NETCARE LTD

UN GLOBAL COMPACT
ACTIVE COP 2015

CEO STATEMENT

I am pleased to confirm that Netcare supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals which have been replaced by the Sustainable Development Goals.

The Social and Ethics Committee is responsible to ensure that the company complies and implements codes of best practice such as the; 10 principles set out in the UN Global Principles, OECD recommendations regarding corruption etc.

Netcare completed and posted a Basic COP in November 2013 and COP 2014, as a symbol of being committed to the ten principles, safeguarding the integrity of the UN Global Compact and the United Nations. Netcare intends to complete the Advance COP in the year 2016.

Richard Friedland
Group Chief Executive

NETCARE PROFILE

Netcare ranks as one of the world's largest healthcare groups, with 113 hospitals and approximately 13,206 beds under management, in an industry where scale is becoming increasingly important to improving affordability and quality of clinical services.

Through its comprehensive healthcare model, Netcare provides an extensive range of general and specialised medical care services mainly in Southern Africa and the UK. The Netcare Group employs 28,423 staff members through its ownership and management of 113 hospitals, 83 retail pharmacies, 95 Primary healthcare facilities or clinics.

The Netcare Group serves the needs of over 6.7 million patients a year. While Netcare's strategy is focused on its core hospital business, its vision of developing an integrated healthcare organisation has resulted in the establishment of complementary healthcare-related divisions. These include Netcare 911 Proprietary Limited (**Netcare 911**) with 85 emergency basis, 5 ICU Jet Air Ambulance fixed with aircraft and 2 ICU configured helicopters, the largest private emergency medical service in South Arica, 7 Netcare training colleges **(Netcare Education)**, National Renal Care Proprietary Limited (**National Renal Care**), with 59 dialysis units countrywide, and Netcare Travel Clinics.

The Ten Principles of the UN Global Compact

HUMAN RIGHTS
ASSESSMENT, POLICY AND GOALS

The Declaration of Human Rights outlines basic international standards for the protection of human rights and freedoms that businesses should support and respect to ensure that they are not complicit in human rights abuses. Netcare strives to align its operations and strategies with the principles enshrined in the Constitution of the Republic of South Africa.

As part of this process, Netcare has publically declared to uphold the Declaration of Human Rights, and the principles have been published on internal communication channels and placed on the Group website. All new employees are apprised of this commitment during their orientation session. Our human resources policies strengthen compliance with the Declaration of Human Rights and emphasise the existing commitments in place.

CSI Governance

The Netcare Foundation subscribes to King III which recognises the role of companies in social transformation in SA. The Netcare Foundation is managed by our CSI department which is staffed with dedicated employees who are committed to:

❖ Maintaining clear strategic guidelines;
❖ Seeking management support; and
❖ Ensuring staff and stakeholder buy in.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-corporate-social-investment.php

IMPLEMENTATION

Netcare implemented an improved performance management system across the business. The improvements made included making the system more user-friendly, and the objectives are more closely aligned to functional activities and deliverables rather than generic HR competencies. The Netcare core values and caring the Netcare Way now account for a weighting of 50% of the total score; and the new system allows for greater variability in performance ratings moving from a 3-point scale to a 5-point scale.

CSI Spend

As a percentage of net profit after tax, Netcare's SA operations have consistently contributed above the targeted CSI spend of 1% of annual turnover. This is a clear indication of our commitment to healthcare needs in the country and is commensurate with best practice.

MEASUREMENT OF OUTCOMES

Netcare measured it's outcome as per the Workplace Skills Plan approved by the Health and Welfare Sector Education and Training Authority on 23 May 2014, Netcare's planned skills development spend for the period 1 April 2013 to 31 March 2014 (the skills period) was R36 million (2012/2013: R35 million). However, the actual spend on skills development was R45 million (2012/2013: R46 million) for 35 548 learning and development interventions (2012/2013: 40 994), exceeding planned spend by over R8.4 million.

At March 2014, the total spend on developing African, Coloured and Indian (ACI) employees had grown to 84% (2012/2013: 83%), of which 70% were ACI females. Netcare has trained 12 021 employees in the following divisions for the skills period:

- ❖ Hospital division: 10 122
- ❖ Netcare 911: 726
- ❖ Primary Care: 1 038
- ❖ Netcare management: 135

CSI Expenditure
The Netcare Foundation is responsible for the Group's CSI contributions. For 2014, Netcare's spend was R47.2 million at 2.17% of NPAT (2013: R58 million and 3.10% of NPAT).

Governance Surveys
Netcare voluntarily participated in a number of governance surveys including the 2014 and 2015 Dow Jones Review, MSR Research and Vigeo Rating, which assessed the human rights principle.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-corporate-social-investment.php

LABOUR
ASSESSMENT, POLICY AND GOALS

We review our human resources (HR) practices regularly as part of our continuous improvement programmes. We implemented improvements to our processes with further automation, which frees up additional capacity for the HR team to focus on Netcare's people. We also provided support to line managers to help them manage their teams more efficiently (with details provided below).

Employee Relations
Our annual salary increase negotiations were successfully concluded with our four recognised unions, with increases taking effect in March 2014. Annual increases for management and executives were kept below the levels offered to other staff.

Employee Data

During the year we saw a decrease of 1.2% in the total number of employees in the Group to 20 616 employees (2013: 20 857). The reduction is due to business rationalisation initiatives aligned to our strategy to centralise and create efficiencies in our support structures.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2014/sao-people.php

IMPLEMENTATION

Wellness

Continuing from the employee wellness programme rollout in 2012/2013, Netcare is currently preparing for the 2014/2015 roll out. The next phase will offer health screening with greater focus on the health risk areas identified in 2012. This programme is offered in partnership with ICAS.

Approximately 14% of our workforce received psychosocial support through the programme, and 60% of those who utilised the services accessed professional counselling services with a registered psychologist.

We ran workshops with managers and employees across all regions and divisions in conjunction with ICAS. The workshops raised awareness and ensured that all employees can access the variety of services that are freely available to them and their families. The workshops also addressed some of the common themes that have emerged from the consultations.

Employee On-boarding and Orientation

Aligned to our strategic priority to be an employer of choice, we designed an on-boarding programme to support a successful start for new employees.

The on-boarding programme provides new employees with comprehensive information to help them integrate into the company and guides them during their first year of employment. The programme has been adapted to specific divisional requirements, and the engagement process is used to form relationships and manage their deliverables effectively during their time with the Group.

We also refreshed the Netcare employee orientation programme in 2014 to ensure seamless workplace transition during on-boarding and to increase the levels of commitment required to achieve the Group's objectives. The revised programme takes place during the first three days of employment. The Employee Performance and Development programme and Caring the Netcare Way training is also conducted during this time. Support and feedback mechanisms are in place to provide employees with ample opportunity for feedback and engagement.

Enhancing Performance and Development

Netcare's new performance management system – Enhancing Performance and Development (EPD) – was introduced in October 2012. We have continued to embed the system with line manager training, and developing user guides and a technology framework through Educos Vision. We changed the EPD programme to include the Netcare values and Caring the Netcare Way, with a 50% weighting. If

employees are managed and rated effectively on these objectives, we believe it will lead to an increase in patient satisfaction.

An awareness campaign was launched in May and June 2014 to manage compliance with the new process, supported by senior managers who emphasised the importance and benefits of completing interim reviews, having performance discussions and loading the results onto the electronic platform. This supported a significant increase in the number of completed interim reviews.

Procurement Supplier and Enterprise Development
In complying with the relevant legislations and regulations Netcare has developed a supplier development strategy in line with the amendments to the DTI Codes.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-people.php

MEASUREMENT OF OUTCOMES

The revision of the B-BBEE recognition measurements and the changes in weighting and scoring mechanisms are likely to result in Netcare's certification falling from the current Level 2 B-BBEE contributor status to Level 4. Netcare measured B-BBEE scorecared since 2007 could be found on our website. http://www.netcareinvestor.co.za/reports/ar_2014/sao-transformation-report.php

Governance Surveys
Netcare voluntarily participated in a number of governance surveys including the 2014 and 2015 Dow Jones Review, MSR Research and Vigeo Rating, which assessed the labour principle.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-people.php

ENVIRONMENT
ASSESSMENT, POLICY AND GOALS

Netcare's environmental performance over the past financial year and provides details on the main initiatives undertaken by the Environmental Sustainability Department. Its scope encompasses all Netcare hospitals, Medicross family medical and dental centres, Prime Cure clinics, National Renal Care operations, and Netcare 911 facilities where these are co-located with our hospitals.

The Environmental Sustainability Department supports the achievement of Netcare's strategic priorities by:

❖ Enhancing organisational growth through capital investment;
❖ Contributing to operational excellence through:
   − Improving earnings before interest, tax, depreciation and amortisation (EBITDA) by enhancing efficiency;
   − Monitoring and reporting on initiatives implemented; and
   − Developing and entrenching environmental policies and related initiatives.

❖ Ensuring best and safest patient care by embedding the Triple Aim methodology in all our initiatives.

Environmental optimisation is an important contributor to Netcare's quality improvement efforts and supports the Triple Aim framework. Ensuring the security of supply of electricity and water required for high acuity operations is critical in delivering the best clinical outcomes and best patient experience, and reduces the direct and indirect costs associated with patient care. Minimising Netcare's impact on the environment is also important in terms of managing environmental risk, such as compliance risk and carbon tax, and also has an important reputational benefit.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-environment-report.php

IMPLEMENTATION

The team developed an ambitious five-year strategy and execution plan which will yield significant savings over the next 10 years, including a 35% targeted reduction in energy consumption, and identified 90 projects that are currently in different stages of execution. We estimate that to achieve our projected savings targets will require approximately 250 to 500 projects.

The following factors are crucial to the successful execution of our projects:

❖ Ownership and buy-in of senior management;
❖ Robust governance, risk management and facility management structures at operational level;
❖ Close collaboration between the team, which manages the specific projects centrally, and the individual facilities;
❖ A well-resourced Environmental Sustainability Department;
❖ Integrating environmental programmes into existing business processes and systems;
❖ A clearly defined implementation strategy and plan;
❖ A financial evaluation tool – the Lifecycle Analysis Tool – to standardise the criteria used to assess proposed projects;
❖ Robust utility metering that establishes the accuracy of billing and assists management in tracking the efficacy of environmental sustainability projects; and
❖ A well-developed awareness and communication plan to keep staff informed of new policies, projects and achievements.

The team is sourcing additional resources to assist in establishing and implementing processes and procedures to address these factors. This will enable us to fast-track project implementation. The environmental initiatives which have been implemented their progress could be found on our website.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-environment-report.php

MEASUREMENT OF OUTCOMES

The results disclosed in the environmental report have been independently assured by Global Carbon Exchange SA (Pty) Ltd (GCX). The verification was performed in accordance with the principles of the

WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting Standard, 2nd Edition, 2004. Netcare requested a limited level of assurance on the Greenhouse Gas Protocol Corporate Standard assertion.

The detailed outcomes of the environmental initiatives have been disclosed on our environmental report:

- ❖ Energy and carbon footprint; and
- ❖ Waste management.

Detailed measurement outcomes could be found on the website.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-environment-report.php

CDP

Earlier this year Netcare completed an annual request for information from CDP on behalf of 822 institutional investors with US$95 trillion in assets. The response was analysed according to CDP's standardized scoring methodology. Netcare's response has been benchmarked against over 2200 other companies that responded to CDP's 2015 climate change information request.

CDP 2015 Climate Disclosure Score (Out of 100 total points)
Netcare's disclosure scores on the assessment of the quality and completeness of a company's response is as follows.

Company Name	Disclosure Score
Netcare Limited	**98**
CDP climate change program average	84

CDP 2015 Climate Performance Band (ranked on an A-E scale)
Netcare's total disclosure score on the response assessed and ranked in a performance band is as follows.

Company Name	Performance Band
Netcare Limited	C
CDP climate change program average (for companies that qualify for a performance band)	C

Governance Surveys
Netcare voluntarily participated in a number of governance surveys including the 2014 and 2015 Dow Jones Review, MSR Research, Global Green Healthy Hospitals and Vigeo Rating, which assessed the environmental compliance.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/sao-environment-report.php

ANTI-CORRUPTION
ASSESSMENT, POLICY AND GOALS

Netcare's approach to corporate governance focuses on performance and conformance, and extends beyond legislative and regulatory compliance. We have adopted a holistic approach to ensure decisions are taken openly and transparently, within an ethical framework. The Group consistently improves its governance framework and related policies to ensure they accurately reflect best practice.

The Group's Code of Ethics (the Code) articulates the Group's policy regarding conflicts of interest, gifts, confidentiality, fair dealings and protection and appropriate utilisation of Netcare's assets. Employees are discouraged from accepting any gifts or favours from suppliers that may obligate them in any way to reciprocate. The Netcare Group entrenches the Code's various principles in a number of ways, including training interventions and an annual survey.

Netcare is committed to complying with all applicable legislation and regulations, and is kept informed of changes to standards, codes and relevant sector developments that could potentially affect the Group and its operations. Netcare requires all business units, departments and subsidiaries to conform to applicable laws.

Netcare has complied with the JSE Listings Requirements and the substance of the principles embodied in King III. It also considers other voluntary codes in reviewing the Group's governance framework, including the principles of the UN Global Compact, OECD recommendations and the Millennium Development Goals.

Based on recommendations by Group Internal Audit, a risk-based approach has been adopted for reviewing the majority of policies in place. This review was completed in September 2014 and is updated regularly.

Additional information on the weblink.
https://www.unglobalcompact.org/system/attachments/cop_2014/125341/original/UN_Global_Compact_Active_COP.pdf?1417386767
http://www.netcareinvestor.co.za/reports/ar_2014/gov-compliance.php

IMPLEMENTATION

During 2014, the Group enhanced its compliance with the Protection of Personal Information Act (POPI). Although POPI is not yet in effect, Netcare has taken a proactive approach to managing compliance with this new piece of legislation and embarked on an extensive review of practices and processes to ensure personal information is appropriately protected.

Netcare has a whistle-blowing mechanism in place to facilitate anonymous reporting of alleged theft, or fraudulent, corrupt or unethical behaviour (including unethical medical behaviour) in the Group. This is facilitated through the Fraud and Ethics Hotline which is available to all Netcare employees, and ensures the anonymity of all reports and the protection of the employees reporting these incidents. The Fraud and Ethics Hotline can also be utilised by the public, including suppliers and patients. Posters with relevant information are placed in the business units.

As a responsible corporate citizen, Netcare takes a zero tolerance approach to theft, fraud and corruption. Accordingly all identified 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.

The Group is uncompromising in its opposition to bribery and corruption, and has implemented various anti-corruption practices and policies. Through the Company Secretary, Netcare has also contributed to the National Business Initiative's case studies on anti-corruption in South Africa. Employees are encouraged to report any suspicion or incidences of fraud, theft, corruption and similar unethical behaviour as outlined below.

Combined Assurance
Combined assurance is recommended governance practice by King III, based on a general understanding that more can be done to improve assurance coverage and quality through better co-ordination of assurance providers. Combined assurance creates relationships of trust within an

organisation by facilitating a shift in the level of assurance from being predominantly negative to being positive. A combined assurance model aims to optimise the assurance coverage obtained from management, and internal and external assurance providers on the risk areas affecting the company.

A five-step approach was recommended by Group Internal Audit and Forensic Services, and noted by the Audit and Risk Committees for implementing an effective combined assurance approach to compile an effective combined assurance framework:

❖ Step 1: Establishing the business case – through a high level understanding of what assurance is provided for the risk exposures facing the enterprise;
❖ Step 2: Assurance reality check – assess the actual assurance provided and to whom the assurance is provided. Assess the quality of the assurance;
❖ Step 3: Risk mapping – clearly establish what assurance needs to be provided. Use the strategic, key operational and business unit-level risk profiles to establish what risks are assured and by whom, and what risks should be assured and by whom;
❖ Step 4: Combined assurance design – communicate the approach and respective responsibilities to all stakeholders. They should agree on the common risk universe identified in step 3. Responsibilities should be defined as to what assurance is to be provided and by whom; and
❖ Step 5: Making combined assurance a continuing reality – identify a combined assurance champion to implement the approach. The executive sponsor should provide the required authority for the project, and the champion should functionally report to the executive sponsor. Internal Audit or Risk Management is usually best placed to take on the role of champion.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/gov-governance-king.php
http://www.netcareinvestor.co.za/reports/ar_2014/gov-un-global-compact.php

MEASUREMENT OF OUTCOMES

Ethics
Every incident reported through the Fraud and Ethics Hotline or any other source is investigated, logged onto the defalcation register and reported on a bi-monthly basis to management. The defalcation register is also included in the Audit Committee and Risk Committee meeting packs. In the next financial year, the register will also be presented to the Social and Ethics Committee at their meetings held in June and November. The control breakdowns that gave rise to any indication of fraud or theft are logged on a follow-up database and tracked by Group Internal Audit until rectified by management.

During the year under review, GRAFS has undertaken numerous road shows and distributed fraud alerts, directives and communiqués among various Netcare business units to promote the use of the Hotline as well as to raise awareness of fraud and unethical behaviour. The outcomes of the fraud and ethics hotline – statistics could be found on our website.
http://www.netcareinvestor.co.za/reports/ar_2014/gov-ethics.php

Combines Assurance
Assurance providers include all individuals, internal functions and departments, and external parties responsible for performing key assurance processes. Group Internal Audit and Forensic Services have defined three categories of assurance providers, being:

❖ Management assurance – including all elements of management oversight, strategy implementation, performance measurement and continuous monitoring mechanisms (such as management self assessment, management review and key performance indicators);

❖ Internal assurance providers – internal functions and departments, independent from management, who provide management with assurance relating to the effectiveness of their key controls activities (such as quality reviews performed by the Quality Leadership Department); and

❖ Independent assurance providers – completely independent from the implementation and operation of the key control activities and which provide objective assurance as to their adequacy and effectiveness (such as reviews performed by the Group Internal Audit function). Independent assurance providers may be internal or external to the organisation.

JSE Socially Responsible Investment index
Netcare has participated in the JSE Socially Responsible Investment (SRI) index since its inception. The SRI index assesses performance in terms of corporate governance and the environmental, economic and social sustainability practices of listed companies. The Group qualified for the 2013 SRI index based on the Experts in Responsible Investment Solutions (EIRIS) assessment. Netcare was named a best performer in 2013 and retained this status in 2014.

FTSE Russell/JSE Responsible Investment Index Series
There has been a change in regard to the SRI Index. JSE has partnered with FTSE Russell, the global index provider. This is a strategic review by the JSE whereby the SRI Index will be aligned with FTSE Russell. This is to ensure that ESG disclosure practices are aligned with the global ESG indicators and the greater availability of data is being disclosed.

The JSE's alignment with FTSE Russell's ESG research process will take immediate effect. FTSE Russell's research currently covers companies who form part of the FTSE All World indices. Netcare was included in the FTSE/JSE Responsible Investment Index for 2015.

Governance Surveys
Netcare voluntarily participated in a number of governance surveys including the 2014 and 2015 Dow Jones Review, MSR Research and Vigeo Rating.

Additional information on the weblink.
http://www.netcareinvestor.co.za/reports/ar_2014/gov-ethics.php
http://www.netcareinvestor.co.za/reports/ar_2014/gov-accountability-and-control.php
http://www.netcareinvestor.co.za/reports/ar_2014/gov-jse-socially-responsible-investment-index.php
http://www.netcareinvestor.co.za/reports/ar_2014/gov-jse-socially-responsible-investment-index.php