NETCARE LTD

UN GLOBAL COMPACT ADVANCED COP

NOVEMBER 2017

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 and 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, Sustainable Development Goals etc.

Netcare completed and posted a Global Compact Advanced COP in November 2017, as a symbol of being committed to the ten principles, safeguarding the integrity of the UN Global Compact and the United Nations.

Richard Friedland
Group Chief Executive

NETCARE PROFILE

Netcare ranks as one of the world's largest healthcare groups, with 116 hospitals and approximately 13,403 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 30,056 staff members through its ownership and management of 116 hospitals, 93 Primary healthcare facilities or clinics.

Since the acquisition of GHG, Netcare ranks as one of the world's largest healthcare groups, with 116 hospitals and approximately 13 403 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 30,0556 staff members through its ownership and management of 116 hospitals, 66 Medicross family medical and dental centres and 15 Prime Cure sites. 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, the largest private emergency medical service in South Arica with a fleet of 214 emergency vehicles, 84 emergency bases, 1 ICU Jet Air Ambulance fixed wing aircraft and 2 ICU configured helicopters. National Renal Care (Pty) Ltd (NRC), with 63 dialysis facilities countrywide, and Netcare Travel Clinics.

Under the BMI Healthcare hospitals brand (BMI), GHG operates a national network of 56 hospitals and nineclinics across the UK, comprising 2 797 registered beds, 196 theatres and 37 pharmacies. BMI admitted over 280 000 patients and attended to nearly 1.6 million outpatients.

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 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.netcare.co.za/Portals/0/Annual%20Reports/PDF/Netcare_annual_report-2017.pdf
http://www.netcareinvestor.co.za/pdf/jse_sri/supporting_letter/udhr.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 91.7% on CSI initiatives. This is a clear indication of our commitment to healthcare needs in the country and is commensurate with best practice. In 2017, R26 million (2016: R37 million) was invested in healthcare-related CSI initiatives, 91.7% of Netcare's profit after tax.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Annual%20Reports/PDF/Netcare_annual_report-2017.pdf

MEASUREMENT OF OUTCOMES

Linked to our strategic pillars of operational excellence, growing with passionate people and accelerating transformation, we continued to invest in the development of our employees. Direct costs of training as reflected in the annual training report submitted to the Health and Welfare Seta reflects amounted to R54.4 million for the skills period ended March 2017 (2016, R51 million). Inclusive of indirect costs, Netcare invested R253 million in

skills development of black employees of which R217 million was spent on black women. The total costs of training thus made up 3.43% of payroll against the DTI target of 6%.

Our skills development initiatives mainly focused on providing career growth linked qualifications in nursing, emergency services and pharmacy with additional management and leadership development programmes being rolled out for C band and above. In the 2017 skills period, 77% (15,547) of our workforce received training (2016: 69%; 14,110). The majority of training beneficiaries were employees at A, B and C bands. We continue to link our learning and development initiatives with our diversity strategy. Accordingly, 74% of training beneficiaries were African, 9.26% Coloured, 7.80% Indian and 8.8% White.

A total of 220 students were enrolled on various MDP programmes with an additional 494 managers having progressed through the Leading the Netcare Way leadership programme. We also continued to observe an upward trajectory in the approval of discretionary grants to Netcare by the Health and Welfare Seta. A total of R24 million, including the Business Administration NQF 4 learnership approved by Services Seta to the value of R 1.3 million, was approved for the 2017 financial period. This has been the highest values received from the SETA to date.

Governance Surveys
Netcare voluntarily participated in a number of governance surveys for 2017 which include FTSE Russell, Dow Jones Sustainability Indices Assessment, Global Green Health Hospital 2020 Challenge and MSCI ESG Rating which assessed the human rights principle.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/Corporate%20governance%20report/Netcare_IAR_2017_Full_corporate_governance_report.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.

Workforce Diversity
Our Employment Equity Plan 2015 – 2020 outlines annual quantitative and qualitative objectives aimed at engendering greater diversity and inclusion within our workforce. In line with these objectives, we have realised positive progress in the inclusion of black people in our workforce to 75 % (2016: 73.26%) compared to their economically active population statistics of 88%. White employees now constitute 22.80% (2016: 26%) of Netcare's workforce against the economically active population of 9.9%. The balance of 1.85% is made up on foreign nationals.

We have also continued to promote gender equality; women make up 83% (2016: 82%) of our people and 55.24% (2016: 53%) of Netcare's leadership. The representation of black women has also improved to 62% (2016, 60%). The inclusion of persons with disabilities improved to 3.08% (626) of Netcare's permanent workforce from 2.61% (537) in 2016.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Annual%20Reports/PDF/Netcare_annual_report-2017.pdf

IMPLEMENTATION

Transformation in SA

With our home base in SA, we have a responsibility to support transformation to achieve normalisation in Netcare and in the broader society. B-BBEE aims to broaden access to economic opportunities for all South Africans with an emphasis on black people, black women, people with disabilities and rural communities. Our material transformation focus areas include:

> Maintaining black ownership, including black women ownership, above the Department of Trade and Industry's (dti) prescribed thresholds.
> Generating greater value for the beneficiaries of our share schemes.
> Engendering greater racial and gender diversity in our workforce and leadership structures.
> Promoting social cohesion by tackling discrimination and negative attitudes regarding race, gender and disability.
> Promoting supplier diversity in our supply chain processes.
> Focus on enterprise and supplier development with identified suppliers, including monetary and non-monetary contributions, such as guidance, mentorship.
> Committed R45 million in 2018 to various enterprise and supplier development initiatives.
> Increasing access to quality healthcare for indigent South Africans.

The dti's Codes of Good Practices (dti Codes) were revised in the latter part of 2015 and place greater emphasis on broadening access to share ownership, skills development and diversity management, as well as the diversification of suppliers in supply chains. We have implemented targeted initiatives for all these areas to align our progress to stated national priorities. Prior to the promulgation of the original dti Codes in 2007, Netcare had established an empowerment scheme, the Health Partners for Life trusts (HPFL trusts), through the transfer of 160 million Netcare shares worth R1 billion to Netcare employees and community groups. The scheme consists of the Mother and Child

Trust, the Healthy Lifestyle Trust, the Patient Care and Passionate People Trust and the Physician Partnership Trust, and share units were disproportionately allocated in favour of black and black women beneficiaries.

Employment equity is managed through our five-year employment equity plan to 2020. The plan sets qualitative and quantitative objectives that aim to create greater diversity in our workforce, commensurate with national and regional demographics. Our approach to diversity management is set out on page 15 of (http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf).

Skills development is central to achieving workforce diversity and broader socioeconomic transformation. We focus on developing a pipeline of core skills and leadership competencies, with most of our training spend directed at our black employees in line with our employment equity objectives.

We made significant progress in developing the enterprise and supplier development framework in 2017. Subsequent to the approval of the framework by the Netcare Board and adoption as company policy, we developed the policies and supporting processes before launching Netcare's enterprise and supplier development programme. The framework is integrated with our supplier diversification strategy and aims to improve our procurement spend on black-owned emerging micro enterprises and qualifying small enterprises to at least R1 billion by 2021 (currently R157 million).

This will ensure focused effort and investment in these areas, which will assist us to improve our B-BBEE contributor rating and progress towards our objective of a level 4 rating in 2020, against the revised dti Codes. Through the Netcare Foundation, we drive corporate social responsibility initiatives that aim to broaden access to quality healthcare for indigent South Africans. More information on our initiatives can be accessed at http://www.netcare.co.za/CSI.

Ownership

The revised dti Codes prescribe share ownership thresholds of 25%+1 and 10% for black South Africans and black women respectively. Presently, the value of exercisable shares in the HPFL trusts amounts to R199.7 million, with the total value of unallocated shares amounting to R2.1 billion at 30 September 2017. This ownership profile excludes vested and exercised shares. At 30 September 2017, Netcare's HPFL trusts had generated cumulative value of R678.3 million to beneficiaries since inception.

During the 2017 financial period, there was significant reduction in the number of Netcare shares owned by institutional shareholders resulting in an overall decrease in the number of Netcare shares held by black people to 75 698 761 (15.40%) from 129 892 880 (25.82%) in 2016. Correspondingly, the total number of shares held by black women decreased to 10.38% from 12.60% in 2016. These developments resulted in Netcare's externally verified ownership rating being 16.02 after the exclusion of mandated investments and the value of our international operations as permitted by the revised dti Codes.

At 30 September 2017:
> Nine future vesting dates, valued at R53.1 million, were still to be realised.
> The unallocated value of the staff scheme was estimated at R1.1 billion (approximately 46 million Netcare shares owned by the staff trust).

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf

MEASUREMENT OF OUTCOMES

Preferential Procurement

Around 65% of Netcare's procurement spend is for medicine and medical devices, which are mostly procured from multinational companies either directly in the country of origin or represented by a distributor in SA. At September 2017, Netcare's total procurement spend in SA amounted to R12.2 billion (2016: R11.9 billion), of which R9.9 billion qualified as B-BBEE spend. Procurement spend from B-BBEE compliant suppliers was 63% (2016: 75%), mostly due to suppliers having lower B-BBEE scores under the revised dti Codes and a lack of available supplier B-BBEE certificates.

Procurement spend was R407 million (2016: R531 million) with qualifying small enterprises and R448 million (2016: R371 million) with exempt micro enterprises. This combined spend of R855 million (2016:R902 million). Procurement spend improved to 23% (2016: 20%) of total spend, with at least 51% black-owned suppliers and 9% (2016: 6%) with at least 30% black women-owned businesses.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf

Supplier Development
Under this pillar, we have only been able to claim recognition for earlier payment terms and time spent by our procurement team with qualifying entities.

Enterprise Development
Enterprise develpment under the previous dti Codes, our enterprise development initiatives included loans to various Group companies; at September 2017, the outstanding loan amounts were valued at R348 million (14% of NPAT1). However, the revised dti Codes only recognise loans offered to exempt micro enterprises and qualifying small enterprises that are at least 51% black-owned or at least 30% black women-owned. As a result, none of our total outstanding loan balance is recognised as enterprise development.

We have reviewed our enterprise and supplier development strategy and the Netcare Board has approved the revised framework and its adoption as company policy. Netcare's new enterprise and supplier development programme has been launched, supported by approved policies and supporting processes. The revised framework is integrated with our supplier diversification strategy and aims to improve our procurement spend on black-owned emerging micro enterprises and qualifying small enterprises to at least R1 billion by 2021 (currently, R157 million).

ENVIRONMENT
ASSESSMENT, POLICY AND GOALS

Environmental optimisation is an important contributor to Netcare's quality improvement efforts. Securing 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 provides cost savings, reduces our environmental impact and enables us to better manage our environmental risks.

Environmental performance is managed and monitored by the Environmental Sustainability Manager who is supported by an energy engineer. The Environmental Sustainability Manager reports directly to the Chief Executive Officer (CEO) and the Sustainability Committee. The committee is chaired by the CEO and reports into the Social and Ethics Committee, a subcommittee of the Netcare Board. Our material focus areas include:
> Carbon emissions and energy supply and consumption.
> Water supply and consumption.
> Effluent and waste management.

The management of water and waste, and biodiversity is predominantly at an operational level. During the course of FY2018, waste management will be centralised and an integrated waste management approach will be introduced to focus on the cost of waste and processes to identify value streams in waste. These value creating projects will generate income against which to offset costs, and support our goal to reach zero waste to landfill. The Property division oversees building projects and where required, environmental impact assessments are undertaken by specialists. The Facilities division is responsible for day-to-day operations and service providers are responsible for collecting waste and managing the safe disposal of hazardous waste on behalf of Netcare.

The Procurement division is responsible for service level agreements and managing service providers. During FY2017, a Procurement committee was constituted to enhance procurement processes and review the supplier base, including ethics in the supply chain. It is chaired by the CEO. Project implementations are managed from a central point and in close collaboration with each facility. Environmental risks are managed through a robust governance and risk framework and facility management structures at operational level.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Policy_General_Waste.pdf?ver=2017-05-15-152552-037
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Policy_Energy.pdf?ver=2017-05-15-152551-343
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Management_Policy.pdf?ver=2017-05-15-152551-327
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/Environmental_Sustainability_Policy_Base_Year_Recalculation_Policy.pdf?ver=2017-05-15-152551-280

IMPLEMENTATION

Remuneration and performance bonuses are linked to the environmental programme for employees who are accountable for environmental performance within these divisions. Netcare has the following environmental sustainability policies in place:

> An overarching environmental sustainability policy.
> Energy policy.
> Water management policy.
> Hazardous substances policy.
> General waste policy.
> Green procurement policy.
> Emissions policy.
> Base year and baseline recalculation policy.
> Health care risk waste policy.

An environmental sustainability green construction policy, as well as a consultant and business design guideline will be published in FY2018. We were not able to develop a science-based target for emissions reduction through the 'We Mean Business' initiative in FY2017 due to the specific generation trajectory in SA. This will receive further attention in FY2018. In supporting this, we will develop the Grid Isolated Energy Transfer (GIET) programme where electricity is generated through renewable sources and will be net metered. This will allow for the export of energy into the SA grid during high generation periods and for grid electricity to be imported during low renewable generation periods. This will lower the cost of electricity and also assist in meeting sciencebased targets.

Our Enterprise Sustainability Platform generates daily and monthly dashboards of utility usage and environmental impact across our facilities. The data collected through the platform informs our reporting to sustainability indices and the Carbon Disclosure Project (CDP), and assists us in identifying initiatives that support our strategic objectives and targets.

Training
Environmental training and information sessions take place at all levels of the business, covering the actions to be taken should an adverse event occur and the behaviours required to mitigate long-term environmental risk.

Scope of Reporting
Our environmental data for SA covers all Netcare hospitals, Medicross family medical and dental centres and Prime Cure clinics, including laundry and hospital vehicle transport. For energy and water consumption, as well as waste generation, the following are included in the scope:
> Lesotho and the Public Private Partnerships (PPP) in SA.
> Joint venture facilities in SA, including National Renal Care.
> Netcare 911 facilities located at Netcare hospitals.

Carbon emissions and energy In 2013, we implemented a five-year strategy to achieve a targeted 35% reduction in energy intensity over 10 years for the SA operation. Our focus on electricity purchased is due to it being the largest utility expense, which accounts for around 80% of our total energy consumption and is the largest contributor to

our carbon emissions. Since 2013, the Sustainability Committee has approved energy efficient, renewable energy and water projects valued at R507 million.

Of this, R473 million has been invested in energy-related projects. Our target is to reduce our energy use to 224 GWh by 2018 and 183 GWh by 2023, based on zero growth in patient day activity or floor space (2017: 233 GWh). Electricity meters are installed on an ongoing basis at Netcare hospitals and more recently at Medicross facilities. Meters are critical for establishing accurate baselines against which to measure, verify and report energy reductions.

Audits are undertaken nationally; together with our online monitoring of facilities, we are able to identify opportunities to reduce our electricity consumption and additional projects for implementation.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 measure energy consumption against our performance in 2013, which is set as our base year. The baseline was calculated using energy audits undertaken across our hospital and Medicross networks, as well as some other facilities, and a baseline and targets were established for each facility. Our baselines and targets are reviewed annually and the baseline is used to declare the savings that reflect directly in the financial statements.

Our energy, carbon footprint and water usage have been independently assured by Global Carbon Exchange SA (Pty) Ltd (GCX). The assurance is undertaken as part of our disclosure to the CDP and verification was undertaken at a limited level of assurance. Assurance in accordance with:
> The principles of the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting Standard, 2nd Edition, 2004.
> The International Standard ISO14064-3 (2006) 'Specification with guidance for the validation and verification of greenhouse gas (GHG) assertions'.

Water
A water strategy was developed in FY2016 based on audit findings, and detailed risk assessments, and mitigation measures were undertaken in FY2017. The outcome will be the development of a waste water treatment project that has the potential to eliminate half of Netcare SA operations' impact on this scarce resource. This will not only optimise risk mitigation, but will also support excellent water stewardship. We are installing water meters at our hospitals and planned to complete this project in FY2017; however some infrastructure risks and consideration for patient safety impacted the roll out negatively, and it is anticipated that the project will now be completed in FY2018. On completion, targets will be set for each facility with a list of interventions and associated implementation plans. Our aim is to implement a stakeholder inclusive water stewardship programme that is socially equitable and environmentally sustainable, but also delivers an economic benefit. Our objective is to reduce our reliance on water service providers by around 1 000 kilolitres per annum.

Waste Management
A waste strategy is in place and our approach to optimise waste management is based on the most preferred option of avoidance or prevention through reducing, re-using, recycling and disposal (the last being the least preferred option). Our audits of waste service providers cover compliance with waste management regulation, training, competency of staff, waste information systems, control and security, transportation, monitoring, environmental impact, and health and safety.

We have gone to tender to develop and implement an integrated waste management solution. The focus will be to convert waste streams to value streams to mitigate cost and support a zero-to-landfill waste management outcome. The tenders closed at the end of FY2017.

A comprehensive action plan is in place to address healthcare risk waste, which is the most expensive operational cost associated with waste. This provided improved results in FY2017. We focus on the correct segregation of waste using clearly marked colour-coded bins and provide training to our employees. A set of baseline metrics has been established to measure performance, with the measure of hazardous waste volume per patient day distributed monthly to leadership to track progress. Where required, we will engage with and assign targets to facilities that are above average levels of waste production.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf

MEASUREMENT OF OUTCOMES

Good progress has been made on the electricity reductions impacting Scope 2 emissions. The emissions associated with Scope 1, our direct emissions, are driven by external factors such as supply interruptions impacting generator fuel usage, patient needs driving medical gas use, and road and air ambulance usage. Scope 1 emissions decreased to 33 339 tonnes from the 2016 value of 46 034 tonnes, while Scope 2 emissions decreased from 235 975 tonnes in 2016 to 218 252 tonnes in 2017. The combined impact is 251 591 tonnes in 2017 versus 282 009 tonnes in 2016.

Direct energy intensity per registered bed in 2017 was 20 GJ. The direct and indirect energy consumption baseline established in 2013 recorded 1 038 540 gigajoules (GJ), at 112 GJ per registered bed. In 2017, our energy use was 1 052 635 GJ with an energy intensity of 99 GJ per registered bed. This equates to a 9% reduction in energy intensity compared to 2016 and 12% to the 2013 baseline intensity ratio. This is still exceptional if we recognise a footprint increase of 14% to our base year.

Our total Scope 1 and 2 emissions for the 2013 base year were 341 tonnes of CO_2e per registered bed. In 2017, we recorded 24 tonnes of CO_2e per registered bed, a 29% reduction in intensity from baseline. The table below sets out our energy and emissions performance for 2017 to 2014, against the 2013 baseline.

Electricity is our main source of energy use. The Hospital division used 215 gigawatt hours (GWh) in 2017 (2016: 224 GWh, 2015: 225 GWh). Total energy usage by the Group SA operations and Lesotho for the year was 233 GWh (2016: 247 GWh, 2015: 240 GWh, 2014: 245 GWh, 2013: 248 GWh)1. While registered beds increased 14% when compared to 2013, the absolute usage dropped to 6% below the 2013 baseline in 2017 for the SA operations and Lesotho. Our target is to reduce the energy use to 224 GWh by 2018 and to 183 GWh by 2023 based on zero activity or floor area growth.

In 2017 we expanded our monitored facilities to include Medicross, which recorded electricity use of 10 GWh in 2017 (2016: 14.3 GWh). This reduction was mainly due to the initiatives implemented at the monitored facilities.

Our electricity expense for 2017 was R288 million (2016: 279 million, 2015: R259 million, 2014: R239 million, R2013: R235 million). If the sustainability projects had not been implemented, costs for 2017 would have been R348 million, implying a cost avoidance of R60 million in 2017 (2016: R30 million, 2015: R23 million, 2014: R15 million)1, representing cumulative cost avoidance of R129 million since 2013. During 2017 our fleet of solar PV installations generated 7.9 MWh of renewable energy, contributing more than R15 million to the savings for this year

Additional information on the weblink
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf

ANTI-CORRUPTION

ASSESSMENT, POLICY AND GOALS

We are committed to and fully endorse the principles of good corporate governance recommended by King IV and set out in the JSE Listings Requirements. We also consider other voluntary codes such as the principles of the United Nations Global Compact, of which we are a member, and the recommendations of the Organisation for Economic Co-operation and Development.

The Quadruple Aim is the foundational principle of Netcare's strategic approach. Its objectives cut across all activities in our business, from the governance and management systems that ensure oversight and control, and delivery against strategy, to the healthcare services we provide, which form an essential part of the national health systems in which we operate.

The Quadruple Aim's objectives focus on best patient outcomes, best patient experience, and most cost-effective care together with excellent staff training and support. These objectives align to King IV's foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value created.

As a result, our existing governance framework, and delegation of authority, has provided a solid foundation for our implementation of King IV. We have approached the transition in an inclusive and integrated manner, to ensure that King IV's principles and recommended practices are applied with the aim of achieving the Code's intended outcomes, namely an ethical culture, good performance, effective control and legitimacy.

Regulatory compliance

All Group divisions, business units, operational and administrative business areas and subsidiaries are required to comply with all applicable legislation and regulations. The Board is 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.

Compliance risk is monitored by the Risk Committee and managed through the compliance framework, which includes compliance reviews. Through the Compliance Committee, the compliance function monitors the legislative landscape on an ongoing basis and assesses the potential impact of new laws and regulatory amendments on the Group. Where changes are required, these responsibilities are assigned to implementation areas and business owners, and must be facilitated within defined timelines. We use a risk-based approach when reviewing the Group's policies

Ethics

The fundamental concept of embedding governance practices that are ethical, integrated and stakeholder inclusive remains largely unchanged between King III and IV. The Board recognises that good governance emanates from leadership that is characterised by the ethical values of responsibility, accountability, fairness and transparency. All our divisions are committed to a policy of fair dealing and integrity in the conduct of their business, and all employees are expected to share our commitment to high moral, ethical and legal standards.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Corporate%20Governance/Anti-Corruption-Policy.pdf?ver=2017-05-15-152523-260
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Corporate%20Governance/SSC_Supplier_Accreditation.pdf?ver=2017-05-15-152522-960
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/Corporate%20governance%20report/Netcare_IAR_2017_Full_corporate_governance_report.pdf

IMPLEMENTATION

Netcare's Code of Ethics (the Code) articulates our policy on conflicts of interest, gifts, confidentiality, fair dealings and the protection and appropriate use of Netcare's assets. Policies are in place to ensure that all employees disclose any potential conflicts of interest, as well as any gifts or invitations by a supplier or third party. The Board is committed to ensuring that the Code is consistently applied within the Group, and a number of initiatives are used to entrench the Code's principles, and build and maintain a values-based culture beyond mere compliance, including training interventions and an annual survey.

We are mindful of the professional codes that govern the conduct and ethics of healthcare professionals in SA. The Group supports the Health Professions Council of South Africa (HPCSA) in its endeavours to enforce its code, principles and values. We encourage our employees to be fully aware of their human rights, facilitated through an awareness programme that is part of our induction programme.

Managing unethical behaviour
We take a zero-tolerance approach to theft, fraud and corruption. Group Forensics evaluates all reported incidents of theft, fraud and corruption to determine the appropriate manner in which these incidents should be investigated. All identified cases are reported to the South African Police Services and, where appropriate, to the applicable registered bodies such as the 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. Employees, management and external parties can contact Group Forensics by telephone, email or meeting request, or they can use the fraud and ethics hotline to protect their anonymity. These mechanisms are available to all Netcare employees in SA and to the public, including patients and suppliers.

Combined Assurance
A revised combined assurance approach was approved by the Audit Committee in July 2017 and referred to the Board for ratification. Our five levels of assurance model, underpinned by a governance framework and delegation of authority, is designed to effectively address the organisation's key risks and material matters through a combination of the assurance service providers and functions appropriate for the organisation. The Board delegates the oversight of assurance to various governance committees and management, who are assisted by expert independent and non-independent advisors in terms of the five levels of assurance.

The Combined Assurance Committee co-ordinates the efforts of all assurance providers to avoid duplication, assess inter-related risks and optimise costs. It assesses the skills and experience of the assurance providers and the nature and extent of the assurance work provided. The committee also considers Netcare's top business risks, and the plans and processes in place to manage these risks, including the relevant assurance providers.

The committee meets at least twice a year and reports to the Audit and Risk committees. The Chair of the Audit Committee approves its terms of reference, and committee members include members of the Executive Committee, representatives from Group Internal Audit, and key business unit managers.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/Corporate%20governance%20report/Netcare_IAR_2017_Full_corporate_governance_report.pdf

MEASUREMENT OF OUTCOMES

Ethics
Every incident reported through these mechanisms is investigated, logged in the defalcation register and reported to management every second month. A forensics report summarising the defalcation register, fraud trends and material incidents is included in the meeting packs distributed to the Audit, Risk, Quality Leadership and Social and Ethics committees.

Fraud awareness initiatives include road shows, fraud awareness posters and regular alerts and emails communicating recent fraud trends and the nature of matters investigated by Group Forensics. To support our zero tolerance of discrimination and racism, an anonymous toll-free 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. All reports are forwarded confidentially to senior human resource practitioners for investigation and management.

FTSE Russell
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 had participated in the Dow Jones Sustainability Indices (DJSI) assessment for the year 2017. 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 was included in the Dow Jones World and Emerging Markets Indices for the fourth consecutive year, achieving a score of 91% and ranking fifth in the healthcare providers and services sector.

Additional information on the weblink.
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/Corporate%20governance%20report/Netcare_IAR_2017_Full_corporate_governance_report.pdf
http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/GRI/Netcare_IAR_2017_GRI_G4_index.pdf