

NETCARE LTD

UN GLOBAL
COMPACT
ADVANCED COP

NOVEMBER 2016

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 they are not complicit in human rights abuses. Netcare aligns its operations and strategies with the principles enshrined in the Constitution of the Republic of South Africa. As part of this process, we have publicly declared our commitment to upholding the Declaration of Human Rights, and the principles have been published on internal communication channels and 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 and King IV 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_2015/downloads/Netcare%20SA%20ops%20Corp%20Social%20Investment.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/supporting_letter/udhr.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/human_rights_and_labour/SLS_Human_Resources_Attraction_Recruitment_and_Selection_Policy.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/human_rights_and_labour/SLS_Human_Resources_Governance_Statement_Policy.pdf

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. In 2015, R25.1 million (2014: R47.2 million) was invested in healthcare-related CSI initiatives, 1.03% (2014: 2.17%) of Netcare's profit after tax.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20Corp%20Social%20Investment.pdf



MEASUREMENT OF OUTCOMES

Netcare's skills development strategy focuses on developing the pipeline for core skills and leadership competencies. We view skills development as central to achieving workforce diversity and the broader socio-economic transformation agenda. Hence we have knitted diversity into our human resource development strategy. We ensure that the profile of enrolled students on the various nursing, paramedic, pharmacy and leadership development courses aligns with the Netcare transformation objectives.

In the skills period ended 30 March 2016, Netcare invested some R 51 million in employee development. The profile of training beneficiaries aligned with our transformation strategy and the national economically active population demographics. The table below shows that 88% were ACI and 12% were white.

Almost 87% of the R51 million of the 2016 training investment was spent on developing pipeline of core competencies in Nursing, Emergency Services and Pharmacy (2015: 81%; R32 million). Nursing accounted for 77% of the total training spend. Nearly 11% (R5.6 million) was invested in the development of management and leadership competencies (2015: 6%; R2.4 million). The balance 5.5% (2015: 13%) was invested on refresher programmes, CPD, and administration related programmes.

A total of 14 191 (71%) of our workforce benefited from training opportunities during the 2016 skills period. The majority, 99%, of the skills development in 2016 investment was channelled towards growing employees at unskilled, semi-skilled, skilled and junior management levels.

We also invested in building the leadership pipeline for business sustainability into the future. Our leadership development programmes are designed to equip our employees to transition into different levels of management. Broadly, the programmes assist employees to transition from managing the self, to managing others and business units. In the skills period ended in March 2016, we invested in the development of 707 Netcare leaders who went through various programmes.

Governance Surveys

FTSE/JSE Responsible Investment Index:

The FTSE ESG indicator measures performance of companies on climate change, water use, biodiversity, pollution and resources, supply chain, health and safety, labour standards, human rights, tax transparency, anti-corruption, risk management and corporate responsibility and governance. Netcare was included in the FTSE/JSE Top 30 Responsible Investment Index and this is the first time Netcare has been included in the Top 30 of the Index and the results were based on independent research.

Dow Jones Sustainability Indices Assessment:

Netcare achieved a Bronze Class RobecoSam Sustainability award distinction for its excellent sustainability performance in 2015. During 2016, Netcare was included in the Dow Jones Sustainability Emerging Markets Index and Dow Jones Sustainability World Index 2016 for annual Dow Jones Sustainability Indices assessment. Overall Netcare was ranked 3rd on the global health care sector industry.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20Transformation.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20Our%20people.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20Corp%20Social%20Investment.pdf



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.

Employee Relations

Despite a difficult operating environment, where trade unions negotiate for higher wages and funders negotiate for cheaper medical services, our annual salary negotiations were successfully concluded with our four recognised unions. Increases took effect in March 2015. Annual increases for management and executives were kept below the levels offered to other staff. The decrease in total employee numbers has affected the ratio of unionised members in our workforce, which reduced marginally in 2015. At September 2015, 51% of Netcare's employees were members of a trade union. We fund three full-time shop stewards to assist in employee relations, and promote ongoing interaction with union stakeholders.

2016 marked the first year of Netcare's 2015 – 2020 Employment Equity Plan. The plan comprises some qualitative and quantitative objectives aimed at creating greater workforce diversity commensurate with the national and regional demographics. The qualitative objectives aim to inculcate an inclusive and an empowering organisational culture of differences.

Accordingly, we have continued to improve workforce diversity. At the end of September, black people (African, Coloured, and Indian) comprised 73.26% (2015, 72%) of Netcare workforce's against a national economically active population of 88%. White employees constituted about 26% against the national economically active population of 12%. Women comprised 82% of our workforce. The inclusion of ACI women in our workforce has also improved reaching 60% in this financial period compared to 59% in 2015.

Employee Data

During 2015, our SA workforce decreased by 2.5% compared to 2014 to a total of 20 0941 employees. These reductions were due to business efficiency initiatives that aim to ensure we focus on our core activities and optimise the systems underpinning our support structures. For example, in 2015 we outsourced the catering function in the Hospital division to improve patient experience and reduce cost. All 629 employees were transferred to the outsourcing supplier with many enjoying better career opportunities. Employee turnover increased to 18.7% in 2015 (2014: 13.7%). Removing the once-off transfer of the catering staff, the turnover rate increased around 1.5% compared to 2014.

Our commitment to creating an inclusive and diverse workforce continues to create opportunities for people with disabilities. We are actively driving programmes to accommodate people with disabilities and dismantle barriers that may prevent these employees from reaching their full potential. At September 2015, around 2.6% (2014: 2.4%) of Netcare's workforce in SA were people with disabilities.

We also remain committed to breaking down barriers that sustain the perpetual exclusion of persons with disabilities in mainstream economy and society. We aim to have a 4% representation of persons with disabilities in our workforce by 2020. Presently, employees with disabilities constitute some 2.68% (538) of the total workforce. Approximately 1.47% (294) of these are black and 0.90% (180) are black women. The table below provides a five year dashboard of Netcare's progress in advancing workforce diversity and our 2020 objectives.



Accelerating Transformation and Encouraging Diversity

Our SA Transformation report sets out our black share ownership, representation of black people on Netcare's Board and at management level, disability management, skills development targeted at black people, preferential procurement, enterprise development and our contribution to socioeconomic development in SA.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20Transformation.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20Our%20people.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/human_rights_and_labour/SLS_Human_Resources_Attraction_Recruitment_and_Selection_Policy.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/human_rights_and_labour/SLS_Human_Resources_Transformation_Policy.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/human_rights_and_labour/SLS_Human_Resources_Workplace_Relations_Policy.pdf

IMPLEMENTATION

Employee Engagement

Our annual employee engagement survey measures pre-defined employee engagement and satisfaction indicators. In 2015, the survey showed positive employee perceptions with regard to a sense of achievement and organisational diversity. Care and concern, fairness at work and trust in employees were again identified as areas for improvement. Some 85% of the SA workforce completed the survey in 2015 (2014: 87%) and the overall employee engagement index score improved to 65.09 from 62.16 in 2014.

A number of interventions were implemented over the past financial year to respond to the 2014 survey results, including focused Employee Lead Communication forums, the continuous review and update of Group policies and procedures, and the implementation of a number of learning and development opportunities, including **Leading the Netcare Way**. Initiatives were implemented at a Group level, as well as through targeted interventions at a facility level to improve our employee engagement. These initiatives, including the employee wellness programme and talent development strategy, will continue to be focus areas in 2016.

Attracting and Retaining the Best Skills

Recruitment

Building our brand enables us to attract new employees and students in an environment where there is fierce competition for scarce skills. Our Physician Partnerships Trust, which forms part of the Health Partners for Life (HPFL) trusts, assists our broader efforts to address the shortage of healthcare skills in SA. To attract and retain quality medical professionals, the HPFL's Hamilton Naki Clinical Scholarship supports the development of academic specialists. To date, eight specialists have pursued doctoral degrees in SA and abroad through this scholarship.

Employee On-boarding and Orientation

Our on-boarding programme supports new employees, helping them integrate into the company and manage their roles effectively. Together with this, our employee orientation programme ensures a seamless workplace transition during on-boarding and contributes to the levels of commitment required to achieve the Group's objectives. The programme is provided during the first three days of employment and includes training on **Caring the Netcare Way**, our values driven programme that guides all our interactions. New employees are given the opportunity to engage and provide feedback on these programmes.

Performance Management

Staff performance is measured against Netcare's core values and several mutually agreed performance metrics that balance business performance and patient care. All employees have completed our updated performance



management programme, Enhancing Performance and Development (EPD), and have participated in an electronic EPD interim review process. The system tracks performance against functional activities and deliverables.

Building Leadership Capability

Our *Leading the Netcare Way* programme focuses on building a culture of care in the workplace and is fundamental to the delivery of best patient care. It aims to develop an ethos of personal accountability and key leadership resilience in a constantly changing work environment. In 2015, this initiative focused on the nursing and human resources management teams in the Hospital division.

Our unit managers face daily challenges as they deal with the needs of patients, their families, doctors and their teams. Formal nursing training has not always equipped them for taking on this management role, which requires specific people management and administration skills. This programme has achieved tangible growth in emotional intelligence, enabling our unit managers to guide staff through change programmes more effectively, increasing their resilience and driving quality and care at an individual level.

Recognising the Contribution of Our Employees

Our Carer of the Year programme recognises employees who go above and beyond the call of duty in caring for our patients. Each business unit manages their programme autonomously and a regional event is held annually to recognise and celebrate employees who have excelled in the line of duty or in their communities.

Providing employee wellness services

Our employee wellness programme is designed to help our employees achieve a healthy lifestyle. It includes telephonic and face-to-face counselling, further access to psychosocial support, and information and advice on how to effectively manage their health. Our partnerships with specialist organisations ensure that a broad range of services are available.

Beyond the Numbers: Inculcating Diversity, Inclusion and Social Cohesion

At Netcare, we understand our location in this transitioning country and that our organisation is a microcosm of our society. We recognize our organisation as an ideal site for influencing the desired social change and cohesion. Hence, we implemented the following diversity interventions in 2016:

- **Anti-Racism** – Netcare CEO - Dr Richard Friedland, held conversations with the leadership teams across different divisions and regions about strategic priorities for the short and medium term. Dr Friedland emphasised “tackling racism” as one of these priorities. Tackling racism forms part of the uncomfortable work South African people and organisations still need to do in order to bring into fruition the idea of a truly free and equal united rainbow.
- **Leading Diversity “Beyond the Numbers” Workshops** – Netcare began to facilitate dialogues on race, diversity and social cohesion. The dialogues were conducted with the assistance of the Wits Centre for Diversity Studies (WiCds). The centre boasts expertise in dealing with complex issues of diversity, difference and otherness and is headed by the Department of Science and Technology’s (DST) and the National Research Foundation’s (NRF) appointed National Research Chair for Diversity Studies. Nearly 60 employees participated in the first round of dialogues. Majority of these were members of workplace transformation committees in different sites. The workshops were grounded in critical diversity literacy, intersectionality and social cohesion theoretical frameworks. As such, the workshops discredited the idea that race is a biological fact. Race was deconstructed as a human invention and thus a mere social construct.

Supplier and Enterprise Development

We have restructured this section of the report to align with the revised codes of good practice. Accordingly, we report on procurement, enterprise development, and supplier development initiatives in this section.



Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20SA%20ops%20Transformation.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20SA%20ops%20Our%20people.pdf

MEASUREMENT OF OUTCOMES

Preferential Procurement

At the end of September, Netcare's total procurement spend amounted to R11.9 billion of which R 9.9 billion was measurable for BBBEE purposes. Procurement spend on B-BBEE compliant suppliers constituted 75% (R 7.2 billion) down from 77% in 2015. This is mainly due to supplier's updated BBBEE certificates with lower scores, based on the new codes. We will see a further influence of this as suppliers have their BBBEE scores measured under the new codes. We could only claim recognition here where we had certificates, or in the case of EME's, an affidavit or auditor letter confirming their EME status based on their annual turnover. There were also some cases where a supplier qualified as an EME or QSE in the previous year, but no longer qualify as such due to their turnover having increased beyond the thresholds.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20SA%20ops%20Transformation.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20SA%20ops%20Our%20people.pdf



ENVIRONMENT

ASSESSMENT, POLICY AND GOALS

Environmental optimisation is an important contributor to Netcare's quality improvement efforts and supports the **Triple Aim** framework. Ensuring the security of the supply of electricity and water required for our high-acuity operations is critical in delivering the best clinical outcomes and best patient experience. Actively managing our dependency on national utilities also results in direct and indirect cost savings, reduced environmental impact and better management of environmental risks.

Our environmental report covers all Netcare hospitals, Medicross family medical and dental centres and Prime Cure clinics, and the Netcare 911 and National Renal Care operations located at Netcare facilities in South Africa (SA). In 2014, we expanded the environmental reporting scope to include laundry and hospital vehicle transport, energy and water consumption, and waste generation in the Lesotho and SA Public Private Partnerships (PPP) and joint-venture facilities. This is an 8% increase in the reporting scope for energy, water and waste data compared to our reporting baseline at 2013.

Benchmarking

In the 2015 CDP, we scored 98% in the C band of the carbon disclosure leadership index, from 82% in the B band in 2014. As noted above, the CDP report is based on 2014 metrics and the increased scope of reporting which allows for greater transparency and more accurate disclosure. The increased scope accounts for the shift in CDP band and was expected as the bulk of the savings from projects being implemented are only likely to be realised in the 2016 reporting period.

Since 2013, the Sustainability Committee has approved projects to the value of R320 million. Projects are at different stages of implementation and are measured against the 2013 baseline. During the 2015 financial year, we have effectively avoided energy costs of R34 million on electricity and R3 million on piped gas as a result of completed projects. Since 2013, our cumulative energy savings amount to more than R64 million. Our 2013 baseline was calculated based on the audit of over 40% of the Hospital and 25% of the Medicross networks, as well as other facilities. A baseline and targets were established for each facility in the 2013 baseline calculation. Baselines and targets are reviewed on an annual basis.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20environmental.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Environmental_Sustainability_Management_Policy.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Environmental_Sustainability_Policy_Energy.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Environmental_Sustainability_Policy_Green_Procurement.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Environmental_Sustainability_Policy_General_Waste.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Environmental_Sustainability_Policy_Water_Management.pdf



IMPLEMENTATION

The analysis of inputs to and outputs from Netcare's operations is an ongoing exercise undertaken by our Environmental Sustainability team. This helps us identify and implement initiatives to further minimise our environmental impact. The team works with the support of senior management and manages project implementation from a central point in close collaboration with each facility. Environmental risks are managed through a robust governance framework and facility management structures at operational level.

Future Outlook

If no growth is assumed, we anticipate electricity usage to reduce by approximately 10 GWh to around 230 GWh in 2016. However, taking into account the expected increase in electricity tariffs, costs are projected to rise to R301 million. Our new hospitals in Pinehaven and Polokwane, which have been developed along green design principles, should collectively avoid an energy impact of 1.8 GWh annually, an approximate annual avoidance of 1 800 tonnes of carbon emissions.

In 2014, we secured a R500 million loan from Nedbank Corporate Banking in conjunction with the Agence Francais de Development (AFD). The Sustainability Committee has approved R16 million of this grant to accelerate the roll out of solar PV projects. By the end of 2016, our rooftop solar PV projects will have a combined capacity of more than 3 megawatts, producing approximately 6 GWh of electricity a year. This will reduce our Scope 2 emissions by more than 6 000 tonnes annually. We have secured a number of Eskom rebates from light-emitting diode (LED) down-lighter replacements and qualifying domestic hot water projects, totalling R5 million. As there are no further Eskom rebates available, this is likely to be the last year we report this metric.

We are developing a water strategy to manage water supply risks. Implementation will start in 2016 with optimisation projects scheduled for the next five years. As part of this strategy, we will be installing water meters to verify the accuracy of municipal billing and monitor our optimisation initiatives. Our water is sourced from municipal infrastructure. We are investigating water efficient alternatives such as boreholes, filtering, re-use of water and rain water harvesting. The Netcare Femina Hospital in Pretoria and Netcare Alberlito Hospital near Durban will be the first facilities to benefit from these feasibility studies. Similarly, we are investigating ground water as a potential water supply alternative for our central laundry in Gauteng. A commercial water use license is required for this ground water initiative and this process can be protracted.

We have completed the audit process and developed a waste management strategy, together with the roll out of our environmental management system, we will implement a more integrated waste management process. This will optimise the value stream in terms of waste to energy, waste to fertiliser, waste to fuel, as well as recycle, reduce and re-use. Both the waste optimisation, as well as the environmental management systems, will be rolled out simultaneously at all hospital facilities over a 24-month period.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20SA%20ops%20environmental.pdf

MEASUREMENT OF OUTCOMES

Global Carbon Exchange SA (Pty) Ltd (GCX) have independently assured our results for the purpose of reporting to the Carbon Disclosure Project (CDP). The verification was performed at a limited level of assurance and in accordance with the principles of the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting Standard, 2nd Edition, 2004. The CDP report is based on the 2014 financial year; hence the impact of optimisation projects is not yet visible.



Energy and Carbon Footprint

The energy consumption baseline established in 2013 recorded 1 038 540 gigajoules (GJ), at 112 GJ per registered bed. In 2015, our energy use was 1 091 125 GJ with an energy intensity of 109 GJ per registered bed. This equates to a 2% reduction in our energy intensity compared to the 2013 baseline intensity ratio, despite the 8% increase in reporting scope. Compared to 2014, our 2015 intensity ratio has reduced by 8%. The contributing factors to the reduced energy intensity include a reduced consumption of purchased electricity, piped gas and fuels with the exception of diesel which was required to run the backup generators during load shedding. Given the inefficient energy conversion intensity for diesel, our 2015 reduction in energy intensity is significant and means we would have registered an even lower intensity ratio had it not been for electricity supply disruptions.

Water

Phase 2 of the nationwide low flow shower upgrade in hospitals (excluding PPPs and joint ventures) was completed in January 2015. In addition, we have converted the reverse osmosis plants at the National Renal Care units of Netcare Sunninghill and Netcare Alberlito Hospitals to re-use filter flush water as grey water to flush toilets. Combined, these conversions will reduce fresh water demand by 3 044 kilolitres (kL) a year. A water-wise grey water laundry design was implemented in the new hospital in Polokwane, reducing the facility's annual potable water requirements by 1 931 kL. Our water baseline, calculated in 2013, was 1 803 026 kL.

Waste management

We continue to focus on healthcare waste risk management, to ensure ongoing compliance with regulations, as well as our recycling efforts to further reduce waste to landfill.

CDP

The feedback chart presents the score Netcare Limited received for CDP's 2015 water questionnaire. The score is benchmarked against peer companies from its region and sector.

Additional information on the weblink

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20SA%20ops%20environmental.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Netcare_CDP_2015_Water_Score_Chart.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Netcare_CDP_Climate_Change_2015.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Netcare_Ltd_FY2015_Verification_Statement_10Nov15.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Netcare_Ltd_FY15_Verification_Report_11Nov2015.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/climate_change/ECC_Netcare_WDP_Response_Water_2015.pdf
http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Risk%20Management%20report.pdf



ANTI-CORRUPTION

ASSESSMENT, POLICY AND GOALS

All our divisions are committed to a policy of fair dealing and integrity in the conduct of their business. This commitment is actively endorsed by the Board of directors and is based on a fundamental belief that business should be conducted honestly, fairly and legally. We expect all our employees to share our commitment to high moral, ethical and legal standards.

The Group's Code of Ethics (the Code) articulates our policy regarding conflicts of interest, gifts, confidentiality, fair dealings and the 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. We entrench the Code's various principles in a number of ways, including training interventions and an annual survey. The Board is committed the Code and directors are required to declare any personal financial interests that pose a conflict of interest through a formal disclosure process. This is performed on a periodic basis and is a standing agenda item at all Board meetings.

The Group is mindful of the professional codes that govern the conduct and ethics of health professionals in SA. We support the Health Professions Council of South Africa to enforce its code, principles and values. Our whistle-blowing mechanism facilitates anonymous reporting of alleged theft, or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour.

For the period under review, the Board is satisfied that the Group 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 which have been replaced by the 17 Sustainable Development Goals.

The Board 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. It considers adherence to non-binding rules, codes and standards as an integral part of doing business. The Board also requires all business units, departments and subsidiaries to conform to applicable laws. The Board and senior management remain informed of the requirements of competition legislation and other legislation that affects the healthcare sector.

The Netcare Board is responsible for ensuring that an appropriate system of internal control is maintained to safeguard and manage Netcare's assets, minimise losses arising from fraud and/or other illegal acts, and fairly present financial and operating information. The Audit Committee meets regularly in separate sessions with management, external audit and Group Internal Audit in discharging its mandate. Group Internal Audit is an independent, objective assurance and consulting activity. It assists Netcare to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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/pdf/jse_sri/corporate_governance/AC_Anti_Corruption_Policy.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/corporate_governance/AC_Code_of_Ethics.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/corporate_governance/SSC_Supplier_Accreditation.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20Corp%20Governance.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/governance/G16_G19_Blandford_Consulting_Case_Study.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/governance/G19_G24_Fraud_Alerts.pdf



IMPLEMENTATION

Through the Compliance Committee, the compliance function also assesses the impact of all significant new laws and amendments on the Group and provides ongoing monitoring of the legislative landscape. Timelines, implementation areas and business owners are then assigned to facilitate any required changes. This is strengthened through ongoing training for management on key health sector regulations and, in 2015, included awareness training on the requirements of the Protection of Personal Information Act (POPI).

During 2015, we continued to enhance our compliance with POPI. Although not yet in effect, we have taken a proactive approach to managing compliance with this new piece of legislation, and have embarked on an extensive review of practices and processes to ensure personal information is appropriately protected.

Group Internal Audit is an independent, objective assurance and consulting activity. It assists Netcare to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance; evaluating risk management and governance processes; performing an objective assessment of the design of the internal control framework; evaluating the effectiveness of key controls identified and agreed with management; and effectively coordinating the combined assurance function.

Combined Assurance

Combined assurance is recommended by King III, based on a general understanding that more can be done to improve assurance coverage and quality through better coordination 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 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 of what assurance is provided for the risk exposure facing the enterprise.
- ❖ Step 2: Assess the actual assurance provided, to whom it is provided and the quality of the assurance provided.
- ❖ Step 3: Clearly establish what assurance needs to be provided and the risks that need to be assured by using the strategic, key operational and business unit-level risk profiles.
- ❖ Step 4: Communicate the approach and respective responsibilities to all stakeholders.
- ❖ Step 5: Identify a combined assurance champion to implement the approach. The executive sponsor should provide the required authority for the project and the champion should functionality report to the executive sponsor. Internal audit or risk management functions are usually best placed to take on the role of champion.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20Corp%20Governance.pdf

http://www.netcareinvestor.co.za/reports/ar_2014/gov-un-global-compact.php

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20GRI%20disclosure.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20King%20III%20compliance.pdf



MEASUREMENT OF OUTCOMES

Ethics

Every incident reported through the hotline or any other source is investigated, logged and reported on a bi-monthly basis to management. Reports are also included in the Audit, Risk and Social and Ethics committee meeting packs. Control breakdowns giving rise to an indication of fraud or theft are logged on a follow-up database and tracked by Group Internal Audit until rectified by management.

In addition to the Fraud and Ethics Hotline, all internal and external parties can contact Group Forensics by telephone, email or meeting request. Group Forensics resides within Group Risk, Audit and Forensic Services.

The Combined assurance Matrix

The matrix forms the basis for discussion at the Combined Assurance Committee meetings. The information recorded in the matrix relates to the current implemented activities and processes, and not future activities or processes.

Assurance providers include all individuals, internal functions and departments, and external parties responsible for performing key The top business risks and sub-risks are recorded based on information gathered in preparing the Board risk report, where the Group risk management function engages with key stakeholders to identify the key risks affecting their respective divisions or business units.

FTSE Russell/JSE Responsible Investment Index Series

The FTSE ESG indicator measures performance of companies on climate change, water use, biodiversity, pollution and resources, supply chain, health and safety, labour standards, human rights, tax transparency, anti-corruption, risk management and corporate responsibility and governance. Netcare was included in the FTSE/JSE Top 30 Responsible Investment Index and this is the first time Netcare has been included in the Top 30 of the Index and the results were based on independent research.

Transparency in Corporate Reporting

With the renewed focus on ethical functioning, the Committee will be pleased to note that Netcare participated in Corruption Watch's Transparency in Corporate Reporting. The initiative is focused on transparency of corporate reporting by South Africa's 36 top JSE listed companies in terms of market capitalization. An additional 14 unlisted companies were also assessed.

The report is based on data collected or made publicly available through company websites between November 2015 and March 2016. The report assesses the disclosure practices of companies with respect to their anti-corruption programmes (ACP), company holdings (organisational transparency OT) and the disclosure of key financial information on a country-by-country basis (CBC).

The methodology used follows the reports produced by Transparency International, which aims to assess the transparency practices of companies. Given the difference on regulatory environments, the ranking for listed and unlisted companies have been separated. The ranking is based on the scale of 0-10 where 0 is least transparent and 10 is most transparent. The ranking is based on the overall results in all 3 categories.

Netcare Limited was ranked number 4 on the overall results, having attained a total score of 8.2. When the score is broken down per category, Netcare has received an above average score of 50% in all categories. Below is the score rating attained for each category.

Company	ACP	OT	CBC	Total
Netcare Ltd	88%	81%	67%	8.2



Dow Jones Sustainability Indices Assessment

Netcare had participated in the Dow Jones Sustainability Indices (DJSI) assessment for the year 2016. The assessment focuses on the Economic, Environmental and Social Dimension aspects, which the DJSI uses to measure or assess company's governance compliance with DJSI ESG principles.

Netcare has been selected as an index component of the Dow Jones Sustainability Indices (DJSI) and has been recognised for its corporate sustainability leadership in the health industry. Based on the DJSI assessment and the health industry benchmark performance, which provides insight into the company's rank and identifies key competitors and illustrates the score development in relation to the industry.

Additional information on the weblink.

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20%20Corp%20Governance.pdf

http://www.netcareinvestor.co.za/reports/ar_2015/downloads/Netcare%20GRI%20disclosure.pdf

<http://www.timeslive.co.za/local/2016/05/24/Mining-houses-score-high-in-anti-corruption-report-while-banks-drop-the-ball>

http://www.corruptionwatch.org.za/wp-content/uploads/2016/05/Corruption-Watch-Full-Final_4Print-V3-Proof-19May2016.pdf

