 but rather to embark on a process of reviewing our STI and LTI schemes to ensure alignment with the latest market trends and practices; and to achieve an effective balance between rewarding executives (F band) and senior management (E and select D band) for performance and retention through a Single Incentive Plan.

External expert advisors provided guidance on local and global contemporary trends on executive remuneration structure and policy.

The review took into account the fact that the previous FSP scheme did not successfully achieve a fair balance between rewarding performance and retention, as the predetermined performance targets proved difficult to achieve in evolving market conditions, rendering the FSP scheme demotivational and introducing retention risks. This is further compounded by the conclusion of FSP 3 in December 2022, and the deferral of FSP 4 roll out in 2020 due to COVID-19, therefore, leaving us without a long-term scheme.

The positions of the three tranches of the FSP are presented in the table below.



Out of the three awards made since inception of the FSP, a limit of approximately 21.5 million shares were allocated of which 10.9 million shares vested to the benefit of employees, 3.8 million shares are unvested and 6.8 million shares forfeited.

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 their 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 cost to company (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 (F Band)	▶	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 report 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
		Return on invested capital	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 tonnes of carbon dioxide equivalent (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%	19 900 kilolitres (kl) 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.

The scoring for each performance measure will be applied as follows:

- Below threshold – 0%
- Threshold – 50%
- On-target – 100%
- Outperform – 150%.

Linear interpolation will be applied for performance between threshold and on-target, and on-target and outperform.

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

The COVID-19 pandemic adversely affected our financial performance in FY2020 and FY2021, and given that fourth and fifth waves of the COVID-19 pandemic are included in our forecast for FY2022, financial performance is expected to remain challenged for the year ahead. However, the return to levels of pre-pandemic profitability remains a key priority and forms the basis of the targeted EBITDA margin in the medium term.

Notwithstanding the challenging environment, as we emerge from the COVID-19 pandemic and the operating environment normalises, we expect significant improvement in the underlying financial performance of the business in FY2023 and beyond along with continued sustainable cash conversion. This will translate into appropriately higher targets. We remain focused on investing in capital expenditure for future opportunities and, in particular, in investing in key projects that are critical to achieving our overarching strategy of person-centered health and care that is digitally enabled and data driven. We expect the benefits of these strategic projects to start materialising after implementation is complete by the end of FY2023. The projects will drive future growth as reflected in the 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%)
Return on invested capital	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.

The deferred awards will be governed by a set of plan rules in line with the salient features described below and will generally be issued in December of each year.

The Single Incentive Plan parameters for the on-target percentage, the cash portion, and the deferral term will be customised to the market and role, and these parameters, including the applicable performance scorecards and weightings applicable to all participants, will be determined, and communicated to participants ideally by the end of October, but by no later than 31 January of the subsequent financial year.

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)

## Remuneration report continued

### Salient features of the deferred shares

The deferred shares will be forfeitable shares which are procured as soon as possible after the award date and held in escrow for the benefit of the participants.

The shares qualify for ordinary dividends and voting rights, but special dividends must be used to acquire further shares which are subject to the same terms as the underlying awards.

An overall limit of 5% of issued shares, and an individual limit of 0.5% of issued shares will be applied. The limit excludes awards that are forfeited and shares that are procured in the market to settle awards.

In the case of fault termination of employment, including resignation, retirement before normal retirement date and dismissal for disciplinary reasons, all unvested awards will be forfeited.

In the case of no-fault terminations of employment, including death, disability, retirement at normal retirement age and termination of employment due to operational reasons, the awards will vest on the original vesting dates, without acceleration, except in the case of death, where the awards will vest as soon as practically possible.

In the case of change of control, a portion of the awards will vest, on a time pro-rated basis to reflect the portion of the applicable vesting period served, with the balance continuing based on the original terms or replaced by awards of similar value if it is not possible for the awards to continue in their current form.

In the event of the change of capital structure, the Remuneration Committee may make changes to the awards so that they have materially the same value before and after the transaction.

The aggregate costs of the Single Incentive Plan were benchmarked against the costs of continuing the current LTI (or FSP) and STI scheme. The costs for on-target performance under the proposed Single Incentive Plan are broadly similar over a five-year period.

### Other deferred share awards

Our policy permits the granting of awards of deferred shares which are not part of the annual Single Incentive Plan, and these include:

- Sign-on awards that are included in the employment agreement for new employees, generally to compensate them for awards from the previous employer which will be forfeited on resignation; and
- Specific retention or counter-offer awards, which are not generally made to executive directors and prescribed officers.

Such awards must be motivated by the CEO and approved by the Remuneration Committee.

### Discretion and safeguards

The annual Single Incentive Plan is subject to the discretion of the Remuneration Committee, and will be applied to reduce the overall quantum of the single incentive, unless there are exceptional circumstances, if:

- The aggregate value of the single incentive for the year (including the cash and deferred portion but excluding the additional transition award discussed above) is more than 8% of EBIT, and
- The total number of deferred share awards for the year is more than 1% of the number of shares in issue.

### Procurement of deferred shares

The shares to settle deferred share awards will be purchased in the market as soon as possible after their award and no new shares or treasury shares will be used for this purpose.



### Minimum shareholding requirements

We benchmarked our minimum shareholding requirements (MSR) against peers in the market and effected the changes outlined below based on the outcome of the benchmarking.

Executives are required to hold shares in the company and retain vested shares awarded under the Single Incentive Plan to ensure alignment between the interests of executives and shareholders.

The Remuneration Committee has approved the MSR policy for the Single Incentive Plan with the following associated minimum shareholding targets:

Executive leadership	Minimum shareholding requirement	Previous policy requirements
CEO	200% of CTC	250% of CTC
CFO	150% of CTC	200% of CTC
Other members of the Executive Committee	100% of CTC	150% of CTC

The previous policy required the MSR to be satisfied over an eight to ten-year period. The new policy requires the MSR to be satisfied in year five from the date of the Remuneration Committee's approval of the Single Incentive Plan or five years from the date of designation by the committee for executives not yet designated to be compliant with the MSR at the date of such committee designation.

Measurement may be reset to a further five years from the prevailing measurement date at the discretion of the Remuneration Committee.

The executives must build up to the target minimum shareholding, following which a new measurement date will be set, on a rolling basis, on which the target minimum shareholding will again be measured.

The executives may use personal investment shares or committed shares to satisfy the target minimum shareholding. Once the target minimum shareholding has been achieved, there is an expectation that the executive maintains the level of shareholding until termination of employment.

### Malus and clawback

The Remuneration Committee confirms that the malus and clawback clauses of Netcare's remuneration policy, as approved in 2019/2020, are as follows:

#### Malus

(pre-vesting)

All LTI awards and the deferred shares issued under the new Single Incentive Plan to executive directors, prescribed officers and senior executives made after 1 January 2020 are subject to malus provisions. The vesting levels of these awards may be reduced, including to nil, in the following (but not limited to) instances:

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

#### Clawback

(post-vesting)

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

## Remuneration report continued

### 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 (ESOP).
- 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.

Part

# 3 Implementation report

Subject to non-binding advisory vote at AGM on 4 February 2022

During 2021, the increases to annual guaranteed packages (AGPs) of executive directors, prescribed officers and senior executives were linked to CPI and above CPI salary increases were awarded at levels below. This principle will also be applied in FY2022.

## Balanced scorecard

Group performance parameter	Actual	Target
EBITDA	<b>R3 193 million</b>	R3 671 million

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.

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 not met ● Target partially met

Consistency of Care		
Implement patient communication platform.	●	<b>Target not met</b> Disrupted by COVID-19.
Design, and implement the revised patient feedback survey.	●	<b>Target not met</b> Disrupted by COVID-19.
Specialised surgical formulary compliance.	●	<b>Target partially met</b> Disrupted by COVID-19.
Implement comprehensive, digital occupational health and safety programme.	●	<b>Target met</b>

Disruptive innovation		
Hospital division – achieve the rollout milestones for CareOn electronic medical record (EMR).	●	<b>Target met</b>
Akeso Clinics – achieve EMR development milestones.	●	<b>Target met</b>
National Renal Care – achieve EMR development and rollout milestones.	●	<b>Target met</b>
Medicross – achieve EMR milestones.	●	<b>Target not met</b> Disrupted by COVID-19.
Data analytics and platform – completion of specified project use cases.	●	<b>Target partially met</b> Disrupted by COVID-19.

## Remuneration report continued

● Target met ● Target not met ● Target partially met

### Transformation of society

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 net profit after tax (NPAT) on enterprise development and 2% of NPAT on supplier development.	●	Target met
Invest 1% of NPAT on corporate social investment initiatives.	●	Target met and exceeded
Improve skills development rating on the B-BBEE scorecard.	●	Target met and exceeded

### Environmental sustainability

Digitise healthcare risk waste management processes and governance.	●	Target met
Develop new 10-year strategy for environmental sustainability to 2030.	●	Target met

### Organic growth

Attract 60 new doctors.	●	Target met
Secure additional hospital inclusion on designated service provider networks.	●	Target met

### Integration

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.

Investment		
Complete build of Akeso Richards Bay Clinic.	●	Target met
Return on invested capital	●	Target not met Achievement impacted by COVID-19.
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

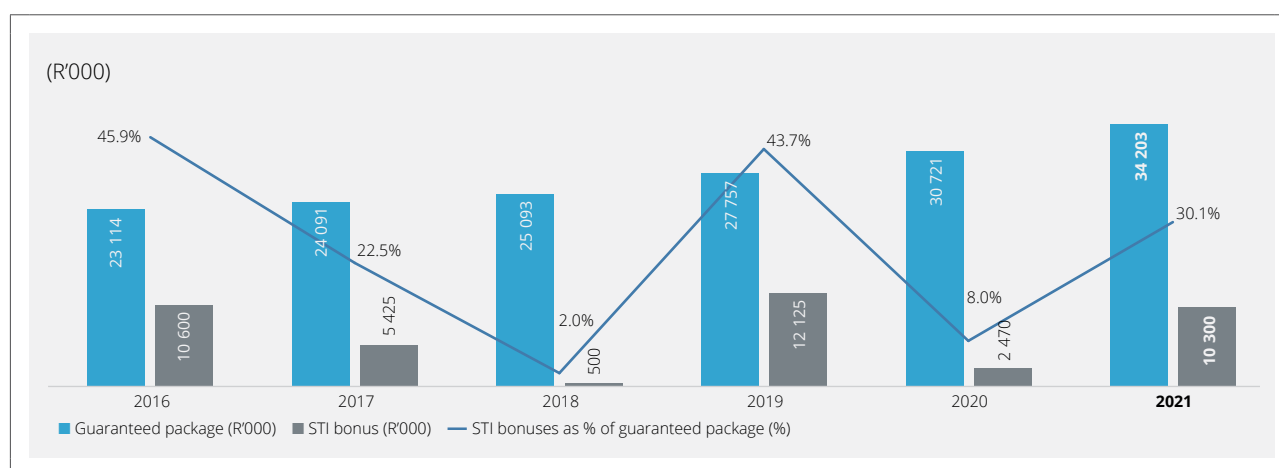
An overall performance score of 60% was achieved on the Group and divisional balanced scorecards, meeting the criteria for payment of the STI. Accordingly, the Remuneration Committee approved the allocation of STIs for 1 406 junior managers, middle managers and senior executives. The value of the STI was R100 million and this amounted to 4.9% of operating profit after taking the bonus provision into account. Circa 17.5% of the total incentive pool was paid to executives (F band), 11.3% to senior managers (E Band), and 71.2% to middle and junior managers (C upper and D band). Employees below these management levels have a contracted guaranteed 13th cheque.

## Remuneration report continued

### Variable remuneration

#### Short-term incentives relative to AGP

(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.

#### Executive director STIs

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

R'000	2021	2020	2019
RH Friedland	3 000	Zero <sup>1</sup>	5 000
KN Gibson	2 000	618	1 825

<sup>1</sup> The CEO chose to voluntarily forego any discretionary STI.

#### 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	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

**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.

## Remuneration report continued

### Forfeitable shares

Held by executive directors and prescribed officers at 30 September 2021 (number of options)

Number of options	Grant date	1 Oct 2020	Shares forfeited during the year	Exercised (sold and retained)	30 Sep 2021	Market price at exercise date (cents)	Gain arising on exercise (R'000)
<b>Executive directors</b>							
RH Friedland <sup>1</sup>	FSP 2: 20 Jan 2016	951 670	<b>(179 252)</b>	<b>(253 390)</b>	<b>519 028</b>	<b>15.33</b>	<b>3 883</b>
KN Gibson <sup>2</sup>		406 452	<b>(76 414)</b>	<b>(108 115)</b>	<b>221 923</b>	<b>15.33</b>	<b>1 657</b>
<b>Prescribed officers</b>							
T Akaloo	FSP 3: 20 Jan 2018	137 500	<b>(18 750)</b>	<b>(31 250)</b>	<b>87 500</b>	<b>15.39</b>	<b>481</b>
J du Plessis		323 688	<b>(60 206)</b>	<b>(85 613)</b>	<b>177 869</b>	<b>15.33</b>	<b>1 312</b>
C Grindell		165 109	<b>(24 798)</b>	<b>(41 686)</b>	<b>98 625</b>	<b>15.39</b>	<b>642</b>
S Mhlongo		114 584	<b>(98 959)</b>	<b>(15 625)</b>	-	<b>15.15</b>	<b>237</b>
WN van der Merwe		210 817	<b>(32 791)</b>	<b>(50 944)</b>	<b>127 082</b>	<b>15.36</b>	<b>783</b>
		2 309 820	<b>(491 170)</b>	<b>(586 623)</b>	<b>1 232 027</b>		<b>8 995</b>

1. RH Friedland exercised 253 390 (FY2020: 187 530) share options during the year in terms of the FSP.

2. KN Gibson exercised 108 115 (FY2020: 79 802) share options during the year in terms of the FSP.

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



### Non-executive director remuneration

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

### Board and governance committee meeting attendance

The table below outlines the number of Board meetings, committee meetings and ad hoc meetings held during FY2021.

Director	Netcare Board	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Consistency of Care Committee <sup>#</sup>	Social and Ethics Committee
MR Bower	o 8/8	C 3/3	o 2/2		o 5/5		
T Brewer	C 8/8		o 2/2	C 3/3	o 5/5		o 2/2
B Bulo	o 8/8	o 3/3	C 2/2			o 1/1	
RH Friedland	o 8/8	* 3/3	o 2/2	*	*	o 1/1	o 2/2
KN Gibson	o 8/8	* 3/3	o 2/2				
L Human	o 8/8		o 2/2	o 3/3			
D Kneale	o 8/8	o 3/3		o 3/3	C 5/5		
MJ Kuscus	o 7/8		o 2/2			C 1/1	o 2/2
KD Moroka	o 8/8			o 3/3			C 2/2
A Laubscher <sup>1</sup>						o 1/1	

C Chair.

o Committee member.

\* Attends by invitation.

1. A Laubscher is a member of the Consistency of Care Committee.

# The second Consistency of Care Committee meeting was cancelled due to COVID-19.

### 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	1 399	1 388
T Brewer	1 340		179	136	126	126		210	2 117	2 113
B Bulo	685	179		193			186		1 243	1 182
L Human	685		126	136			186		1 133	943
D Kneale	685	179	126		186				1 176	849
MJ Kuscus	685			136		126	235		1 182	1 178
K Moroka	685		126			179			990	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).

## Remuneration report continued

### Proposed non-executive directors' fees

The Remuneration Committee has proposed a variable increase in non-executive directors' fees exclusive of VAT for FY2022, informed by a PwC benchmarking exercise.

The increases remain subject to shareholder approval at the AGM on 4 February 2022. The fees that have been adjusted have been referenced accordingly, and the balance remains at current levels.

PwC has independently benchmarked the proposed fees, with the following comparators used in the benchmark:

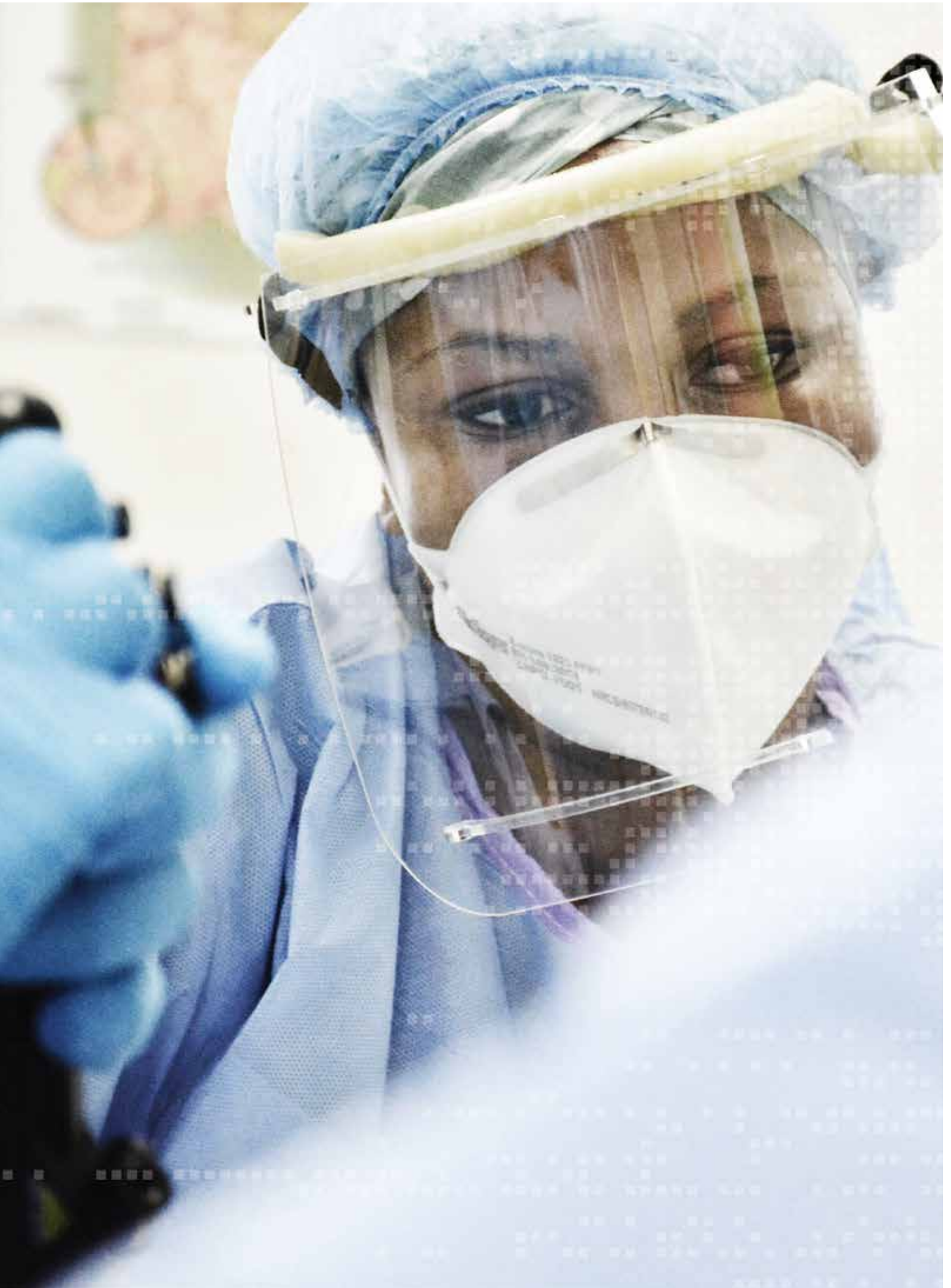
- Publicly disclosed non-executive director fees for a comparator group of companies listed on the JSE.
- Quartile benchmarks to ensure that accurate data is provided.

Based on the findings of the PwC benchmarking, a 4.6% increase for the Audit Committee Chair and the Remuneration Committee Chair are being tabled for approval by shareholders at the 2022 AGM.

### Proposed non-executive director fees

R'000	Proposed 2022	Increase	Actual 2021	Actual 2020
<b>Board</b>				
Chair	<b>1 340</b>		1 340	1 340
Member	<b>685</b>		685	685
<b>Audit Committee</b>				
Chair	<b>253</b>	4.6%	242	235
Member	<b>179</b>		179	179
<b>Nomination Committee</b>				
Chair	<b>179</b>		179	179
Member	<b>126</b>		126	126
<b>Risk Committee</b>				
Chair	<b>193</b>		193	179
Member	<b>136</b>		136	126
<b>Remuneration Committee</b>				
Chair	<b>195</b>	4.6%	186	179
Member	<b>126</b>		126	126
<b>Social and Ethics Committee</b>				
Chair	<b>179</b>		179	179
Member	<b>126</b>		126	126
<b>Consistency of Care Committee</b>				
Chair	<b>235</b>		235	225
Member	<b>186</b>		186	179
Payable per meeting				
Ad hoc committees (including the Finance and Investment Committee)	<b>42</b>		42	42

Note: values exclude VAT.



# Summarised Group annual financial statements

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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	Lower average net debt and lower average cost of debt
Preference shareholders	<b>39</b>	54	
Profit attributable to shareholders	<b>769</b>	446	
Non-controlling interest	<b>(9)</b>	(7)	Losses primarily related to impairment of Lesotho debtors of R159 million
	<b>760</b>	439	
Cents			
<b>Basic earnings per share</b>	<b>54.6</b>	28.3	
<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>FFA:</b>	Founders Factor Africa
<b>AI:</b>	artificial intelligence	<b>FSP:</b>	Forfeitable Share Plan
<b>B4SA:</b>	Business for South Africa	<b>GDP:</b>	gross domestic product
<b>B-BBEE:</b>	broad-based black economic empowerment	<b>GHG:</b>	greenhouse gas
<b>Board:</b>	the Board of directors	<b>GJ:</b>	gigajoules
<b>BSI:</b>	British Standards Institution	<b>GLEC:</b>	governance, legal, ethics and compliance
<b>CAGR:</b>	compound annual growth rate	<b>GPs:</b>	general practitioners
<b>CDP:</b>	formerly the Carbon Disclosure Project	<b>GRI:</b>	Global Reporting Initiative
<b>CEO:</b>	Chief Executive Officer	<b>GWh:</b>	gigawatt hours
<b>CEM:</b>	customer engagement management	<b>HASA:</b>	Hospital Association of South Africa
<b>CFO:</b>	Chief Financial Officer	<b>HCRW:</b>	healthcare risk waste
<b>CFROI:</b>	cash flow return on investment	<b>HEPS:</b>	headline earnings per share
<b>COI:</b>	Clinical Outcomes Index	<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>COVID-19:</b>	Coronavirus disease 2019	<b>HIMSS:</b>	Healthcare Information and Management Systems Society
<b>CPI:</b>	consumer price index	<b>HPCSA:</b>	Health Professions Council of South Africa
<b>CSI:</b>	corporate social investment	<b>HPFL:</b>	Health Partners For Life
<b>CTC:</b>	cost to company	<b>HVAC:</b>	heating, ventilation and air-conditioning
<b>Dividend cover:</b>	adjusted headline earnings per share dividend by total dividends per share	<b>HWSETA:</b>	Health and Welfare Sector Education and Training Authority
<b>DoH:</b>	Department of Health	<b>ICAS:</b>	Independent Counselling and Advisory Services
<b>DoEL:</b>	Department of Employment and Labour	<b>ICU:</b>	intensive care unit
<b>dtic:</b>	Department of Trade, Industry and Competition	<b>IFRS:</b>	International Financial Reporting Standards
<b>EAP (in terms of B-BBEE):</b>	economically active population	<b>IIA:</b>	Institute of Internal Auditors
<b>EBITDA:</b>	earnings before interest, taxation, depreciation and amortisation	<b>IMF:</b>	International Monetary Fund
<b>EBITDA margin:</b>	EBITDA expressed as a percentage of revenue	<b>Interest cover:</b>	operating profit divided by net interest paid
<b>Effective tax rate:</b>	taxation expressed as a percentage of profit before taxation	<b>IPC:</b>	infection prevention and control
<b>EMEs:</b>	emerging micro enterprises	<b>ISO:</b>	International Organization for Standardization
<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>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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76 Maude Street (corner West Street),  
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**Company Secretary**

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**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**

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Nedbank Limited  
Third floor, F Block, Nedbank 135 Rivonia Campus  
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**Transfer secretaries**

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**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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